

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 3 November 2009

Session 3

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2009.

Applications for reproduction should be made in writing to the Information Policy Team, Office of the Queen's Printer for Scotland, Admail ADM4058, Edinburgh, EH1 1NG, or by email to:
licensing@oqps.gov.uk.

OQPS administers the copyright on behalf of the Scottish Parliamentary Corporate Body.

Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
RR Donnelley.

CONTENTS

Tuesday 3 November 2009

Col.

DECISION ON TAKING BUSINESS IN PRIVATE.....	2257
DRAFT BUDGET SCRUTINY 2010-11	2258

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE 24th 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:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

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 3 November 2009

[THE CONVENER *opened the meeting at 13:30*]

Decision on Taking Business in Private

The Convener (Patrick Harvie): I welcome you all to the 24th meeting this year of the Transport, Infrastructure and Climate Change Committee. I remind members and everybody else present that mobile devices should be switched off.

There are three items on today's agenda. The first is a proposal to take in private item 3, which is consideration of the evidence that we will have heard on the budget, and all future consideration of draft reports on the Government's budget. Are members agreed on that?

Members *indicated agreement.*

Draft Budget Scrutiny 2010-11

13:31

The Convener: Item 2 is continuation of our budget scrutiny. I welcome our panel of witnesses: John Swinney, Cabinet Secretary for Finance and Sustainable Growth; and his officials, Philip Wright, deputy director for climate change at the Scottish Government; Jonathan Pryce, director of transport for the Scottish Government; and David Middleton, chief executive at Transport Scotland. I welcome you all to the committee's final budget scrutiny evidence session.

Cabinet secretary, do you wish to make any brief opening remarks?

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I have already made a statement to Parliament on the details of the budget, so, in the interests of time, I will leave it at that.

The Convener: In that case, we will press on with questions. As in our previous meetings, we will begin by focusing on the Glasgow airport rail link decision. Can you explain whether the process that led to that decision being made was based on a cost benefit analysis of the GARL project alongside other projects? Was there a comprehensive analysis behind the decision to cancel the project, or was it viewed in a more stand-alone way?

John Swinney: Essentially, the decision not to proceed with the Glasgow airport rail link was taken on the basis of the affordability of the project in the context of the Government's programme. As I explained to Parliament, we were particularly mindful of the fact that, despite all the uncertainties that lie ahead in public expenditure, it is certain that our capital budget will be subject in 2010-11 and 2011-12 to a reduction of £129 million, as a consequence of the change in the baseline of the United Kingdom Government's budget for the Department of Health.

As I explained to Parliament, I had to assess how I was going to ensure that the capital programme would remain affordable in the medium term, and, as a consequence, the Government came to the decision that we could not proceed with the Glasgow airport rail link.

The Convener: The connection, in the sense that making a judgment on whether the overall programme was affordable immediately led to the cancellation of the Glasgow airport rail link, is still a little unclear. What was the process that led you to focus on GARL as the project that needed special consideration?

John Swinney: The process essentially rests on the fact that, on a regular basis, I monitor—and, even more frequently, my officials monitor—the sustainability of the Government's capital programme across the policy spectrum. We have a clear idea of the condition, the likely start time in relation to costs and the progress of projects, and we can identify where some of the pressure points may arise.

As a consequence of that work, which is undertaken regularly and frequently, it became clear to me that we had to identify an aspect of the capital programme that could be cancelled, because I could see that our forward commitments could not be sustained due to the pressures that we will face in the capital budget.

As a consequence of the regular and detailed assessment of the capital programme, I made the judgment that the correct and prudent thing to do was to conclude the stand-alone Glasgow airport rail link project, which had not commenced its detailed expenditure.

The Convener: So the costs, start times and progress for a range of different projects were all under constant review. At what point did it come to your mind that the cancellation of GARL might become necessary and at what point did you then reach that decision?

