

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 27 October 2009

Session 3

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TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

23rd Meeting 2009, Session 3

CONVENER

*Patrick Harvie (Glasgow) (Green)

DEPUTY CONVENER

*Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

*Rob Gibson (Highlands and Islands) (SNP)
*Charlie Gordon (Glasgow Cathcart) (Lab)
*Alex Johnstone (North East Scotland) (Con)
*Alison McInnes (North East Scotland) (LD)
*Des McNulty (Clydebank and Milngavie) (Lab)
*Shirley-Anne Somerville (Lothians) (SNP)

COMMITTEE SUBSTITUTES

Alasdair Allan (Western Isles) (SNP)
Murdo Fraser (Mid Scotland and Fife) (Con)
David Stewart (Highlands and Islands) (Lab)
Jim Tolson (Dunfermline West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Garry Clark (Scottish Chambers of Commerce)
Eric Guthrie (Tayside and Central Scotland Transport Partnership)
Alex Macaulay (South East of Scotland Transport Partnership)
Amanda McMillan (BAA Scotland)
Derick Murray (North East of Scotland Transport Partnership)
Stuart White (BAA Scotland)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Clare O'Neill

LOCATION

Committee Room 2

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 27 October 2009

[THE CONVENER *opened the meeting at 14:00*]

Decision on Taking Business in Private

The Convener (Patrick Harvie): Good afternoon. I welcome everyone to the 23rd meeting this year of the Transport, Infrastructure and Climate Change Committee. I remind everyone present that all mobile devices should be switched off for the duration of the meeting.

There are four items on the agenda. Item 1 is to decide whether to take items 3 and 4 in private. Item 3 is consideration of the evidence that we will hear during our budget scrutiny, and item 4 is consideration of a proposal for attendance at the climate change conference in Copenhagen. Do members agree to take those items in private?

Members *indicated agreement.*

Draft Budget Scrutiny 2010-11

14:01

The Convener: Agenda item 2 is our main business today. I welcome our first panel of witnesses, as we continue our scrutiny of the Scottish Government's draft budget for 2010-11. We will hear first from BAA Scotland and the Scottish Chambers of Commerce. There will then be a panel of witnesses from the regional transport partnerships.

Amanda McMillan is managing director of Glasgow airport, Stuart White is a development director at BAA Scotland, and Garry Clark is head of policy and public affairs for Scottish Chambers of Commerce. I thank you all for joining us. Does anyone want to make brief opening remarks before we begin our questioning?

Amanda McMillan (BAA Scotland): I would like to do so, if that is okay.

I thank you for inviting us to the meeting. As the convener said, I am the managing director of Glasgow airport. I have held the post since September 2008; I joined BAA in 2005. I am joined by Stuart White, who is my development director at Glasgow airport. He has been actively involved in the Glasgow airport rail link project since the time of the Glasgow Airport Rail Link Bill. He and I have worked closely with Transport Scotland and other agencies to make GARL a reality. I believe that we have fulfilled all our obligations as a partner in the GARL project, and I am happy to discuss that with the committee.

I would like to express a few bigger views on connectivity to Glasgow airport. First and foremost, we are extremely disappointed by the decision to cancel the GARL project, although, as a private company, we understand the Government's financial pressures. We always recognised that GARL was a public sector project and that it would ultimately be for ministers to determine whether it represented good value for money for the taxpayer. I am sure that the debate on whether the right decision was made will continue—obviously, this meeting is a key step in the process—but the decision is ultimately for the Government and the Parliament.

I stress that we need to focus on the future and that we need clarity from the Government. There is a pressing need to improve surface access to and from Glasgow airport, not least for the Commonwealth games, otherwise the city and its airport will suffer.

The draft budget does not address the transport needs of one of Scotland's leading international gateways. We have heard suggestions that

fastlink is an appropriate alternative to GARL. GARL offered us fast, frequent and reliable journeys from the city centre to the airport and it offered us an express service, but I understand that the fastlink project as it stands would not do that.

I welcome the opportunity to be with the committee, and I am sure that there is much to discuss. I sincerely hope that the answers that Stuart White and I can give will move the debate forward and allow us to concentrate on the future.

Garry Clark (Scottish Chambers of Commerce): I will make a couple of initial remarks on behalf of the Scottish Chambers of Commerce. As members are aware, transport is one of the key issues for businesses throughout the country, particularly for members of chambers of commerce. We have spoken frequently about the importance of transport to our members. It is important that we develop our domestic and international connectivity. Scotland's economic future is largely dependent on our ability to compete not only at Scotland and United Kingdom levels, but on the global stage.

We published our latest quarterly business survey last week. One result in it that gives us optimism for the future is that there has been an increase in our exporting, particularly in the manufactured sector. That development is extremely welcome and underlines the need to ensure that we have international connectivity and are linked up domestically.

I am happy to deal with any questions—whether on road, rail, air or sea—that relate to our members.

The Convener: My initial question would have been to ask the witnesses to respond to the cancellation of GARL. Amanda McMillan has expressed extreme disappointment—I think that that was the phrase—with the decision and we have heard a similar response from other organisations. Will the witnesses elaborate on their responses to the decision, why they have taken the views that they take and whether they are able to quantify any impact that cancellation of the GARL project may have on business interests, job creation, Strathclyde or the west of Scotland as an investment location and the environmental case—such as it is—for the link?

Garry Clark: It came as something of a surprise and a shock when we heard that the decision to cancel the GARL project was about to be announced. The Scottish Chambers of Commerce and our member chambers have supported the project for some considerable time. I remember giving evidence, on behalf of Glasgow Chamber of Commerce, to the Glasgow Airport Rail Link Bill Committee about three and a half years ago.

GARL is an important strategic link in the Scottish transport network. It is vital for encouraging intermodal connectivity as well as for achieving a degree of modal shift in travel to and from the airport.

There have been various estimates of the link's economic benefit. Figures of £300 million or thereabouts have been quoted. Such figures are not unrealistic. We must also consider the impact in terms of the number of jobs that the project supports and would continue to support.

However, the main issue is long-term strategic connectivity. The project is one piece in the jigsaw of joining up Scotland's transport networks. We envisage GARL as running alongside crossrail, whatever form that would take. It has also been a key component in the bid for the Commonwealth games so, in that respect, we were disappointed that it has been cancelled at this late stage, which entails reputational issues for Scotland as a whole.

It is fair to say that we are extremely disappointed on a number of fronts with the decision to abandon the airport rail link.

The Convener: Can you offer any further information to quantify the impact, aside from the £300 million that you cited, which is not necessarily your figure?

Garry Clark: Although it is not our figure, it is a reasonable and understandable projection of the economic benefit to Scotland of the airport rail link. Some 1,300 jobs would have been supported or created in the short term as a result of the project, but the long-term issues are most important to us. The project is about joining up Scotland and making sure that we are seen as a nation that is ready to do business abroad, which can only be good for businesses the length and breadth of Scotland.

Amanda McMillan: I will keep my answer simple. The keys to growing the airport are the success of both the airport operator and the city and country that the airport serves. There is a unique partnership between the airport, the city and the country. For me, the cancellation of the project is a strategic disappointment as much as anything else. We made a commitment to do something that would have improved our standing on the world stage and would unquestionably have improved the product for people arriving in this country.

We are taking a step backwards by pulling away from the project and not continuing to invest jointly in creating an international gateway that is up to the required standard. I share Garry Clark's view that the airport link was a strategic move that would represent Glasgow and Scotland on the wider stage. Our extreme disappointment is about

that loss as well as about the fact that we have already put so much into the project.

Stuart White (BAA Scotland): I echo what Amanda McMillan said. Having worked on the project for some time and having put in a lot of effort, we are extremely disappointed to move away from it. The strategic importance of the project was our main driver.

The Convener: A couple of members have supplementary questions, specifically on the economic impact, I assume.

Des McNulty (Clydebank and Milngavie) (Lab): I have two questions. Witnesses expressed their disappointment in the decision and made the point—as I have elsewhere—that people coming to Glasgow or the west of Scotland for business or leisure these days expect a straightforward link between the airport and the city centre and the transport links there. What is the business position of Glasgow airport in comparison with Edinburgh and airports elsewhere in the UK? My understanding is that the Glasgow airport link would have provided Glasgow with a competitive advantage—or would at least have alleviated any competitive disadvantage compared with other airports. The link would improve the economic competitiveness of Glasgow airport.

You are all under business pressures in the recession. There have been recent discussions at Glasgow airport about closing a terminal during the winter, and Prestwick airport is under pressure following Ryanair's comments about its future intentions. How do you view the decision about the airport link, given the competitive pressures on BAA as an airport provider in the west of Scotland?

Amanda McMillan: In the short term, the decision has knocked the confidence of the city and, by default, that of the airport. The current pressure that we are under in running the airport is the same as for other businesses. In this time of recession, we are feeling the acute impact of the decline in passengers. Announcements on the scale of the decision not to go ahead with the airport link unquestionably knock the city's confidence, and the airport will not benefit from such a backward step.

On whether we would have a competitive advantage if such a decision had not been made, I think that we need to live in the reality, which is that we are currently fighting for business and the rail link would not have been ready at present. As I said earlier, the rail link was a strategic intention and would have benefited us in the future. It is arguable that we will always do well when the city of Glasgow does well. That is the unique collaboration that exists between the airport and the city.

I hope that that answers the question. On the other point that was alluded to, let me take the opportunity to say that Glasgow airport's position is very similar to that of other regional airports. We are in a slightly different position from Edinburgh airport because of the unique contribution that Ryanair has made to growth there.

14:15

Shirley-Anne Somerville (Lothians) (SNP): Can the witnesses provide further clarification on the economic benefits of the rail link? Do the figures on economic benefit and jobs relate to the branch-line element that has been cancelled, or to the project as a whole?

Garry Clark: I do not know whether the figures were for the overall project or for the branch-line element, but I can say that a direct link between the airport and the city centre would provide a number of potential business benefits. Given that one of Glasgow's strengths is in marketing itself as a destination city, the airport rail link would add strength to that bow and help Glasgow to achieve its ambition to be one of the world's leading business tourism and conference venues. All over the world, businesspeople almost expect an airport rail link when they arrive at a city to experience its conference facilities, so the link would be a massive plus.

The figures on passenger usage of the airport rail link are probably an underestimate to some degree. I have no doubt that Glasgow would be far more attractive to visitors if it had an airport rail link. After the Stirling-Alloa-Kincardine railway had been built, the number of passenger users was double what had been expected. The evidence from all over is that if infrastructure is built, people will use it. There are many reasons to use the Glasgow airport rail link.

Shirley-Anne Somerville: I appreciate those comments. It might be useful to receive further written evidence to see how the benefits were split between the branch line and the whole project.

What proportion of passengers who use Glasgow airport would also use the airport rail link?

Garry Clark: That is difficult to quantify. It is easy to look at it in terms of passengers from various areas of Glasgow who would not find the rail link to be the most convenient route, therefore they might use different routes. However, the figures on passenger usage are probably an underestimate, given that in every single example of infrastructure being built, it has been overused rather than underused. The passenger numbers are probably a fairly conservative estimate. The airport rail link is extremely important from a business angle. The link would probably be not so

much about getting people from the city centre to the airport but about getting people into Scotland who need to get from Glasgow airport directly into the centre of Glasgow, which is where most people want to go.

Shirley-Anne Somerville: I appreciate all that, but I was just trying to get an idea of proportions and percentages. We can debate the principles at length, but I just want to know whether there are figures on the proportion of passengers who would use the airport rail link. Does Amanda McMillan have any figures on that?

Amanda McMillan: I think that we have some figures on that. If it is appropriate to do so, I will provide the actual figures in writing rather than—

The Convener: That would be helpful.