John Swinney: I will answer those points separately because they are two very separate points. You asked when I became aware that there was an issue in the capital programme—I will depersonalise the matter away from GARL. I realised that a considerable time ago and have been warning Parliament about the constraints that are coming to the capital programme for—I would think—the best part of 10 months. The decision to cancel the Glasgow airport rail link was taken finally by the Cabinet on 15 September.

The Convener: Between realising that there was a problem with capital expenditure as a whole and reaching a final decision on GARL, at what point did GARL come into your sights?

John Swinney: As I said in my earlier answers, I undertake a process of constantly considering the progress of capital projects and capital budgets. It was not that I suddenly—

The Convener: But your focus alighted on the GARL project.

John Swinney: As I was looking at the choices that would be available to us as we concluded budget discussions, the intensity of focus would have become much sharper on the GARL project. However, I was considering continually the progress of the capital budget and what decisions would have to be arrived at.

The Convener: Not only was this committee not informed that a review process by Transport Scotland was under way—BAA told us that that happened mid-2009—none of the stakeholders was aware that the announcement was even possible until, in the majority of cases, minutes before the statement to Parliament. We have been told that there was no prior discussion with the stakeholders. That leaves us wondering whether there was an additional focus on the GARL project because of a general perception that it was wobbling for one reason or another or whether there was another objective process that measured GARL against other possible areas where savings, delays or cuts could be made.

John Swinney: Please forgive me if I sound obtuse—it is not my intention—but there is a difference between a review and reviewing information. A review of the GARL project was not undertaken; what we reviewed were the costs of particular elements of making the GARL project happen. That was what happened over the summer of 2009 and that was, I think, what the managing director of BAA in Glasgow was making the point about in committee. It was just a rudimentary analysis of the costs of different elements of a project—work which goes on literally every day of the week to ensure that capital projects are performing as we expect them to. I hope that that clarifies whether a review was going on or we were simply considering the information about components of a project.

The second point about the dialogue with stakeholders is a difficult issue for ministers, because, as colleagues will know, Parliament does not react very well to information being put in the public domain before it has been shared with Parliament. Therefore, given that I knew that the decision would not be universally welcomed, I had to think about my responsibility to tell Parliament first. Of course, I would not want to be in any way discourteous to stakeholders, but I think that members of Parliament will understand—because they make this point frequently—how important it is that Parliament is told first, and properly, about major decisions.

If I had authorised briefings to stakeholders any earlier than I had, I would have run the risk that information would be in the public domain before it was explained to Parliament. I assessed that risk personally in deciding the correct thing to do. It was my personal decision to advise stakeholders in the fashion in which they were advised, because I felt that a decision of that magnitude had to be announced in Parliament first. If, as a consequence of that decision, I have caused offence or concern to stakeholders, I regret that.

The Convener: I appreciate that—I would not want to suggest that there was a calculated move

to cause offence—but there was another option. As the finance secretary of a minority Administration, who has a hugely important job to do in bringing forward a budget that will gain majority support in the chamber, you could have discussed the capital budget situation with the Parliament and this committee and sought views from stakeholders as to whether there was another option. Did you not think that taking that route might have presented a lower risk?

John Swinney: I accept that that would have been a different approach, but I do not think that it would have presented a lower risk. If I had taken that approach, what would have happened is essentially what has happened in Dumfries and Galloway Council—if I observed my news bulletins correctly last night. The council has suggested a number of changes to service provision that it thinks could be made to balance its budget in the course of 2010-11, and every single one of those options has now been portrayed as a definitive action of the council. Therefore, a host of more projects than the council would perhaps have needed to review are now well in play as supposedly definitive propositions.

If I had taken the approach that you suggest, convener, I would have run the same risk. If the Glasgow airport rail link had not been cancelled, some other project or projects would have had to be cancelled, and it would have been unhealthy for the debate to focus on a range of different projects—which would perhaps have been put into play—when the Government was prepared to come forward with one specific and definitive project.