Amanda McMillan: However, I echo Garry Clark's comments. After arriving at the airport, people can spend 45 minutes travelling the short distance to the town centre. That is not a brand that we need, as an international airport.

On the earlier question about how the airport rail link would differentiate us from other airports, I accept that the link might not be a differentiating factor at present, but the lack of such a link will be to our disadvantage if, for example, Edinburgh airport enhances its links to its city centre.

Shirley-Anne Somerville: I am sure that we will come back to the issue at some point.

The Convener: I appreciate the offer of a written answer to the specific question.

Amanda McMillan: I am happy to provide that.

The Convener: There is time for a final supplementary question from Des McNulty, then we will have to move on.

Des McNulty: My question is for Garry Clark. You said that you were invited to give evidence to the Glasgow Airport Rail Link Bill Committee, which was looking at the business case for the Glasgow airport rail link at that time. What is interesting about the way in which the decision was made, rather than the decision itself, is that there was apparently no analysis of competing alternatives. In a business context, I would have expected people to consider different options for securing the cost savings that were required and then to select the one that would be least strategically damaging, if I can put it like that. What is the view of the business community in Scotland, not so much on the fact that GARL has been cancelled, but on the way in which GARL was selected as the project to be cancelled because of what the Scottish Government is calling not an immediate but a longer-term problem with budget sustainability? The Confederation of British Industry made comments

about that over the weekend, and I am interested in your view.

Garry Clark: The announcement came as a surprise to us. We would have appreciated some discussion and debate prior to the decision's being made. Nevertheless, we understand the pressures that the Scottish Government is working under regarding its budget for this year and its budgets for future years. Those pressures will be shared by the United Kingdom Government and local authorities up and down the country. We know that the decisions that the Government has to make are not easy, but our view of this particular decision is that it was a case of, "Do we want this link or not?" A great deal of time, energy and expense had already been invested in developing the link, and businesses that we have been speaking to about it think that it is a great shame that the baby has been thrown out with the bath water.

Rob Gibson (Highlands and Islands) (SNP): Given the circumstances in which we find ourselves after several years over which the costs have nearly trebled from the original estimates, that we have passed the Climate Change (Scotland) Bill and are assessing how we work, that there is the credit crunch and a squeeze on our funds, do you think that alternative sources of funding could be found for the GARL project?

Amanda McMillan: We are not in the habit of making that kind of decision—it is for the Government to decide. We would, however, have been happy to participate in any think tank that it established to consider other ways to make the project viable.

Rob Gibson: You have not thought about the issue, although the costs have trebled in some cases and more than doubled in others, compared with the original estimates. It did not pass through your heads that, if you wanted to go ahead with the project although the Government had less money, you might think about some other places where money could come from.

Amanda McMillan: I do not think that we were afforded an awful lot of notice about the decision, so we did not have time to reflect in that way. In fairness, we were told about the decision and the total costs only through the parliamentary announcement. In our defence, we did not have enough time to think about such things—we were not forewarned in any way that the decision was going to be made.

I remind the committee that Glasgow airport stands on its own two feet economically on an on-going basis and contributes greatly to the success of the country. It does that without any handouts, and has done for years. We have invested heavily in route development and we rely on our airlines

being willing to pay for the infrastructure at our airports. There must be a viable business case for that. That issue was investigated at the time when the rail link was conceived, a few years ago. It was considered not to be appropriate, on the basis that we would not get support for it from the airlines, which are the major source of our money. That does not mean that we would not participate in any thinking.

Rob Gibson: It is more than a month since the announcement, so all of us have had time to think about these matters. Given that this is the budget process, are you able to suggest another source of money?

Amanda McMillan: Not at this stage. I remind members that we are managing a business in very recessionary times. I have been pretty busy running my airport and trying to look after the connectivity of Scotland. I would not want people to think that I have not been doing anything in the past month.

Rob Gibson: Of course. We are attempting to preserve the reputation of the Scottish Government in tough financial times—that is why this discussion is taking place.

Alison McInnes (North East Scotland) (LD): That is not what the committee is meant for.

Cathy Peattie (Falkirk East) (Lab): That is not the committee's job.

Rob Gibson: I put the same question to Garry Clark.

Garry Clark: The Government has decided to axe the project from its budgetary proposals. If it were to say that it wanted the link to go ahead but that the substantial and understandable financial pressures on Government were preventing that from happening, the business community would be more than happy to sit down with it to explore other means of funding the project, either from elsewhere in the Scottish Government budget or from third-party sources. We must all decide whether or not we want the link. We want it and are happy to discuss ways of making it happen.

Rob Gibson: Would you support the idea of seeking accelerated capital funding from the Treasury in London to help out?

Garry Clark: That is one option that would be worth exploring.

Amanda McMillan: I do not feel able to comment on the appropriateness of that option.

Rob Gibson: What impact, if any, will the cancellation of GARL have on the accessibility of Glasgow airport—first, to people in Scotland as a whole, and secondly, to people in Glasgow?

Garry Clark: Without the airport rail link, Glasgow airport will be in the same position as it is today. I do not want to single out Glasgow airport—all of Scotland's airports have issues, to a greater or lesser extent, with connectivity to the road or rail networks. The decision not to proceed with the Edinburgh airport rail link has already been taken. Edinburgh airport also has issues with road connectivity, especially to the M8. Aberdeen airport has access issues. Inverness and Prestwick—

Rob Gibson: I agree that there are other issues. However, at the moment I am interested in discussing the GARL project, not the others that you mention, because they are not part of our budget inquiry. Presumably, the GARL project was set up with a view to developing Glasgow airport, which serves the rest of Scotland as well as Glasgow.

Garry Clark: Absolutely. We must look to create the kind of transport connectivity that we want to see in a modern, 21st century European city. Most of our competitor cities in Europe have better connectivity than we have. We need to match and to push past them, in order to put ourselves in a competitive international position. We need to ensure that we have the best possible infrastructure to provide our businesses with the best advantages and to enable them to compete on an international stage.

Rob Gibson: I understand what you are saying. Amanda McMillan may be able to tell us where people go from the airport. Do more people go to Glasgow or do more go to other parts of Scotland, without travelling via Glasgow?

Amanda McMillan: I will have to send the committee those statistics, as I have not brought them with me. Are you asking about people's final destination, after they have arrived at the airport? Without statistics, I would say that most people have to pass through Glasgow or go over the Kingston bridge after they have left Glasgow airport. Some people—tourists and so on—may go to Ayrshire or down to Loch Lomond, but the vast majority want access to the city.

As Garry Clark said, without GARL, we will have to live with what we currently face day to day. The summer was blighted by road works on the M8, which meant that there was variability in the service that I was able to provide to passengers. We do not have an express link between our international airport and our city, which I think is an absolute prerequisite.

14:30

Rob Gibson: The Clyde fastlink project has been suggested as a possible alternative, although it might not be an alternative in your

view. Could it provide an alternative fast link into Glasgow?

Amanda McMillan: We have not been consulted on fastlink; we have just seen some outline indications of what it might look like. That is not a criticism. We were not consulted because fastlink as proposed does not come to the airport. We have been preoccupied with GARL. It is absolutely understandable that we have not been involved with the fastlink project.

Having looked at the fastlink project, our concern is that, under current plans, it will not come to the airport. That is why I said in my introductory remarks that, as it stands, it will not replace GARL.

My second concern is that we need an express service. Passengers who arrive at an airport want to get to their ultimate destination as quickly as possible. We cannot afford to have multiple stops and a route that is not as direct as possible. My concern about extending fastlink to the airport is that it does not appear that it would be an express service. That is the reason for the comments that I made at the outset.

Rob Gibson: Thanks for expanding on that. Does Garry Clark want to add anything about fastlink?

Garry Clark: We would welcome fastlink as an additional piece of the transport infrastructure jigsaw that we would like to be built in west central Scotland. It would be as much a part of the jigsaw as the airport rail link, crossrail and, ultimately, high-speed rail that will link us to English cities and the continent. It has an important role to play, but it is debatable whether it could replace the airport rail link.

Rob Gibson: Has any estimate been made of how teams, supporters and others will travel to Scotland for the Commonwealth games? Have any estimates been made about their points of arrival?

Amanda McMillan: We have had some preliminary discussions with the various agencies involved, but I cannot put any statistics on the table just now to convey the scale.

Rob Gibson: It is important to know how much of a role Glasgow airport might play in that.

Amanda McMillan: As a reference point, I know that we have played a significant role in most major events in the city to date, and I would not expect the situation to be any different with the Commonwealth games. However, I cannot give you the numbers right now. We can certainly try to give you some figures offline, if that is appropriate. The discussions are in the early stages.

Rob Gibson: It would be very helpful to get some information on that in writing.

The Convener: Before I bring in Charlie Gordon to ask a brief supplementary question, I clarify for the record that the committee's objective is to give the Government's decisions a fair degree of scrutiny. The Government's reputation management is a matter for the Government. *[Interruption.]* I remind everybody that mobile devices should be switched off.

Charlie Gordon (Glasgow Cathcart) (Lab): I want to pursue further the issue of access to Glasgow airport in the context of GARL not happening. Ms McMillan, a few moments ago you referred to a 45-minute road journey into the city centre from your airport, and you mentioned congestion on the Kingston bridge. I infer that you regard the M8 motorway as the main surface access to your airport. On congestion on the Kingston bridge, to be fair, the completion of the M74 motorway will relieve some of the pressure of traffic coming from the east, which crosses the Kingston bridge in a south-westerly direction. However, presumably you feel that, with the cancellation of GARL, there will still be major congestion on the section of the M8 between the south side of the Kingston bridge and Glasgow airport.

Amanda McMillan: We very much welcome the M74 extension. We are making a financial contribution to that project, so we are great supporters of the M74. Speaking honestly, the extension will afford outbound domestic and business travellers from certain parts of the surrounding city of Glasgow greater connectivity with Glasgow airport. Their accessibility to the airport will definitely be enhanced by the M74. However, regardless of the M74, there will still be a problem on the M8.

Charlie Gordon: Presumably, the number of passengers that GARL would have accounted for must now be factored into the additional capacity issues for parts of the M8.

Amanda McMillan: Yes. As we see things just now, there is a gaping hole in the surface access strategy without GARL. We look to Government to see what the replacement for GARL is.

Alison McInnes: Ms McMillan and Mr Clark have already indicated that they were surprised at the GARL decision, and that they had no prior knowledge of it. Can you just confirm that for me and for the record?

Amanda McMillan: Yes. I can confirm that Stuart White, our development director, received a phone call from the project manager of Transport Scotland 20 minutes before the budget announcement to confirm what was about to happen.

Garry Clark: Likewise, we received a call a few minutes before the announcement.

Alison McInnes: Prior to that, when was your last positive meeting with GARL, with your partners? Can you recall? Was it a matter of weeks or months? Was it six months?

Amanda McMillan: From my records, I know that I had a meeting with Bill Reeve at Transport Scotland 10 days or so before the announcement. That was the last contact that I had before the announcement. It is difficult to say whether that was positive or negative—it was not clear. It was explained to me at that point that the review had been completed and recommendations had been submitted to ministers, and that we would receive a decision and would have no more requests. When I pressed the question, “What is the recommendation?” I was told that I could not be told that. It is therefore difficult to say whether the meeting was positive or negative. Obviously, in the light of future discussions—

Alison McInnes: But there was no attempt at that stage to look at alternative solutions.

Amanda McMillan: No, not at all.

Des McNulty: Were you told the nature of the review? Were you given pre-notice that the project was actually under review?

Amanda McMillan: Yes.

Des McNulty: What were you told about the review process?