As you perhaps understand better than anyone else in Parliament, convener, I am involved in a significant amount of discussion with other parties about the budget, which says on its cover that it is a draft budget. I accept without reservation that Parliament has yet to determine the budget. If, as an alternative, I had come to Parliament and said that something had to give on the capital budget and asked colleagues to reflect on what they think it should be, some uncharitable influences might have said, “The finance secretary can’t make his mind up.” I have put forward a proposition, which is part of a draft budget, and it is for Parliament to consider whether it is the right or wrong thing to do.

13:45

The Convener: Before I bring in Des McNulty, I wonder whether you could clarify the comment that these issues are for Parliament to determine. Early on in this Administration, there was some controversy around Edinburgh transport projects. Am I right in thinking that the Government accepts that it is for Parliament to decide whether a

different approach could be taken in the current budget and that, if such an alternative were to be agreed, the GARL project could still go ahead?

John Swinney: If my memory serves me right, Parliament passed a motion that required the Government to provide financial support to the Edinburgh trams project. We did not support that decision but, as members will recall, I agreed to do what Parliament required. As for the Edinburgh airport rail link, I secured a parliamentary majority for the proposal not to proceed with the project and instead to pursue the alternative of opening a station at Gogar and utilising the tram links. With respect, I have followed the will of Parliament on those questions.

The issue with GARL is slightly different because it forms part of the budget process. I simply point out to the committee that, if Parliament were to seek to require the Glasgow airport rail link to be reinstated in the Government’s capital programme, it would have to be done as part of that process.

Des McNulty (Clydebank and Milngavie) (Lab): I might get a chance later to probe the issue of budgetary capacity.

The convener asked whether the decision to cancel GARL was based on a cost benefit analysis of transport projects or some other comprehensive analysis. If I understood you correctly, cabinet secretary, you said that the decision on GARL was based on a review not of the project itself but of some aspects of its delivery. I find that response strange, given that in Parliament you said to Patricia Ferguson that the overwhelming reason for the cancellation of GARL was to do with problems in your capital budget in this financial year. Surely if such problems arise, you must have a process for identifying possible options, with some cost benefit analysis of their implications. You seem extraordinarily reluctant to do that work.

I understand that there are sensitivities and the possibility of raising concerns about this or that project, but surely the logical and consistent way to proceed for a cabinet secretary who is in charge of the budget and has responsibility for a group of transport projects, each of which with its own advantages and disadvantages—indeed, the way in which I would expect any business to proceed—would be to carry out an options appraisal and base the decision on that. I appreciate that you do not wish to be obscure, but you have offered us no justification of why, as it seems, you have not undertaken an options appraisal.

John Swinney: The problem with that analysis is that it ignores all the appraisal work that we carry out on each transport project in the Government’s capital programme and, indeed, on every other capital project. With each capital

project, we consider all the cost benefit issues at a number of stages from early conception through developed proposal to advanced proposal. There is no need for me to carry out a cost benefit analysis on this issue because all that work has already been done.

The key element in this decision was the affordability of the Government's capital programme. Mr McNulty can perhaps share with me any comments that I have made to Patricia Ferguson, to which he referred. My parliamentary statement at the time of the budget was set within the question of the affordability of the capital programme in 2011-12 and the fact that GARL would place a strain on our finances over some years.

Des McNulty: Your comments to Patricia Ferguson referred to pressures in the budget in the financial year 2010-11.

John Swinney: There are also pressures in the financial year 2011-12 because of what is happening with the capital line in general, as I said in response to a question from the convener. The driving consideration in all of this has been the affordability of the capital programme.

I repeat for the record that we undertake an analysis of the cost and benefit of every project; that is a routine part of capital planning. Ultimately—I think that Mr McNulty will understand this—the decisions that we make on capital programmes are not absolutely driven by a relative choice between one project and another in cost benefit terms: we take forward a set of initiatives and projects that we think is the correct collection of projects to take forward. Essentially, the judgment that I arrived at was whether I thought that GARL was essential or desirable. I came to the conclusion that it was a desirable rather than essential project and it was therefore one that could be removed from the capital programme.