Amanda McMillan: We were told in June that, due to concerns about escalating costs at the airport, ministers could not sanction the go-ahead of the fuel farm and that a review would be conducted. We were subsequently told that that was a standard gateway in any project of that scale.

Des McNulty: But the minister in the meantime—

The Convener: Des, if you have a supplementary question, please wait until the member who is asking questions has finished. Alison McInnes has another question.

Des McNulty: My apologies.

Alison McInnes: Thank you, although I had been about to ask the same question that Mr McNulty asked. If he wants to finish that line of questioning, that is okay.

Des McNulty: As I remember it, the minister was explicitly asked in June or July what the position was, following his refusal or unwillingness to sign off the contract that you had already agreed with a contractor. What did he indicate at

that time? What was the response from the minister?

Amanda McMillan: Throughout the summer, we were reassured by people that it was a normal process of review. To be honest, with that scale of public money being committed, I saw no reason to dispute that—it seemed appropriate.

Alison McInnes: The Scottish Government told members of the Scottish Parliament in writing that, at an early stage of the GARL project, BAA opposed a cheaper and simpler routing for the railway within the boundaries of your airport. Will you explain your reasoning for opposing that original alignment?

Amanda McMillan: I reiterate that the opposition is well documented in prior correspondence. I might not represent it absolutely accurately, but at the time we discussed at length the inappropriateness of that routing. To give a simplistic description, it located the railway and the main station right down the centre of our forecourt. For those of you who are familiar with Glasgow airport, the centre of the forecourt, where the terrorist incident happened, is where the station would have been. The location is at the heart of the airport.

We demonstrated that that routing was counter to our master plan for the airport and would prevent our planned extension to the west. The decision was reviewed in a robust process at the time. It is unhelpful to say now that, in some ways, that was not understood. The routing was debated at great length and we clearly evidenced why it was inappropriate.

Alison McInnes: Was your master plan approved and endorsed by the transport authorities and the minister?

Amanda McMillan: That was before my time at BAA, so I ask Stuart White to confirm the process.

Stuart White: It was draft at that stage.

Alison McInnes: But it had general support across—

Stuart White: It had been through the usual consultation process and we were finalising it at that stage.

Alison McInnes: Okay. Clearly, that was early on in the process. Did the Government accept your reasoning at that point?

Amanda McMillan: Yes, I think so, and we moved on very positively. My point is that it is a wee bit unhelpful to discuss the rerouting now, because to my mind that was put to bed some time ago. I do not think that it could be used—

Alison McInnes: So it is disingenuous to raise it now, given that all parties clearly agreed that there was another solution.

Amanda McMillan: Yes.

The Convener: I will allow a brief supplementary question from Shirley-Anne Somerville. However, I remind members that we have another panel of witnesses to get through after this one, so we will have to make slightly more rapid progress.

Shirley-Anne Somerville: I have a small question on the timeline. In which year was the draft master plan considered?

Stuart White: It came from the process of the 2003 Government white paper on aviation, which asked us to put in place a master plan by 2006.

Charlie Gordon: The Scottish Government told MSPs that the cost of reproviding the aviation fuel farm at quarter four of 2004 prices was estimated to be £3 million and that BAA had input to the calculation of that figure. What was BAA's involvement in the calculation?

Amanda McMillan: I do not subscribe to that view. The £3 million figure was not put together by BAA. That estimate was created by the undertaker at the time.

Stuart White: Our technical input was on the location, not on cost.

Charlie Gordon: I see. So you do not recognise the £3 million figure at all.

Amanda McMillan: I recognise it from correspondence—it is clearly cited in a lot of the legacy documentation as an estimate—but I do not believe that we worked on that figure. We discussed the location of the fuel farm. Some of the documentation describes that as technical input. My understanding is that the figure is an estimate by the undertaker. Our technical input—if that is how people want to describe it—was working with others on a suitable location for the fuel farm.

Charlie Gordon: So you gave Transport Scotland purely technical information about how to relocate the fuel farm and what the specification would be, but you did not have any idea what the cost might be.

Amanda McMillan: The specification also came later. Our only technical input at that stage was on the location.

The Convener: I will allow a brief supplementary from Rob Gibson.

Rob Gibson: You mentioned the undertaker. Was that Strathclyde partnership for transport?

Stuart White: Yes, at that time.

14:45

Charlie Gordon: When the Glasgow Airport Rail Link Bill received royal assent, the cost of GARL-related work at Glasgow airport was estimated at £7.8 million. What involvement did BAA have in the calculation of that figure?

Amanda McMillan: Once again, I believe that to be the estimate of the undertaker at the time. In respect of the £3 million that you mentioned earlier, we had the same role, but the rest of the estimates came through the evidence that we gave during consideration of the bill.

Des McNulty: By the time that Transport Scotland took over the project, which I think was in March 2008, the estimated cost of the GARL works had increased to £16 million. Can you explain the increase from £7.8 million to £16 million and outline BAA's involvement in the due diligence process that accompanied the handover of the project to Transport Scotland?

Amanda McMillan: On the total cost estimates—as I said in my correspondence, which you have seen—BAA was not the undertaker for the project. I want to make it clear that we did not contribute to creating any total cost estimate for the project, whether it is the one that is on the table now or one that was given earlier. We did not add the figures up and put that cost on the table, so it would be inappropriate for me to say what I thought of the figure of £16 million or how we contributed to it. We participated—as we have done throughout the project—in providing technical guidance on the questions that were asked about moving property A to a separate place in the airport. That is our role. Our role is to work with the undertaker to move anything that is in the way of the railway. I understand that members will feel frustrated by this, but it is not our role to calculate the cost; our role is to say, if the service provided on plot A is moved to plot B, what needs to be reprovided. That is the technical input that we give. We do not sit down and cost that; the undertaker does that. Our involvement in due diligence at all the major junctures, including at the handover point, was in relation to the investigative works. I feel strongly that it is important to explain to the committee that we did not work on the total costs of the project—that was not our role.

Des McNulty: I understand that, but the point remains that at the time of the transfer in March 2008, a due diligence exercise was undertaken by Transport Scotland—I presume by people who had responsibility for getting to the bottom of what the project would cost. They would have had full access to the draft master agreement that was in place. I believe that there is also a development agreement—I am not sure of the date on which that was signed, but I think that it was round about

that time. I would appreciate it if Stuart White told us when it was signed.

Between March 2008 and December 2008, according to the Scottish Government the cost of reproviding the fuel farm alone increased to £38 million. So we go from a due diligence process that says that the cost is £16 million to the Scottish Government saying, nine months on, that the cost is £38 million. Are those figures accurate? Are the figures of £38 million and £16 million the figures that were reported at the time? Can you shed any light on how we moved from £16 million under the Scottish Government to £38 million under the Scottish Government, through Transport Scotland?

Amanda McMillan: All I can say is that I believe that the initial figures were estimates and that as more work was done, the estimates were revised.

The one area on which I can comment is the fuel farm, because it is the one element of all the activities at the airport that BAA is responsible for procuring and costing, so it is different from the other elements. The fundamental difference between the early figures for the fuel farm and the final figures is that the early numbers were estimates and the final numbers are based on a fully designed, site-tested and, most important, commercially tendered price. It is the only item within the current reprovisioning works that has been commercially tendered. Only when you test the market and do the due diligence that is required will you get the real number.

Des McNulty: After the Buncefield disaster, people who run fuel farms were required to work to different standards. Was there a requirement on you, as an operator, to change the way in which your fuel farm was run? If so, had you anticipated the costs of doing that? In that context, did you feel that it was reasonable for all the costs of changing the fuel farm to be part of GARL and for the airport not to contribute?

Amanda McMillan: I point out that the documents that have been presented to the committee refer to “an enhanced fuel farm”, so I should clarify what we are talking about. The fuel farm services 30 airlines, supplying 1.8 million litres of fuel every day. It is fundamental. It is like a huge filling station. The word “enhanced” refers to putting larger storage tanks into the fuel farm—they have been doubled in size. The documents that have been presented to the committee do not make it clear that that is what is meant by “enhanced”. The only thing that has been commercially tendered and referred to as being enhanced is the increased storage capacity for fuel. The papers also do not state that BAA is paying for that—£2 million of the tendered cost of the fuel farm is being supplied by BAA. That represents a cost that was agreed with the

undertaker and the parties that are tendering for the project as the cost of enhancement, which is to say, increasing the scale of the tanks. I want that to be clear, because I think that people have been thinking of enhancement in terms of marble floors and chandeliers. This is a practical fuel farm that has to sustain our operation.

Rob Gibson: When the bill was passed, the estimated cost was £7.8 million. Later, SPT handed over about £16 million, and this summer, in the discussions that you had with Transport Scotland, the estimated cost rose to £37 million.

Amanda McMillan: For the fuel farm?

Rob Gibson: For the fuel farm and the capital and associated compensation.

Amanda McMillan: I can provide you with a written summary of the fuel farm costs. However, we have no involvement in the compensation claim; that is between Transport Scotland and Pentland Aviation Fuelling Services. I appreciate that that is in the papers before you, so you are quite right to add that figure in.

The tendered fuel farm price that we recognise is £30.9 million, not the £32 million that is in the documents. Within that £30.9 million is the £2 million cost of larger tanks. The cost to the taxpayer, therefore, would have been £28.9 million, not £32 million.

Rob Gibson: Thank you for that clarification.

The Convener: Assuming that the Scottish Government’s decision to cancel GARL still stands, will you go ahead with the fuel tank enhancement at the existing fuel farm?

Amanda McMillan: We will review our position and make a decision about how we can deal with increased passenger numbers. However, although we have not yet revised our thinking in that regard, our position is that our fuel farm does not need to be replaced yet.

The Convener: The decision would be made and the cost would be borne by BAA, regardless of whether the GARL project goes ahead. Is that correct?

Amanda McMillan: Absolutely. We would discuss with Pentland, the fuel farm operator, how we would deal with future growth in the airport and the required increase in fuel farm capacity.

The Convener: I will ask about the series of escalations of the cost of the fuel farm. I understand that, as you say, BAA was not involved in those calculations. However, you say that when the earliest, lowest cost calculation was made, you expressed concern that the suggested funding was inadequate. You say in your letter to us:

"The notion that one could reprovide a fuel farm, car hire facilities"

and all the other elements in that project

"for £8 million ... was clearly unrealistic."

We then had a series of escalations of the expected cost, albeit calculated by somebody else. Was there no escalation in your concern that the project would ultimately run into trouble as a result of the escalation in the estimated cost, which had not been budgeted for?

Amanda McMillan: Yes. We had expressed concerns since early in the new year. The concerns that we raised in our discussions with Transport Scotland at the start of the year were about pace, the need for closure on the estimates for the other items and the need to stick to programme. We repeatedly asked whether the fuel farm not going to plan and not going ahead would knock out the whole programme. In informal discussions with ministers outwith Transport Scotland, we kept asking at any opportunity whether the project was still on track. We were led to believe that the review process over the summer was normal and that a decision would be made once the total costs had been accumulated.

The Convener: So although you were not told of the decision until just before the statement was made, you already had the feeling that the project was in trouble as early as just after the new year. Is that correct?

Amanda McMillan: I am a chartered accountant by trade, so we most definitely asked what it meant for the project that the fuel farm had ended up being quite expensive.

Shirley-Anne Somerville: We have discussed the £70 million figure at length, but I will ask about a couple of other points regarding that. When the Glasgow Airport Rail Link Bill went through the Parliament, an amendment was made to afford BAA protection from compulsory purchase. I am keen to get a bit more detail on that so that we can talk through its implications and any impact that it may have had on costs, because we are working on the assumption that everything would have to be passed without objection from BAA.