Des McNulty: I will probe that a wee bit further. Any person in a household might decide whether to buy a new car or television or whether to fit out a new kitchen, and they will make their own judgment about which is essential and which is desirable, but in government you operate to a different set of constraints.

You said that the cost benefit analysis had already been done for all these projects. It should be a relatively simple matter for you to publish the information on which you make a judgment between the costs and benefits of different options in order to save money, which you say is the problem that you face. My problem is that you have not published any of this information—you have just said, "I want to cancel GARL. That is the decision that I have made." You have not outlined the options that you considered. In fact, you

suggested that you did not consider any options; you simply made the decision on GARL because you deemed the project to be desirable but not essential. My challenge to you is to publish the information and show us what the options appraisal that you did showed. You have the evidence and the information. What is there to back up your judgment?

John Swinney: What backs up my judgment is the affordability of the capital programme. I have published an endless amount of information about the affordability of the capital programme, as has Her Majesty's Treasury, within whose framework I have to operate. All that information is publicly available. Essentially, I am saying to the committee that these issues have to be resolved by ministers, who are here to exercise choice, subject of course to the constraints of the decisions that Parliament makes. I am clear that Parliament is able to make a choice on the issue because ministers have put forward a clear view on the right choice to exercise.

Charlie Gordon (Glasgow Cathcart) (Lab): Before you decided to cancel GARL, did you consider any alternative sources or types of finance that might have kept the project going?

John Swinney: I certainly considered whether there was a possibility that the project could be taken forward through inclusion in the regulated asset base of Network Rail. The conclusion that I arrived at was essentially twofold. First, I was far from certain that it would be either possible or straightforward and practical to undertake much of the essential site preparation activity, which forms a major part of the costs of the branch-line spur that is involved, as part of the RAB arrangement.

Secondly, under the RAB approach, we do not have access to an inexhaustible amount of resource. We have asked Network Rail to undertake other things as part of the RAB, including major improvements to the Edinburgh to Glasgow rail line and the main lines to Aberdeen and Inverness. If investment resources were allocated to the project, that would obviously affect Network Rail's ability to invest in other projects.

The other factor is that I would not be the final determinant of whether the expenditure was acceptable as part of the RAB, because the regulator's view would be paramount.

Charlie Gordon: Under the Railways Act 2005, you have some influence over Network Rail's strategic investment priorities in Scotland.

John Swinney: I have exercised that in setting out the priorities of the Administration.

Charlie Gordon: So you did consider keeping the project going via Network Rail. What made you

conclude that it would not be possible? Was it those operational problems?

John Swinney: The issues that I raised in my earlier answer capture the reasons why I decided not to proceed with that option.

Charlie Gordon: I presume that, having considered it in the first place, you saw that it would potentially give you more financial flexibility, given the situation in which you found yourself.

John Swinney: That is not the case globally, because I am not clear that I would be able to secure greater access to an already significant amount of regulated asset base investment capability, which we have as a consequence of setting priorities for Network Rail, through the determination by the Office of Rail Regulation. Without that greater access, I would not be at all confident that the option would be sustainable.

Charlie Gordon: So you thought that it was a possibility and you considered it, but you believed that there was a lack of certainty, and that prevented you from committing to that funding route.

John Swinney: That is correct.

Charlie Gordon: What about the possibility of asking local authorities that were major supporters of the Glasgow airport rail link project—I am thinking of Glasgow City Council and Renfrewshire Council, for example—to help with the financial difficulties and provide greater flexibility? In the same way, I understand, local authorities in the west of Scotland helped with the difficulties with committing to the completion of the M74.

John Swinney: The difference with the completion of the M74 is that three local authorities—Glasgow City Council, South Lanarkshire Council and Renfrewshire Council—were already signed-up financial contributors to the project and they agreed to front-load their contributions. I appreciated their flexibility in that respect. With the GARL project, no local authority was making a financial contribution.

Charlie Gordon: Did you think about asking them to do that?