Amanda McMillan: I am sorry, Shirley-Anne, but I am not entirely sure what you want me to comment on.

Shirley-Anne Somerville: A provision in the Glasgow Airport Rail Link Act 2007 ensures that no land can be compulsorily purchased from BAA. That obviously puts the company at an advantage when we talk about any changes to routes, because they have to be agreed without objection. Will you comment on that provision?

Amanda McMillan: I have never been led to believe that we have abused those powers in anything on which we have worked with Transport Scotland, if that is what you are driving at. Are you saying that we were obtuse about where something was to go or that we used the power to our advantage? If so, that has never been raised with us in our work with Transport Scotland. We have worked very collaboratively on appropriate relocations for various businesses within the campus and there has always been a sense that the agency was comfortable with the places that were identified within the campus, so it has never felt like a compromise or as though we were abusing any powers.

Shirley-Anne Somerville: I would certainly not accuse you of abusing the power; I am just asking you to detail its implications and discuss whether it limited the options that were considered.

15:00

Stuart White: The master agreement did indeed remove compulsory purchase, but it was there as a backstop, in that a test of reasonableness was implied. Compulsory purchase was therefore always available to Transport Scotland as a backstop.

Shirley-Anne Somerville: There were reports in the media—of course we always believe everything that we read in the press—that Transport Scotland tried to pass responsibility for GARL to Network Rail early in spring 2009. Can you comment on those reports?

Amanda McMillan: There were many rumours, but that was not one to which we were privy.

Shirley-Anne Somerville: As you said, BAA has put much time and effort into the project. Can you give an estimate of how much money BAA has spent to date?

Amanda McMillan: I will let Stuart White comment on the total figure, but first I want to ensure that everyone understands the point of principle about how we structured ourselves. BAA is not a huge employer of people at the airport; we employ about 460 of the 5,000 people who are employed on the campus. I do not have a leadership team that could pick up and run with a project such as GARL. Therefore, any time spent on the project has been spent by a discrete project team that was pretty much created to work on it. With the exception of one or two members of my leadership team, such as Stuart White, who has given a significant amount of his time to the project, the individuals who have worked on the project have been experts who were brought in to do that work.

It is important for everyone to understand that it is not that we have been charging the taxpayer for people who typically work for us at the airport and are therefore feeling some relief in terms of our cost base. Does that make sense? We have increased our cost base to deal with the project, and it is those increased costs, which are directly related to running the project, that have been invoiced as part of the project—with the minor exception of one or two of my leadership team who have given time, such as Stuart White. I have not charged any of my time to the project; I have given all my time as part of my leadership role at the airport. I want to make it clear to people that it is not that we have seen relief in our profitability by charging the public purse.

Stuart White can probably give you an indication of invoiced value to date; if he cannot do that today we can send the information to you. I think that the information is in some of the Transport Scotland papers.

Stuart White: At the time of the cancellation announcement, the invoices were £1.5 million towards the fuel farm—that involved the design team, so it was already built into the fuel farm figure that Amanda McMillan mentioned—and another £1.5 million, which was the consultant time to run the project.

Shirley-Anne Somerville: For clarification, by “invoices” do you mean the money that BAA has spent on the people involved in the project team, which has been invoiced to and paid back by Transport Scotland?

Stuart White: Scrutinised and paid, yes.

Amanda McMillan: I emphasise Stuart White's point. In the summary documentation for the committee the £1.5 million for the fuel farm is potentially double counted, because it is in the £30.9 million to which I referred. Those design costs are included in the cost of the fuel farm, but further down the table there is a higher number, which we believe also includes the figure.

Shirley-Anne Somerville: We can get clarification on that.

The Convener: We will move on to wider issues, if members are ready to do so.

Cathy Peattie: Does Garry Clark think that the current Scottish budget strikes the correct balance between transport capital expenditure and revenue support for transport operations such as concessionary fares?

Garry Clark: One thing that the budget does is to bring some areas of expenditure under even greater scrutiny than usual. There is no doubt that the overall transport budget for next year has gone up marginally in cash terms—although perhaps

not in real terms—but we need to consider the priorities in the budget.

The issue that we have just been discussing highlights the importance to the business community of maintaining infrastructure projects, which leads us to focus on whether we need to continue to increase investment in other, non-infrastructure projects that relate to transport.

We have been discussing with businesses in our membership whether we should continue to go down the route of concessionary fares. That is now a live question that is open for debate. From our members' point of view, we would much rather see investment made in the infrastructure that will make Scotland prosperous in the longer term.

Cathy Peattie: So you would support stronger investment in capital rather than in revenue.

Garry Clark: Yes.

Cathy Peattie: Okay. To continue on that route, do you think that the Scottish Government is investing enough in the upkeep and improvement of trunk road networks? If not, what level of investment would you consider appropriate and how could the budgets be used to provide that investment?

Garry Clark: Successive Scottish Executives and the Scottish Government have maintained a fairly healthy level of investment in our road transport network. Currently, we have on-going issues with the completion of the M74 and the M80, which are both vital projects. Previous Executives have invested in areas such as the M77. We have an idea of the areas in which work still needs to be done through the strategic transport projects review, and we should perhaps consider how we prioritise those areas. The M8, A9 and A96 are the obvious priorities, as they join up our cities.

Successive Governments have done their best to invest in the road network. We would always like to see more, but the level of investment continues to be fairly healthy as far as we are concerned.

Cathy Peattie: Are you concerned about the lack of prioritisation in the strategic transport projects review? It is a wish list, if you like, but I am interested in how you feel about that list.

Garry Clark: When we contributed to the then Scottish Executive's development of the transport strategy for Scotland, we envisaged something that would go beyond the year-to-year budgetary settlements—something that would identify exactly what we wanted in Scotland's transport infrastructure and determine how we would get there item by item, stage by stage. That is the prioritisation that we would like to see over a long timescale. The strategic transport projects review

and the transport strategy are a great start in getting there, but the review probably does not contain the level of prioritisation that we would like in an ideal world.

Cathy Peattie: Do you think that there is a need for additional Government support for the freight transport sector? If so, can you explain why and what form that support could take?

Garry Clark: One thing that is noticeable in next year's draft budget is a reduction in freight facilities grants from £15 million to £10 million. Our members have not made too much of that this year, but they are concerned about the potential for a low base in future years. We would like that to be reassessed in years to come, as we move onwards and as the economy moves out of the recessionary stage—which we are possibly still in, depending on which figures we read.

Our members have been keen to flag up to the Scottish Government the potential for a freight facilities grant to be shared. That does not happen at the moment. Currently, one organisation gets a freight facilities grant while another organisation gets a separate grant and they run two separate operations. There might well be scope for shared operations and a shared grant.

Further down the line, we might also want to consider developing something along the lines of a passenger facilities grant to encourage the pump-priming of revenue into more passenger service-related issues.

Cathy Peattie: Have your members discussed the importance of being able to link up the freight facilities grants? If a grant is available in one area but not in another, the infrastructure and gauge will not be right and there will be no interaction between the two areas.

Garry Clark: There is certainly a view among many of our members that freight facilities are unevenly spread throughout the country and require broader investment. Our members flagged up strongly the need for freight facilities grants to be available to joint ventures involving companies that are seeking to develop one site for both their businesses.

The Convener: I will follow up on a couple of those questions. Do you have any suggestions as to where the additional investment that you have called for should come from? It would come from elsewhere in the Scottish budget, presumably.

Garry Clark: That will be the big question for Governments at all levels during the next few years. We do not underestimate the challenges that the Scottish Government faces in relation to the real-terms reduction in the budget for this year. Who knows where that may lead in future years? The question of where the money is to be found is

very difficult to answer in the short term. The underspends that might exist in some departments could be reallocated, but I am sure that every department is spending to its absolute limit at the moment.

The Government has said that it puts above all else the idea of increasing our sustainable economic growth, and that that mantra is at the centre of everything that it does. The 2010-11 budget will really put that to the test. Businesses throughout the country are looking at Government decisions that involve, for example, an extra £2 million for concessionary fares or for Gaelic, and asking if that is what the Government must spend money on to increase sustainable economic growth. The Government must consider that issue.

In a wider sense, and over the longer term, our members want Government to examine its biggest cost: the cost of employment across all sectors. We are considering certain areas—for example, pension costs in the private sector have been reduced over the years as a matter of necessity so that businesses can survive and continue to employ people. The public sector has not been as exposed to reductions in final salary pensions as has the private sector. Pension schemes are a massive cost in the Scottish Government's budget; we would not expect the Government to get a quick result on that, but in the longer term we must consider such issues and examine the cost of employment in the public sector in order to make longer-term savings.

The Convener: You mentioned the involvement of the chambers of commerce in the development of the transport strategy that was adopted by the previous Administration and retained by the current Administration. According to that document, one of the key strategic objectives in transport is the reduction of greenhouse gas emissions. Can you identify any aspect of the Government's transport spending that is likely to result in a reduction in greenhouse gas emissions on anything like the scale of the increase in emissions that will result from some of the projects—such as the M74 and other road schemes—that you have supported?

Garry Clark: We have to examine specific areas. I have mentioned the Stirling-Alloa-Kincardine rail line, which has doubled its projected level of passenger numbers in the very short time that it has been in operation. The Scottish Government is also investing in projects such as the Airdrie to Bathgate rail line that are vital if we are to achieve the modal shift that we need and if we are to join up Scotland as an integrated transport network. Certainly, from a business point of view, we want Scotland to be joined up internally and externally, and we want as

much investment in and encouragement of the use of public transport as possible.

There have been some good examples of that—the Stirling-Alloa-Kincardine rail line, for example—and there are one or two more projects to come, but the Glasgow airport rail link was obviously an opportunity to integrate airports into our wider transport network and encourage modal shift in Scotland. Perhaps that opportunity has been missed.

15:15

The Convener: Is it not likely that such public transport schemes will enjoy good levels of use alongside rising road traffic levels?

Garry Clark: That is an interesting question. If I asked our members which mode of transport is most important to them, the answer would be road transport every single time. They need road transport to get goods to the market, get people to work and so on. We need to move towards more sustainable methods of transport in the longer term, and we need to ensure that we invest in our railways and public transport services in particular and continue to invest in getting as much freight as possible on to the railways. There have been big improvements on the A9, for example, and Tesco and other organisations are taking a greater amount of freight up north by rail, but we need to keep on pushing on that. There is a lot more that we can do.

Alex Johnstone (North East Scotland) (Con): We have spent most of the past hour talking about how a particular element of the Glasgow airport rail link project escalated in cost by a factor of 10. I think that we all agree that the best that we can hope for is a real-terms freeze in transport budgets over the next few years, although there might not even be that. Obviously, there is a yawning chasm in the middle of transport expenditure.

Given the case that we have been discussing and others—the Forth bridge, for example—should the Scottish Government take a stronger stance on best value as far as the costs of transport projects are concerned? Is it necessary for the Government to review the projects that it is committed to rather than simply waiting until the last minute and then knocking a project off to balance the books?

Garry Clark: We would certainly expect the Government to do all that it can to ensure that the taxpayer gets the best possible value. However, taking the Glasgow airport rail link as an example, that project was agreed by the Parliament as part of the national transport strategy and the national planning framework, and the business community overwhelmingly, or even universally, supported it. If we decide that we want to go ahead with such

projects, we need to decide how to do so. We should decide that we want to do something and then decide how to do it. We cannot afford always to stick projects to one side whenever problems arise; rather, we need to consider matters and explore opportunities for new and innovative funding mechanisms in order to make projects happen.