John Swinney: I hear from local authorities that there are many capital priorities that they want to proceed with. I do not want in any way to inhibit the ability of Glasgow City Council, for example, to invest its capital resources in the infrastructure of Glasgow—in particular, in building schools.

14:00

Charlie Gordon: It might have been a good idea to ask, cabinet secretary. What about the possibility of using further accelerated capital

spend as a way of not cancelling the GARL project?

John Swinney: Mr Gordon will know that it is my priority to secure additional accelerated capital expenditure. However, regrettably, if we accelerate capital expenditure to fund GARL, it will have to be paid back and, as I have explained, the financial pressures on the Government's capital programme will grow ever more significant as the years pass.

Charlie Gordon: GARL is a desirable project—many members of the Scottish Parliament would say that it is essential. In either scenario, MSPs give a pretty high level of priority to the project. You will be aware that Iain Gray has written to the Chancellor of the Exchequer, asking for additional accelerated capital expenditure. I presume that you welcome that. Do you accept that, in principle, that could give Parliament the opportunity to reinstate the project?

John Swinney: I welcomed Mr Gray's intervention in Parliament last Thursday. I am not sure whether Mr Gordon was able to participate in the debate on the economy, but I made it clear that I welcome that intervention. I hope that it results in accelerated capital expenditure, as that is exactly what the Scottish economy requires. The gross domestic product statistics that were published a week last Friday tell us that the economic recovery is beginning, but that it is fragile and would benefit from additional capital expenditure.

As to whether that would change the dynamics of the GARL discussion, I say simply that the capital programme must be made sustainable not just in the short term, but in the medium term. As I explained to Parliament, the outlook on capital expenditure has been the principal driver of my decision to cancel the Glasgow airport rail link, as I did not think that it was affordable in the medium term.

Charlie Gordon: Do you not accept, even in principle, that if we got additional accelerated capital resources the door might be left ajar for the reinstatement of GARL—assuming that Parliament regards it as a desirable or even essential project?

John Swinney: That is not the approach that I would take. I have listened carefully to what MSPs have said about the possible use of accelerated capital and I am pretty certain that I heard Mr Gray say last week that the priority for accelerated capital expenditure had to be investment in social housing. I happen to agree with Mr Gray on that point. If we are to make investment in social housing a priority, we cannot also make a project such as GARL a priority. I have expressed in Parliament my belief that, in the medium term, the project cannot be afforded. Not only would

Parliament have to make a decision about the use of accelerated capital, it would also have to decide how the capital programme could be sustained in the medium term.

Charlie Gordon: I am not going to speak against investment in social housing, cabinet secretary. Nevertheless, you talked about the tenuous nature—I cannot remember the precise word that you used—of the economic recovery, which you believe is a delicate creature. Surely, at such a time, along with investment in skills, investment in transport infrastructure fits the bill as a boost to economic recovery.

John Swinney: Absolutely, Mr Gordon, but I repeat that what Parliament cannot avoid is the fact that there is a medium-term problem with the size of the capital programme because of constraints in the profile of capital expenditure that we know about from the chancellor's budget statement. That is not speculation; the chancellor has made it absolutely clear where we are going in 2011-12, and that is why I have taken this decision.

Accelerated capital does not change that situation; it simply shifts around sums of money year by year. If capital expenditure were to be accelerated in the short term, it could pay for year 1 of the GARL project. However, my point to Parliament and the committee is that funding has to be found for the other three years of the project. That is why I do not think that it can go ahead.

Charlie Gordon: But £19 million has already been spent on it.

John Swinney: I am aware of that. However, the fact is that the project's cost will be significantly greater than that.

Alison McInnes (North East Scotland) (LD): With regard to sources and types of funding, Councillor Purcell told us directly that he would have welcomed the opportunity to consider how Glasgow City Council might have been able to assist with some of its own capital funding. He felt that that approach should have been made, but I understand what the cabinet secretary has said in that respect.

As far as alternative types of funding are concerned, I wonder whether the cabinet secretary will explain the funding model for the Borders railway project and why it has not been considered appropriate for GARL.

John Swinney: As I explained to the convener in a letter following my appearance before the committee in September, the funding mechanism for the Borders railway involves the creation of a special purpose vehicle that will design, finance, build and operate the railway. Obviously, a revenue stream goes directly with that as part of a

discrete project, and the Government is required to give an on-going commitment to fund it. Again, of course, the question of affordability arises, as it does no matter which option we look at.

The simple point that I have been making to Parliament for 12 months now and, indeed, all the way through the budget process is that we are entering a fundamentally different climate in public expenditure and we will have to face up to the reality that it will not be possible to do all the things that we would like to do. I am not making up numbers; I am simply following the budget red book and the UK Government's rhetoric and statements. Ultimately, we have to ensure that our commitments are affordable. As Alison McInnes knows, I have to manage a fixed budget and to bring it in within its limits. In the past few years, I have done so with not very many millions to spare to ensure that we maximise capital expenditure. We cannot take on commitments that we do not think are sustainable in the medium term. My judgment is that we are able to sustain the projects that we are sustaining, and that this project cannot be sustained.

Shirley-Anne Somerville (Lothians) (SNP): Glasgow airport's managing director told the committee that the new fuel farm would have cost the taxpayer £28.9 million, not the £32 million that has been stated in ministerial correspondence. Are you able to account for that apparent discrepancy?

John Swinney: There are probably two explanations. BAA is contributing £2 million to the cost of relocating the fuel farm, and I believe that Amanda McMillan deducted that figure from the £32 million. The £32 million that was set out by the Government was a net figure from which £2 million had been taken off already, so essentially the £2 million was taken off twice.

The other difference is that a provision for risk is implicit in that calculation. As I understand it, BAA based its costs on the negotiated 12.5 per cent risk provision, but the master agreement under which we are obliged to operate mandates that the risk provision should be 20 per cent on the authorised undertaker. As those figures were produced by the authorised undertaker, it would be appropriate to use the 20 per cent figure.

Shirley-Anne Somerville: So the figure that was chosen was based on the undertaker's initial assessment.

John Swinney: It was based on the obligations on the authorised undertaker as part of the master agreement between Strathclyde partnership for transport and BAA that we inherited.

Shirley-Anne Somerville: The managing director of Glasgow airport told the committee:

"There is a pressing need to improve surface access".—
[*Official Report, Transport, Infrastructure and Climate Change Committee*, 27 October 2009; c 2206.]

However, she did not believe that fastlink was the answer. Following the announcement of the cancellation, what alternatives to GARL has the Scottish Government discussed with stakeholders that might deal with Ms McMillan's concerns about fastlink?

John Swinney: That is an open dialogue, which the Government is keen to have with stakeholders. I made it clear to Parliament that there are various ways in which we will progress that discussion. The Minister for Transport, Infrastructure and Climate Change has met Renfrewshire Council to discuss those issues, and we are keen to progress discussions with Glasgow City Council. There are obviously opportunities for us to make progress on those questions, and the Government will engage in discussions to bring that about.

Shirley-Anne Somerville: Staying with the issue of the budget for GARL, Transport Scotland became the authorised undertaker in May 2008, at which time the works at Glasgow airport were estimated at £16 million. Within seven months, they were estimated at £36 million to £42 million. Can you explain the change in the figures, from £16 million to £36 million to £42 million?

John Swinney: To put the change in its proper context, I will go back in time a little. When Parliament passed the bill, the estimate for the ground works at Glasgow airport was £7.8 million. As time has passed—as Transport Scotland has become involved, and we have scrutinised the costs, undertaken some of the ground survey work, progressed the specification and engaged with BAA on all those questions—it has become clear that the costs in the original estimate were not comprehensive or robust.