Network Rail said that it would borrow against its assets in order to make the Glasgow to Edinburgh rail electrification project happen. That is an example of a slightly different funding mechanism in Scotland that Network Rail chose to help to create a vital piece of infrastructure. It is important that, when the political and business communities and the rest of Scotland decide that something needs to be done, we get together and decide how it will be achieved. That said, I absolutely agree that the Government must ensure that the taxpayer gets the best possible value out of projects.

Alex Johnstone: I was going to ask whether you have any suggestions about how Scotland's transport budget could be better spent, but you have touched on that. Could the way in which we raise money for capital projects be improved? Would moving away from wholly Government-funded schemes such as GARL be a way of protecting ourselves from the weaknesses of structural problems in Government expenditure?

Garry Clark: Given that, as we all expect, Government will have less and less revenue to spend over the next few years, the unavoidable fact is that we must consider different funding models, and the Government, the public sector and the private sector will have to work more closely in partnership to deliver some of the projects that we absolutely need.

The Convener: If the witnesses have no final comments to make or points to raise that have not already been touched on, I will simply thank them for taking the time to answer our questions. Their comments and points will assist us in our questioning of the cabinet secretary at next week's meeting.

I suspend the meeting briefly to allow a change of witnesses.

15:21

Meeting suspended.

15:26

On resuming—

The Convener: We will now hear from another panel of witnesses, as part of our budget scrutiny. I welcome Derick Murray, director of the north east

of Scotland transport partnership; Eric Guthrie, partnership director of the Tayside and central Scotland transport partnership; and Alex Macaulay, partnership director of the south east of Scotland transport partnership. Thank you for joining us to answer questions. Would you like to make some opening remarks before we begin questions?

Alex Macaulay (South East of Scotland Transport Partnership): Rather than take up the committee's time before questions, I refer members to the note that I have provided on the issues that are of concern to me as director of SEStran.

Eric Guthrie (Tayside and Central Scotland Transport Partnership): A number of the issues that we would normally have raised are covered in Alex Macaulay's submission. That is true of all three of us. I apologise for not submitting written evidence; the timescale did not permit that, as I was away. I am happy to proceed to questions.

The Convener: Many thanks. I turn to some of the background issues. Earlier this afternoon, we spent some time discussing the cancellation of the GARL project. We are also aware of future constraints on spending that may arise either as a result of diminished budgets or as a result of major projects such as the additional Forth road bridge. In that context, what are the challenges for transport policy makers regionally and locally in the next few years?

Alex Macaulay: I will kick off. The committee has heard other witnesses say that in the current climate the Scottish Government does not have an easy task in producing a budget for the Parliament. As regional transport partnerships, we face circumstances that may be unique. Members may recall that my last appearance before the committee two years ago took place immediately after the budget announcement that shifted capital budgets from regional transport partnerships to local authorities. We have also had the concordat, single outcome agreements and the removal of ring fencing from budgets.

Quite rightly, local authorities have taken the opportunity to reprioritise their spending. Ever since I have been involved with local government, it has wanted to do that and has argued for the removal of ring fencing from budgets. That has now happened, and local authorities have started to take advantage of it.

15:30

I quote statistics in my submission that compare the capital allocation that my regional transport partnership had from the Scottish Government with the spend of my eight partner authorities last year on regional transport projects. The net result

of last year's budget, this year's budget and the committed budgets for next year of the eight partner authorities is that we have about 42 per cent of the money that the authorities inherited from the previous regional transport partnership's strategic budget. My conclusion—it does not necessarily apply to all the regional transport partnerships, but it applies to mine—is that unless a major priority shift takes place in local authorities, we will be unable to deliver the regional transport strategy as outlined in the strategy document and its associated delivery plan.

I see the difficulties for the Scottish Government and the fact that the spend on transport is significant in the Scottish Government's budget. I support much of the spend, but a gap is developing. Scottish Government spend focuses—rightly—on strategic national priorities and local authority spend focuses on the local priorities that are dearest to constituents' hearts. The gap in the middle is that the equally important strategic regional priorities for transport investment are not being funded to the same extent as they were before the 2007 budget decision. My major concern as a representative of SEStran is that the regional expenditure gap is developing. Unless changes are made to central Government allocation or local government priorities, the regional transport strategy will not be delivered in the envisaged timeframe. That is the significant point, but I understand fully that changing the position will not be easy, given the concordat between central and local government.

The Convener: Regional transport partnerships are—at least in theory—composed of a collection of local voices, but you say that spending constraints would be more likely to have an impact on strategic regional objectives than on the transport elements of your local authorities' single outcome agreements.

Alex Macaulay: That has been SEStran's experience in the past 18 months or so. Over and above that, I suspect—although I have not done the analysis—that changes are being made in local priorities, which are moving away from transport to social services and other pressures on local government spending.

In the past year or so, we have tried with reasonable success to attract European Commission money into the region to co-fund projects. As I am sure members know, funding of 40 or 50 per cent from the European Union can be obtained for appropriate projects. However, even obtaining that has proved difficult, because it is difficult for local authorities to provide the match funding to attract European funding into the region. That will increasingly constrain the

innovation that we can bring to bear in finding alternative funding sources.

Eric Guthrie: There are some similarities between us and what Alex Macaulay said about the SEStran area, but you will not be surprised to hear that we are all different. Our equivalent of the statistic that Alex Macaulay quoted is that we receive just under 60 per cent of the RTP capital grant that was allocated to the partnership prior to 2007-08. The money is still coming through into what we define as a joint regional transport strategy programme and is roughly £1.98 million a year.

In the context that Alex Macaulay just outlined, our regional transport strategy delivery plan, which has been refined a couple of times to take account of the STPR and other matters, is sitting at about £985 million over the lifetime of the strategy, which is quite a chunk of money. However, roughly £680 million of that relates to STPR projects, which we embed in our delivery plan. In relation to the projects that we define as regional, our regional transport strategy aspiration is to deliver roughly £303 million in capital terms across the lifetime of the strategy. Given a current spend rate of £1.98 million a year, it is clear that there is a significant gap.

We wish to discuss several projects that we define as regional with the Scottish Government because we regard them as containing national priorities. I include the Dundee station enhancement, various park-and-ride projects not currently covered by the STPR and multimodal access to our key ports at Dundee, Montrose and Perth. Ideally, we would like to have seen those projects in the STPR, but they did not make their way on to the list of 29 projects.

I see single outcome agreements as an opportunity to revisit the debate about how the regional transport strategy delivery plan projects can be resourced. It is true that, as signatories to the single outcome agreements, all regional transport partnerships are working hard in our areas to influence how the priorities that begin to emerge through the single outcome agreements consider transport as a key enabler of economic development in particular, but we also want to look at environmental objectives. That is very much work in progress, but we see it as a potential opportunity. It is early days as far as that discussion is concerned, but we are working hard in that area and looking at how we can include in the action plans for single outcome agreements a number of the key regional transport strategy projects.

Derick Murray (North East of Scotland Transport Partnership): The situation in the north-east is slightly different in that 100 per cent of the money previously spent is currently spent

through Nestrans. The money that was allocated to Nestrans previously by the local authorities is still there. A good reason for that is probably that a lot of work has been done locally by the Aberdeen city and shire economic forum. The forum is a public-private enterprise that was set up to bring together the local authorities and the private sector. It has produced a business and economic manifesto based on achieving the Government's priority of sustainable economic growth. The manifesto sets out seven priorities, the top two of which are an integrated transport strategy and quality of life in the north-east region. The work that has been done to identify those major priorities for the north-east keeps transport high on the agenda for the local authorities.

We have spent a lot of time and effort trying to align the policies put together by ACSEF with the structure plan to pursue an economic growth strategy that the regional transport strategy supports. We have tried to align those policies with the national policies through the strategic transport projects review and the local policies through the two local councils' local transport strategies and the local development plans. We have managed to achieve alignment of all those policies from national through regional to local levels. That profile makes it easier for us to invest.

We have a regional transport strategy that costs £1.6 billion. Of that, the Nestrans budget is about £34 million over the period of the plan. It is clear that Nestrans will not deliver the regional transport strategy on its own; we need the support and help of other delivery partners. Transport Scotland gets 60 per cent of that £1.6 billion, which is quite a lot of money. How are we going to deliver on that? We have a fair degree of Government commitment to help us to achieve the western peripheral route, the Balmedie to Tippierty dualling project, the Haudagain roundabout and the Aberdeen to Inverness railway.

We believe that the north-east economy sits at a critical point. The economy is largely based on energy and North Sea production is perhaps reaching its peak. The economic manifesto that has been produced has taken all that into account and looks forward to how we can continue to contribute positively to Scotland's economy. We have decided to go for sustainable economic growth through our structure plan. We need to globalise what we do. In Aberdeen, we have the world's centre of excellence in subsea engineering, which we want to maintain, expand and start to export. There are opportunities for expansion into all energy, as opposed to just the oil and gas sectors.

We believe that we have an opportunity in the coming period, given the Government's commitment to the various projects and the private

sector commitment to upgrade our airport and provide a runway extension. We also have the Menie estate proposal and the energetica corridor. We believe that all that investment will create the conditions that will allow the necessary economic growth over the next period. We see this not as a transport issue but as an economic development issue.

Alison McInnes: You have spoken about the impact of the changes in funding. I have said before in this committee that we should review the impact of the withdrawal of the capital funding. If we combine that with the future constraints that we are talking about and the focus on the Forth road bridge and other major projects, there will be a potentially disastrous gap between ambitions for your areas and delivery. Surely it is not only a matter of things slowing down. Do you have a sense that you might have to review your strategies comprehensively in order to be able to take things forward?

Alex Macaulay: I think that you are right. The past is the past and we can live with and deal with it; the challenge for us is the future. On the major projects that were identified in the strategic transport projects review, we all know that there are some big chunky spenders in the first few years. The net effect of that is that there will be virtually nothing left, other than the big four projects, until 2016. In effect, that means that Transport Scotland's ability to work in partnership with regional transport partnerships to move forward on the wide range of other good projects in the STPR is very limited.

That is a major constraint for us. The natural reaction in a constrained budget environment is to go for the low-hanging fruit—the relatively cheap projects that will give good returns on the money. That tends to be the retreat position when one is strapped for cash. Our ability to do that is very constrained, because we as a country are committed to the major projects that dominate the early years of the spend profile. That is an issue for us.

RTPs are statutorily obliged to keep their regional transport strategies under review. The guidance note requires us to do that every four years, which is certainly what SEStran intends to do. We are actively engaged with SESplan, which is the strategic land use planning authority that covers almost the same land area—the boundaries are slightly different—as SEStran. We are providing the necessary strategic regional transport input into the land use planning process. Aligning the land use impacts with our transport analysis will facilitate a review of our regional transport strategy.

However, there is no question that the budgetary constraints that we will all face in future are a

significant issue. The regional transport strategies are billed as 15-year documents that should be reviewed roughly every four years. Given the current economic climate, there is no question but that they will need to be reviewed at least every four years if not more often than that.

15:45

Eric Guthrie: I take the view that we have begun to address Alison McInnes's point in the way that we have aligned our strategy. As the committee will be well aware, all RTPs reviewed their strategies during 2007-08 and, in effect, stripped out the interventions, which were placed in separate delivery plans. That is what I referred to earlier—I heard the reaction from members—when I mentioned that we intend to deliver £303 million of the £985 million of projects, given current levels of expenditure. The strategy is subject to the statutory review that Alex Macaulay mentioned. We have also tried to align the strategy with the strategic development plan and with local development plans, so tactran faces many of the same issues as SEStran.

As far as we can see at the moment, the broad thrust of the strategy's objectives will have continuing relevance. The delivery plan is deliberately not prioritised. It does not attempt to prioritise the totality of the regional transport strategy and the various—largely capital but also revenue—implications that need to be delivered. Rather, the delivery plan provides a framework within which we can seek through time and progressively year on year—there will be a link back to single outcome agreements, as I mentioned earlier—to determine what our revenue and capital programmes might be. We have decoupled the capital and revenue programming from the delivery plan, which describes what we think will be required to deliver the regional transport strategy over the next 15 years. Over time, that might change as we review the regional transport strategy every three or four years.

For this year and next, we are working towards producing a two-year capital and revenue programme to cover the period on which we have certainty. That is the £1.98 million per annum that I mentioned earlier. We will progressively review that and look for other funding opportunities. The comments that were made about partnering with the private sector and looking for opportunities in Europe are equally relevant to tactran.

We have set up a framework within which we can seek to take account of the current constraints, which look set to increase as we move forward. We hope that our framework will be able at least to take account of the reality as we work through those, but we also hope that we will be successful in persuading both our partner

authorities and other partners to maintain spend on transport and, where appropriate, to increase it. As I have already pointed out, if we do not do that, there will be an impact on our economy. The points that Derick Murray made apply equally to the tattran area. Many of the projects in our regional transport strategy are critical to the economic sustainability of our region. That is what it is all about.

Derick Murray: Let me give the north-east view.

We have a number of pre-STPR projects that are supposed to be in place before the strategic transport projects review period starts in 2012. Those include the Aberdeen western peripheral route, the Balmedie to Tippetty improvements, the Haudagain roundabout and the Aberdeen to Inverness railway line, the timescale for which straddles the current period and that of the STPR. We hope that those early projects will be progressed. We also hope that our alignment of policies will create a priority for our projects. We have identified the need for the projects and we have identified their impact, so we hope that they will attract a high priority.

There are going to be difficulties ahead—we can all see that. Our way of dealing with that and ensuring that some of the things that we want to put in place are achieved is to work in partnership with Transport Scotland, Network Rail, the local authorities and the private sector by putting our budgets together. For a number of our projects, we think that joint funding is the way to go. The most obvious example of that is the Aberdeen western peripheral route, which is 19 per cent locally funded. Laurencekirk station, which has just reopened, was 20 per cent locally funded. We are discussing with Transport Scotland the option of delivering strategic park-and-ride facilities in the north-east using 70 per cent local funding. We are also talking to Transport Scotland about the possibility of making a significant contribution to a station at Kintore.

We recognise that there are difficulties, but to achieve what we are trying to achieve—the economic manifesto and the structure plan growth—we must overcome those difficulties. If we can put things in place jointly, so much the better.

Alison McInnes: I am interested in the discrepancies in funding from local authorities between the three different partnerships. Derick Murray said that 100 per cent of the previous funding for Nestrans still flows through, whereas Eric Guthrie said that tattran receives 60 per cent of previous funding and Alex Macaulay put the figure for SEStran as low as 42 per cent. Those are significant discrepancies, which are perhaps explained by the differences in the partnerships. Mr Macaulay has eight different councils to negotiate with, which means trying to make his

organisation's presence felt in eight single outcome agreements. Mr Guthrie has four different authorities to deal with. Can you talk a bit more about the impact of that kind of negotiation on your staffing resources?

Alex Macaulay: I think that it is intrinsic in the establishment that we have. My staff resources have been frozen since 2007—there has been no change. One of the major differences between our partnership and the other partnerships is that, at the outset when the budget change took place, my board and I took the view that we would not transfer all the budget that the local authorities had inherited from the regional transport partnership back into the regional transport partnership. At that time—it is still the case, to a large extent—the projects that we sought to see delivered with that money were projects that the local authorities had been developing for the past 10 years. They had the designs for them and knew the projects inside out, and they would have delivered them anyway. I did not want to pull the money back into SEStran only to give it back to the local authorities to deliver the projects. You could argue that that was naive of me and that, in retrospect, it would probably have been better for me to pull the money into the centre and deal with it in that way, but we did not do that. In the SEStran region, we have trusted our partner authorities to deliver what they have agreed to deliver within the delivery programme of the regional transport strategy. I think that they will deliver those projects, but they will probably not deliver them in the timescale that we all envisaged. I think that they will get there, but it will take a lot longer.

Within SEStran, we have focused on identifying the areas in which the local authorities either cannot deliver or are not involved in delivering at present. You will see from our written submission that one of the projects that we are directly delivering and for which we are currently assessing the tenders is real-time passenger information roll-out. We have it in Edinburgh and we are rolling it out in East Lothian and the Borders using European structural funds with match funding from our partners in East Lothian. Unfortunately, Scottish Borders Council was unable to find match funding, so we have had to find that from our revenue budget rather than from our capital budget—that is indicative of the budgetary constraints that our partners are under.

We have focused on that type of project. We have another one that involves examining the possibility of a dry port. I heard some discussion earlier about the possibility of freight facilities grants being shared among different developers—that is part of the dry port concept. Again, the match funding for that is coming from SEStran rather than from the partner authorities.

With regard to the projects that local authorities had ownership of, we felt that there was no way we would pull money into the centre just to give it back again. Such an approach would simply introduce duplication of effort. However, we have taken the lead and commissioned work on a number of new projects including the feasibility of an outer orbital bus rapid transit system around Edinburgh, the reopening of the Levenmouth railway and the extension of the Stirling-Alloa-Kincardine railway to Rosyth and then into Edinburgh via the Forth bridge. As the projects develop and the economy recovers, we will be the lead authority in their delivery. SEStran's pragmatic approach probably explains the differences in share.

As for staff resources and negotiation, the fact is that partnership working is not easy and takes a lot of effort. Our resources are stretched to the limit; we have eight partner local authorities, all of which are members of community planning partnerships. Those eight community planning partnerships have been divided among four members of staff—in other words, they have two each. That work takes up a lot of time, but significant advantages can flow from it. For example, our engagement with the health and education sectors might have a significant effect on the smarter choices agenda, which is a softer agenda focusing on demand-responsive transport, the sharing of transport facilities and approaches that are based more on revenue than on capital. We are happy to do that work, but we have to carry it out within our constrained resources. Of course, that just means that everyone has to work that wee bit harder.

Alison McInnes: Could the Government implement any policy initiatives or changes to assist you in dealing with some of these risks and threats?

Eric Guthrie: We are probably more in need of a change in priority than a change in policy. There has been a lot of discussion about funding. Like our colleagues in Nestrans, we have aligned our regional transport strategy pretty well with the national transport strategy. There is not much space between them; indeed, I believe that they are very complementary. We have also carried out the downward alignment between our strategy and councils' strategies, and that work is now embedded in the single outcome agreements.

In some areas, we feel that greater priority could be given to what Alex Macaulay has called the low-hanging fruit and what I would call quick wins. I suggest that one of those quick wins might be found in project 8 in the strategic transport projects review, which concerns strategic park-and-ride projects, specifically that serving Dundee. We are using our revenue budget to develop various

projects in partnership with Transport Scotland, our partner authorities and—south of the Tay—SEStran. At the moment, we are looking at south Tay and east Perth; we are about to look at west Dundee; and I hope that we will soon look at south Stirling. If spend on strategic park and ride were to be advanced, we could achieve a number of our economic and environmental objectives. Such schemes would be relatively low cost—I suggest that in strict capital terms each of them would be of the order of £2 million—and other opportunities to partner with the private sector on the bus delivery element of the projects would, I hope, address some of the revenue consequences of our delivery plan. I believe that we need that kind of emphasis rather than any change in policy per se.

Our partnership board broadly supports the STPR and three of the four priority projects that affect our area: the Forth replacement crossing, the electrification of the Glasgow to Edinburgh line and Highland main line improvements. However, we feel that the priority that has been given to strategic park and ride and improvements to the A90 in and around Dundee should be reviewed and that those projects should come forward earlier than the current prioritisation might imply.

16:00

I will return to Alison McInnes's earlier question, if that is okay, and clarify the capital allocations issue. The 59 per cent figure that I mentioned relates to what I would call former regional transport partnership capital grant, although the situation is slightly more complex than that. Within our councils, other funding comes through to transport projects—including regional transport strategy projects—which, in some cases at least, are funded from the council's own capital programme. The position is not as discrete as the statistic might suggest, but I give it as a comparator with what Alex Macaulay said about the position in SEStran.

On staffing, we are a fairly lean organisation. We have an approved model 1 structure of eight staff. We are currently sitting at six staff, including me—we have been working at that level on the basis that we will review staffing levels within the regional transport partnerships as and when we move into delivery.

On Alex Macaulay's comment about the transfer of funding, my view is that it is not important who delivers the projects; the important thing is that they are delivered. We have never taken a view on whether funding should transfer back to tactran or stay with the councils. Ideally, we would like a situation in which a regional budget is constructed from contributions from all our partner authorities, and the partnership, in discussion and agreement

with our partner councils, agrees the regional priorities and programmes accordingly on a regional basis. The difficulty with not having that collective situation is that it is difficult to adopt a regional approach to programming. At the moment, by definition we are spending money in two areas rather than across the region because our capital funding is coming largely from two of our partner authorities. I wanted to clarify that point.

Derick Murray: I will do what Eric Guthrie did and answer the two questions at the same time, if I may.

On the first question, it is perhaps easier for us because we have only two local authority partners and we are a city region—we recognise that that helps. However, we have a desire to work together. We have two councils that want to work together and with Nestrans to achieve things, and we have senior councillors who give their time to the board. That has been the case for the 10 years or so for which the board has been in place.

We have a true partnership approach to delivery. We have set things up in such a way that different partners can take the lead. It does not matter which one does so: the partner with the resources and expertise will lead. The approach crosses the city and shire boundaries, and we also work hard with our community planning partnerships to raise the profile of transport. We have been reasonably successful in doing that, and the approach has helped us to identify links to other bodies as well as to our two councils. We have identified a number of links between what we do, what the health board does and what the universities do. The hard work that we put in to keep the partnerships together pays dividends.

On changes to Government policy that would help, there are one or two little things that would lead to significant improvements. Beyond the specific projects that we discussed, we are looking for relatively small sums of money for things of the type that Eric Guthrie mentioned. Park-and-ride projects are not hugely expensive but they have a big impact, particularly if they are done through partnerships. The fact that we propose to put up some local money as well as use national money makes it easier to finance such projects, which can lead to some fairly significant wins.

The bus route development grant projects were particularly successful. If we could recreate them, we could have some more big hits, again for relatively small sums of money.

Another example that springs to mind is rail freight. I am thinking of the rail environmental benefit procurement scheme—or REPS—grant as opposed to the rail freight facilities grant. Small

technical changes to the REPS grant might have a significant impact.

Those small changes are quite technical, and I could send the committee a paper on what we think could be done to make rail freight more useful—particularly the longer journeys from the north-east down to the central belt and down into northern England and beyond. Given the effort that has been put into upgrading the rail gauge to the north-east and creating new rail facilities in the area, such an approach could pay dividends.

The Convener: I appreciate the level of detail that the witnesses are going into, but we have a number of issues to get through and, if we get three detailed answers on each question, we will find it hard to make progress.

Charlie Gordon: I am not advocating a return to ring fencing, but I infer from what Mr Murray said about the bus route development grant, which was a three-year revenue facility that was disaggregated to local authorities, that that money has been spent by local authorities on other things—not necessarily transport-related.

Derick Murray: I understand that that grant was identified for the projects that had been agreed. The money was used to follow through those contracts, and I am unaware of any new contracts being put into place. The money was in relatively small amounts, and where it currently sits within local authority funding—

Charlie Gordon: It was disaggregated so, in the time-honoured phrase, it is in there somewhere.

Derick Murray: It is in there somewhere.