It is not that the costs have increased—the situation is, frankly, a bit like the Parliament building. The cost estimate for the building was apparently £40 million before someone had decided on a site or a design. As the GARL project has become more specific, as we have examined it in more detail and as the specification has emerged as the tender process has taken its course, it has become clear that the original estimate was not sufficient.

Shirley-Anne Somerville: There is a concern to ensure that such underestimates do not continue in relation to future projects. We are hearing about problems with the original estimates for the GARL project from SPT; there is an issue to do with Parliament passing legislation that is based on information that leads to problems further down

the line when we come to pay for the projects. What can be done to ensure that future estimates are based on some form of reality rather than the type of estimates that were contained in the original bill that we passed?

14:15

John Swinney: That is a fair point. The requirement that I place on Transport Scotland, which I place on every aspect of Government, is to follow a rigorous process of estimating potential projects to allow us to assess them properly and fully as part of an assessment of the likely cost. The Glasgow airport rail link was inherited by Transport Scotland, which has undertaken scrutiny on my behalf to ensure that we are in a position to properly and fully understand all the costs. I assure Shirley-Anne Somerville and the rest of the committee that that rigorous approach is an implicit part of all our planning of capital projects.

The Convener: We will go back to Charlie Gordon.

Charlie Gordon: Thank you, convener. I apologise for any misunderstanding.

Cabinet secretary, did Transport Scotland recommend to you the cancellation of the Glasgow airport rail link?

John Swinney: No.

Charlie Gordon: Are you open to discussions with stakeholders or interested parties about the possibility of reinstating the GARL project?

John Swinney: I might have answered that question already. I have made my recommendation to Parliament. In my view, the position is absolutely clear: the Government's preference is not to take forward the Glasgow airport rail link. I am certainly not considering the possibility of reinstating it.

Charlie Gordon: Are you now saying that you regard it as an undesirable project?

John Swinney: I am simply saying that I have reached a conclusion. The judgment that I made, which I explained to you, was whether it was an essential project or a desirable project. I could not conclude that it was an essential project, which is why it cannot be in our capital programme.

Charlie Gordon: If a gift horse turned up with extra resources, you would look it in the mouth.

John Swinney: I am not sure how that could come about. As the committee will well understand, I have to operate within a fixed budget that is set for me by the United Kingdom Government. On supposed gift horses that might come along, we found out with the fossil fuel levy, which is a gift horse on the renewable energy side,

that if I use the money from the levy—in its official gift horse capacity—that is currently held in an Office of Gas and Electricity Markets bank account, the United Kingdom Government will deduct the said gift horse amount from my total budget allocation. We will be no better off, and the Ofgem bank account will have been raided. The only people who will be better off will be good old Her Majesty's Treasury. I am sure that, despite the political differences that Mr Gordon and I may have, we agree that we should not give any gift horses to the Treasury.

Charlie Gordon: Cabinet secretary, are you not denying the lessons of your own experience, given that you were helped out of a jam with the completion of the M74 and that Network Rail's co-operation has given you additional flexibility to deal with the constraints that you have mentioned?

John Swinney: I have not been helped out of a jam with the M74. The sums of money are no different. I still have to find the total sum of money that the Government is expected to contribute to the M74. With the agreement of the three participating local authorities, I was able to change the profile of when their contributions would be given. As I have said already on the record—I said this to the local authorities, too—I am grateful for the local authorities' co-operation. I still had to come up with the 88.4 per cent of the money for the Government contribution.

I know that the convener might not approve of this, but because of the pace at which the M74 project is being completed—

Charlie Gordon: I know. It is great—I drive past it.

John Swinney: Do you drive past it? I am glad that something cheers you up in the morning, Mr Gordon.

The Convener: I get stuck trying to get past it every day.

John Swinney: That is a vivid illustration of how difficult it is to please all of the people all of the time.