Des McNulty: Mr Murray, you said that the Aberdeen western peripheral route was one pre-2012 project that was part of your strategic plan. However, we are now coming to the end of 2009 and we still do not know what the minister's decision will be. In your professional judgment, is there any way in which that road can be built to the 2012 timetable?

Derick Murray: I sit here with the same degree of anticipation as you with regard to the minister's announcement. I assume that he will be looking at the timetable.

Des McNulty: Can I press you on that? If the minister were to make an announcement next week, bearing in mind the stages that would have to be gone through before construction could start, is it realistic to say that that project could be up and running on the current timescale, which has a target date of 2012?

Derick Murray: It would be reasonable to expect a project of that scale to take three years to construct.

Des McNulty: So there will be at least a one-year delay, following simple mathematics.

It struck me—and I am sure that it struck Charlie Gordon, too, as he has a similar background to me, in that he also started out in local government as part of a regional authority—that you seem to be describing a policy and management framework for transport that should naturally work at a conurbation level, with transport, economic development and other infrastructure being intrinsically linked to one another. However, we have moved away from a situation in which there is a link between the political and institutional management of that situation. There was a disaggregation of local authorities and an attempt, under the previous Administration, to put in place multi-authority regional transport organisations. Following that, money has been taken away from the regional transport authorities and disaggregated to the unitary authorities, and now you are trying to get that money back.

That structure is not going to work, is it? In fact, you are doing very well to try to get something out of it. From what you said, you seem at least to be managing to hold on to the money in north-east Scotland because you have built up consensus and commitment, but the structure plainly does not work. Money is being drained out of the transport budget to go elsewhere. Much of your effort is, in a sense, to overcome the structural inconsistencies in the system rather than to engage in what I presume you really want to do, which is to plan and deliver transport projects. Is that a fair summary? Alex Macaulay has been part of the same system, so he will have been through the process in the Lothians. It seems to me that successive decisions by different Governments have left us trying to reconstruct something out of building blocks that do not fit together.

Alex Macaulay: I add a caveat to this answer by saying that it is from Alex Macaulay and not necessarily from the SEStran board, which you will know is made up of delegates and representatives from the local authority partners, who I suspect would not wish to see the re-establishment of the sort of integrated regional body that was described.

I must say that the way in which we are operating certainly does not make life easy. I have had long experience with, first, Central Regional Council, then Lothian Regional Council, then the City of Edinburgh Council unitary authority, and eventually with SEStran. We often ask why we do not just get on with things rather than go through all the negotiations and discussions that we have to undertake at a partnership level. However, there is a balance involved, which is that the moves that have been made on community planning partnerships have the potential for bringing major

benefits to society because they break down the horizontal barriers between local government and the other major players who provide services to the population of Scotland. I would not therefore say that the situation was all bad.

Intuitively, we think that it would be nice to have a regional body that has responsibility for regional land use and transport planning and regional economic development. However, the committee will remember, as we all do, that the regional structure caused some friction at the time. Depending on whether you sat on a regional body or on a district council, you had a different perspective on how successful that particular local government structure was.

This sounds simplistic, but the people with whom you deal are the key. If they are open minded enough, we can make any management system work. However, if minds are closed, then no matter how good the management system is, it will not work. There are legitimate issues for local government in wanting to identify its own local priorities. Who am I, as a transport person, to say that social work or education is not a bigger priority than transport? Fortunately, that is not for me to opine on; it is for the politicians, as the decision makers, to have their views on that.

There are therefore real advantages for local government autonomy in the de-ring fencing of budgets. In my own area, the result in the first year of operation appears to be that money is not being spent to the same extent on regional transport priorities. That may change; we will keep plugging away to see. All we can do is argue our case for the services that we are here to provide.

Des McNulty: I will be a bit more specific. When you talked about where the money is going from and what is not getting done, I think that all three of you talked about specific transport projects. Can you point us in the direction of a service approach? Are we losing out not on big projects but on the development of local bus services, the introduction of demand-responsive transport and the development of local and regional rail services?

16:15

Alex Macaulay: I would have answered that question earlier, when responding to Alison McInnes, but the convener hurried us on.

The Convener: I tried.

Alex Macaulay: We all know that the public sector has difficulty committing to long-term revenue spending, which is a big issue. It is easier for it to commit to capital spending, because it can see an end to paying back the debt. Long-term revenue spending is a different issue, but

changing hearts and minds and attitudes towards travel has serious implications for revenue spending. In my view, the focus must be on how we achieve modal shift. That can be done through the smarter choices agenda and the travel planning agenda. It is disappointing that at the end of this financial year the central travel planning budget for regional bodies will dry up to nothing, as it will be initiatives such as it that change people's attitudes.

I make no apology for using the term "low-hanging fruit", because that is where real benefits can come. Research into what have been described as softer options—they are certainly not easy—indicates that we can expect to recover at least £10 in benefit to society from every pound that we invest. Unfortunately, the strategic transport projects review focused on transport projects, rather than the smarter choices agenda, which is being bypassed.

If we are to reduce emissions, investment in trunk roads must be focused on areas of major congestion. I will not list those areas, as members know where they are in the areas that they represent. On public transport, there is a debate about whether we should invest heavily in rail—which involves longer-distance journeys and for which the capital costs are quite big—or in buses. The statistics indicate that at least five times as many trips are taken by local bus as by rail. In my view, we would get a bigger bang for our buck if we invested in buses. Again, that would involve a shift from capital spending to revenue spending, which is a difficult budgetary choice to make.

I support Derick Murray's comments about bus route development grant. I would like the Government to examine carefully what it is spending on concessionary travel. I know that the committee has debated that issue and that a review of the scheme concluded that it should continue to provide the same level of service to the customer, but the management of concessionary travel needs to be examined much more carefully to ensure that we get better value for it. We also need to link bus service operators grant to environmental objectives. There is the potential to increase spending on that, if we see benefits coming through in reduced emissions.

All of the projects in which we are investing are good ones—I am not saying that they are bad projects—but a minor policy shift in transport that gave a greater share of the budgetary cake to revenue investment, rather than big, expensive capital investment, could produce significant benefits.

Shirley-Anne Somerville: I understand that it was made clear from the outset that the travel planning budget was for two years, so it can come as no surprise that it is ending at this point,

although I understand your disappointment. What moves were made among the partners to try to ensure that funding continued in a different way for something that was such a success? Were attempts made to find alternative sources of funding? Are other authorities continuing that because they have seen that travel planning has been a success and they have had two years' notice that it was coming to an end?

Alex Macaulay: As far as my own authority is concerned, I have reallocated funding from other areas towards the work that the travel plan officer is currently doing and was doing more intensively in previous years using the Scottish Government budget. Other areas of investment have taken a hit within a very limited revenue budget, and I have moved money to sustain investment in travel planning within the SEStran budget. It is a high priority for us, and the best thing that we can do in the circumstances is to reallocate funds to it from within our own budget.

Rob Gibson: I will turn to the national transport objectives. What are the implications of constrained public spending on the ability of regional transport partnerships and local authorities to contribute to things such as, first, the national strategic target or indicator of achieving modal shift on journeys to work and, secondly, the national transport strategy strategic outcomes—in other words improved journey times and connections, reduced emissions and so on? Can any of you answer in terms other than those that you have put on the record today?

Alex Macaulay: I will respond very briefly, because I know that I have said more than my share today.

I agree with Eric Guthrie that the regional transport strategies are very much in line with the national transport objectives. The national transport strategy objective of economic growth will be difficult. My assessment is that if we do not have continued investment in transport it will be difficult to get us out of the recession that we are in. It will also be difficult in respect of social inclusion and accessibility to remote rural areas. We all know the problems that we are having with bus services being withdrawn and with marginal services, non-supported services and so on.

The NTS objective on the environment has to be the priority because a major issue is looming on the environment and emissions. Transport is one of the worst offenders, and it is the only one in which emissions are growing. Very difficult targets have been set by Government for emissions reduction.

We all share the safety target in the NTS objectives. The safety record on the roads in the UK is pretty good compared with other countries,

so, although nobody would say that safety is not a priority, you have to question whether it is the number 1 priority.

Integration is an interesting issue, and a lot of money is being allocated to integrated ticketing, electronic ticketing and so on. I throw out to the committee the statistic that one-ticket, which is the integrated ticket for east central Scotland, currently attracts about 3 per cent of the public transport market. There are a number of reasons for that, but integrated tickets in the passenger transport authorities in England make up about 3 to 5 per cent of the market. Although we would all support integrated ticketing as something that makes public transport easier to use, the vast majority of public transport trips are single-operator trips. I accept that longer distance journeys need to be a bit more integrated, but we must look quite critically at how we address integration. Do we have 100 per cent integration for everyone or do we target integration to the areas of greatest need? Generally, it will not be easy.

Derick Murray: My answer will be briefer than Alex Macaulay's brief answer. We have a number of projects, which we think will come off during the next few years. Beyond the major schemes, we have many other projects, which are mainly bus based. Most of Nestrans's budget is aimed at enabling us to lock in benefits from major schemes. We have done the work to learn what opportunities will be created for us when the major schemes are in place, and we have included that in our delivery plan. We have a period of major investment in and around the Aberdeen western peripheral route, followed by much more localised investment in projects such as bus priority measures, to increase opportunities for modal shift.

Eric Guthrie: I will be equally brief. Modal shift is probably the area to which we have given most focus during the past couple of years in our revenue and capital programmes, and we will continue to focus on it next year. I mentioned the importance that we attach to park and ride. We are also developing local rail services, and we have submitted to Transport Scotland the Tay estuary rail study, on which we worked closely with Transport Scotland and Network Rail.

The travel planning agenda was mentioned. We are disappointed that funding will reduce, albeit that we received prior warning that that would happen. Like SEStran, we must switch funding around in our budget. In an ideal world, we would put more into travel awareness and active travel development.

Modal shift is a key area on which tactran is focusing much of its energy. As part of that effort, we are considering opportunities for more

sustainable movement of freight, for example by funding a study to learn whether Highland Spring, at Blackford, can get more of its freight on to rail, and by considering the ports at Dundee and Montrose. Modal shift currently accounts for a large part of our motivation.

Rob Gibson: You have touched on issues to do with the climate change targets, about which I was going to ask. We can see where you are coming from in that regard. The contribution to sustainable economic growth was mentioned. Now that we are trying to get out of the crunch, it might be necessary to revisit the priorities in the transport budget. We have talked about a shift from capital to revenue on a small scale; what other approaches stick out as being potentially helpful?

Eric Guthrie: I talked about reprioritising some of the quick-win projects in the STPR. Such opportunities in part take account of the financial constraints that exist. Tactran has said that it would support advancement of such projects as a way forward in the financial circumstances that we face, which would also contribute to the environmental objectives that you referred to.

Cathy Peattie: Some of my questions have been answered, but I want to explore a couple of matters. Alex Macaulay suggested that we need to consider better approaches to concessionary travel. How could the scheme be tightened up in a way that would benefit the people who use it?

Alex Macaulay: The concessionary travel scheme provides an excellent service to passengers. I cannot see how it could be improved for passengers; it is great for them. However, we need to tighten up the scheme's internal management, by considering the levels of remuneration that go back to the bus companies. The provision of free travel to a sector of society generates additional travel—the concept of price elasticity of demand is well known. If we generate more travel, and if that travel is remunerated on the basis of the full undiscounted fare, as I think that it is, it can be argued that the public purse is not getting best value for money.

There needs to be a tight managerial regime, to ensure that the key principle of a concessionary travel scheme for the operator is that they should be no better off and no worse off. My perception is that currently operators are no worse off—and I question whether they are a bit better off. We need to consider the issue carefully. That came out of the review of concessionary travel, which concluded that the Scottish Government did not want to change the level of service to the passengers but would review—I cannot remember the exact phrase—the management of the scheme to ensure that it provides best value for the public purse.

16:30

Eric Guthrie: Alex Macaulay is right. The legislative position in relation to concessionary travel is that the subsidy is provided to the user and not to the operator, who should technically be no better or worse off. However, I think that, at the end of the day, the transport industry considers the concessionary payment to be revenue—bottom-line revenue, as it currently stands. My concern, and my one reservation with regard to what Alex Macaulay said, is that a reduction—if that were to be the consequence of any review of the operator reimbursement—could put at risk the existing operation of the public transport network, which would be a fundamental issue for RTP and RTS strategic objectives.

I agree with the principle of what Alex Macaulay said but a bottom-line question would need to be addressed: if the budget were to be adjusted downwards, what would be the consequences—unintended or otherwise—for sustaining the public transport network that is a key part of not only our regional transport strategies but the national transport strategy?

Cathy Peattie: The transport budget is dominated by a limited number of substantial spending lines. Is there scope for redirecting spending from large capital projects towards a number of smaller-scale projects that might have more impact? For example, a Grangemouth transport hub might make a substantial difference. I refer to projects such as that.

Alex Macaulay: That is a leading question, Cathy. You were looking at me, were you not?

We need to be careful with the major investment that is in train. If we are contractually committed and have started, we must finish. The worst thing that we can do is to start major projects and not complete them for one reason or another, so any rephasing of the early investment projects would need to involve projects that have not yet started.

Far be it from me to argue against further investment in the Grangemouth hub—I refer to one of its elements in my written submission—but, in relation to shifting investment, the opportunity for slowing down the juggernaut of the major projects that are in train will arise not in the coming financial year or even the next one, but further into the future. If Scotland is faced with such difficult decisions—and it will be—we should seek a closer alignment between the strategic transport projects review and the national planning framework against the background of hitting environmental targets and achieving modal shift. The package of investment that is intended for the Grangemouth hub is fundamental to the Scottish economy and we should consider how best to align investment

so that the national priorities that are in NPF 2 are more easily delivered.

Cathy Peattie: If I hear you correctly, you are talking about projects that have not already started. A number of existing projects would be enhanced if they were to be prioritised; that is what I am interested in. I use Grangemouth as an example, but there are other projects. It seems quite expensive, but in the grand scheme of things—compared with building a Forth bridge, for instance—investing in what is there already would make a substantial difference. I am interested in the prioritising.

Alex Macaulay: I know that you are interested in that, and I am deliberately not responding by saying, “Cut such and such a project and invest in something else.”

Cathy Peattie: I am not asking you to do that.

Alex Macaulay: That is not for me to decide; it is for the committee to make a recommendation to the ministers on that.

I return to the low-hanging fruit. The projects that are not multibillion-pound projects can provide a very good rate of return for their limited level of investment. Having said that, it is not for me to argue against the replacement Forth crossing. As you can see in my submission, my board is very supportive of it, subject to us getting it right.

Cathy Peattie: I am not necessarily arguing against it—I am using it as an example.

Charlie Gordon: At the risk of labouring the point, I return to the strategic transport projects review. Glasgow airport rail link has been cancelled, and there will probably be slippage in the delivery of existing capital infrastructure projects. The prioritisation of the new Forth crossing contributes to the general anticipation of future constraint on the funding of transport spending. I had intended to ask you about the implications for the 29 projects that are set out in the STPR, and your specific local and regional concerns, but I think that you covered that issue in response to earlier questions.

I will cut to the chase. In view of the pressures that are building up, should Transport Scotland and the Scottish Government be thinking about extending the delivery timescale for the STPR, for example by delaying it from 2020 to 2032?

Alex Macaulay: It is an inevitable consequence of constrained budgets that the delivery programme will extend. My perception—others might correct me if I am wrong—is that we do not know what the priorities are in the STPR at present. Those priorities have not been established.

Charlie Gordon: If they are all priorities, there are no priorities.

Alex Macaulay: Aye. We do not have a programme to extend. We have an indication from the minister of how long the STPR is intended to cover, but when we are tight on budgets, it is inevitable that the programme will extend. However, we really need to know what the programme is because at present we do not know what the priorities are in the STPR.

We will argue for the priorities that we have given the committee today—the areas in which we can see that there are real difficulties. We cannot even make any early progress on some of the smaller projects, which are significant at the regional level. When we add them together, they are significant at the national level, but individually they are perhaps not nationally significant. We need to know from Transport Scotland and the Scottish Government what the programme is before we can make any comment on how it may or may not extend into the future.

Eric Guthrie: I am sure that we are all working hard at that. I have mentioned some of the projects that we are working on. One of the things that we welcome in the draft budget, on page 38, is an identified increase next year of roughly £2 million assigned against the STPR. If I have read the budget document correctly, that is for bringing forward development of the STPR. Collectively, we hope that that will provide Transport Scotland with the ability to work with us more proactively than it has been able to do on the availability of funding for developing the STPR work programme. We would find that helpful, and it would probably equip us better to answer the member's question about that programme.

Derick Murray: We hope that the work that ACSEF has done has set a priority so that when projects that we would like to implement and other things that we would like to do in the north-east are considered, they are considered within that priority. We must also bear in mind that we have a window of opportunity and that we need to build a critical mass while we still have the energy industry in the north-east. We therefore have two things going.

Partnership working and local funding as well as national funding can help to ensure the delivery of projects within a quicker timescale. We are working with Transport Scotland to try to achieve that, and I hope that some of our partners are as well. Not all the costs need necessarily fall on the national budget; some costs can fall on us. We could therefore put things on the ground sooner than they might have been.

The Convener: Does it not stand to reason that we cannot put in place a full list of priorities to

2020 or 2032 because we do not know what the political priorities will be? We do not know how quickly oil prices will rise, where economic activity will happen or what the technological changes in electric vehicles will be over such a time period, and we do not know how the price of carbon will be costed into the economy. How can we possibly say now what the priorities will be in 2025?

Alex Macaulay: I take your point as far as 2025 is concerned, but we all know that major transport projects have a long gestation period. If we do not allocate priority to the family of projects in the STPR, we will not start that gestation period and work the projects from the initial concept through the statutory process from design to construction and final delivery.

The Convener: My point was simply that any such list of priorities would be only an expression of how we cut the deck today. That might change tomorrow, next year or during the next session.

Alex Macaulay: Such a list would be that. The perennial problem with transport and a number of other service areas is that they are subject to changes in Government. However, if you ask the private sector what it wants out of Government, it will say that it wants direction and that it wants to know where we are going and when things will happen. If we are to deliver on a very ambitious STPR programme, some thought needs to be given now to relative priorities so that work programmes can start to deliver schemes. It is a fact of life that nothing that the current Government is doing would preclude a change of priorities by a future Government. However, we need to start thinking a bit longer term, because at the moment we do not know when any of the projects will come on stream, and that is unacceptable.

The Convener: There was a little element of being devil's advocate in my questioning.

Alex Macaulay: I know that there was.

Charlie Gordon: I will give you an answer after the meeting as well, convener.

The Convener: You always do, Charlie.

Shirley-Anne Somerville: Does the strategic transport projects review require to be reviewed?

Rob Gibson: Yes or no?

Eric Guthrie: My answer continues from what was being discussed. It is clear that the STPR will require development. I have said that tactran broadly supports the STPR, but we would have liked to see other things in it. I would include in its development the potential opportunity to discuss with Transport Scotland and the Scottish Government the ability to include other projects that we would have liked to see in it—projects

relating to multimodal or trimodal access to ports, for example. That was not included in the STPR, but it is in the NPF. We think that that still represents a gap in strategic regional infrastructure. Work might also be done on regionally and nationally important interchanges at Dundee, Perth and Stirling. We hope that that would be a development. Tactran supports the STPR's broad context and content, but we still need to get to priorities.

16:45

We refer to STPR project 29, which is in our area, as the project to improve the A90 through or around Dundee, as opposed to a Dundee bypass—the description is part of the issue. The options for some projects in the STPR have not been sufficiently well defined to allow us to know the best way forward. That is a strategic issue, because we are beginning with our colleagues in TAYplan to consider the land use strategy for the TAYplan area. It is clear that something as significant as a potential bypass around Dundee or upgrading the A90 through Dundee has land use implications. Leaving indefinitely an understanding of the options for that will not help. We would be pleased to work with Transport Scotland to produce at least an initial assessment of what that element of the STPR means, which would help to inform the work that is being done on strategic land use planning. That takes us back to the relationship between transport, planning, the economy and the environment.

Alex Macaulay: We are looking for an evolution of the STPR rather than a root-and-branch review. That evolution would take account of changing external circumstances. I agree with Eric Guthrie. We have all signed up to and are relatively supportive of the general direction and thrust of the STPR. We disagree with elements of it, as members would expect, but we agree with many elements of it.

I return to an early question from Patrick Harvie. The strategic development plans that are being produced for our city regions are for 20 years ahead, as far as I recall. We need to start to consider the transport infrastructure in that context. Otherwise, the private sector will not take up development opportunities in due course.

Derick Murray: I will be quick: I am happy to go with what Alex Macaulay said.

Shirley-Anne Somerville: That is a nice short answer—we like that.

My final question is about funding. Considering how to fund transport projects—particularly those that go over more than one comprehensive spending review period—involves challenges. Should the Government consider other

mechanisms to fund STPR projects, such as accelerated capital expenditure, which we have used, or borrowing powers?

Derick Murray: Alex Macaulay is the alternative funding man.

Alex Macaulay: I am the alternative funding man—thank you; that is very kind.

My submission refers to support for the Calman commission's proposal for the Scottish Government to have borrowing powers. It is daft that local and regional authorities can borrow—if we could find a revenue stream to support the borrowing—but the Scottish Government cannot. If nothing happens as a result of the Calman commission other than achieving the ability for the Scottish Administration to borrow, that will be a significant step forward.

Eric Guthrie: Alex Macaulay was called the alternative funding man because the regional transport partnerships are actively considering the issue alongside the Convention of Scottish Local Authorities. Prudential borrowing is part of that, but that is work in progress.

All that I will add to what Alex Macaulay said is that we recognise the constraints. We want to do work to identify other opportunities. That will involve discussing with COSLA and the Scottish Government how we might identify opportunities to go forward. As Alex Macaulay said, prudential borrowing is part of that. We are considering European funding opportunities and anything else that might be brought into the frame. That is work in progress that the RTPs hope to conclude in the next few months.

Alex Macaulay: In the draft budget document, the reference to European funding is net zero because it is investment in projects that are funded by European money. Would it not be nice if the Scottish Government could allocate a sum of money that was ring fenced to enable public sector bodies that were bidding for European funding to provide match funding? If there were a pool of money somewhere that was available for match funding for European structural fund projects, European North Sea projects or whatever, local authorities would not have to root around trying to scrape together match funding from within already stretched budgets. That would be of major benefit and would introduce a degree of comfort and certainty for local authorities in making bids for European projects. It would also introduce a degree of credibility and gravitas to a project, as the local authority would be able to say that the project was supported by the Scottish Government as well as by all the other agencies that may be involved in it.

We need to start to consider ways of leveraging in that kind of investment. We all know that the

money that is available from Europe is not as great as it was, but it is not insignificant. Significant funding is still available through the European Commission and I do not think that we, as a country, are making the maximum use of it. One of the problems is the difficulty of finding match funding.

The Convener: I thank all our witnesses for the time that they have spent with us. We have overrun significantly and I appreciate the time that you have given us. Your evidence will assist us in questioning the cabinet secretary at our meeting next week and in reporting to the Finance Committee on the draft budget.

We move into private session for the remainder of the meeting.

16:52

Meeting continued in private until 17:39.

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