As a consequence of the progress that has been made, I am having to identify resources to support the faster pace of delivery by the contractors, although I welcome the progress that they are making. The M74 completion is another example of a project that is ahead of schedule—we have lots of projects that are ahead of schedule. The A9 Helmsdale improvements were delivered eight weeks early; the M8 Harthill footbridge was delivered a fortnight early; the junction improvements on the A90 at Glendoick and Kinfauns were open 15 weeks early; and the A77 Haggstone and Glen App improvements were

open 13 weeks early. A lot of good progress is being made on the transport network.

Charlie Gordon: That is good news for many people, although I suspect that it might be regarded by Transport Scotland officials as bad news for you. I know that programmes consisting of big projects can become lumpy and difficult to manage. Slippage can present an opportunity for another project but, if progress is made too quickly, a different set of problems can arise. If you seriously regard the Glasgow airport rail link project as desirable, you could have looked to other stakeholders to help you to manage your way through the difficult profile of the programme.

John Swinney: Maybe I have not made this clear enough to the committee. Forgive me if I repeat myself, but it must be repeated. It is not the profile of the expenditure on the Glasgow airport rail link that is the problem, although you are absolutely right in saying that I had such an issue in 2008-09 with the M74. The problem with GARL is the affordability of the whole project.

Among all the uncertainties that we face about the future of public expenditure, it is absolutely certain that we are going to experience real-terms reductions in our capital budget for a number of years to come. Some of those figures represent significant amounts of money. Some of the predictions in the Treasury documentation that was leaked recently suggest that, in some years, there may be real-terms reductions of 13 to 18 per cent in capital budgets. The Glasgow airport rail link is not a project that I have a short-term problem with; it is a four-year programme that is unaffordable given the profile of the Government's capital expenditure. That is my basic issue with it.

Charlie Gordon: If the situation is as bad as you say, the whole nation should not be left reliant simply on your individual judgment, with you choosing Barabbas instead of Jesus.

John Swinney: Lovely rhetoric, Mr Gordon, but what project would you have sacrificed?

Charlie Gordon: That is the whole problem, is it not? You have decided not to have a dialogue with stakeholders. When I asked you to commit, at least in principle, to a dialogue with stakeholders and other interested parties—in order that we could help you and ourselves through the difficulties—you fell back on generalisations about the overall size of the programme and you reserved solely to yourself the right to exercise judgment over which projects are essential rather than just desirable.

John Swinney: That is interesting, as that comment ignores what I said to the convener. I accept that Parliament must make a judgment about the budget, and if Mr Gordon has a

suggestion that he wants to make, the clock is ticking. We are involved in a budget process—

Charlie Gordon: You have already answered on the record my question about whether you are up for a discussion with stakeholders and other interested parties. The answer was no.

John Swinney: It is completely beyond me to prevent Parliament from having a discussion and considering whether the Glasgow airport rail link should be reinstated. I have expressed my opinion, but I cannot prevent Parliament from having that discussion. Mr McNulty was the convener of the Finance Committee and knows the budget process inside out. Mr Gordon has an opportunity, if he so chooses, to suggest the capital projects that should not be proceeded with in order that the GARL project can be reinstated.

Charlie Gordon: I think that you are being disingenuous, cabinet secretary. You know very well that I am talking about a dialogue between interested parties and you acting as judge, jury and executioner.

John Swinney: No, I am sorry, I am not. Mr Gordon may need reminding that I do not pass the budget of my own free will; I have to secure a parliamentary majority for it. If he wishes to suggest a project that should be removed from the capital programme, maybe he will suggest a hospital that could be removed, or a prison project that we should not proceed with, or perhaps some other project.

Charlie Gordon: Now we are getting into made-up stuff.

John Swinney: No, but—

The Convener: If I could—

John Swinney: But my point, convener—

The Convener: Very briefly, please.

John Swinney: I will be brief, convener. My point is a very serious one: colleagues cannot just criticise the fact that I have taken a decision to make the capital programme affordable without telling me how they would do that differently. That is the challenge for Mr Gordon and his colleagues. I have made my choices and recommended them to Parliament, and it is up to Parliament to judge.

The Convener: In moving us along, I simply reflect that if the announcement had been phrased in those terms—as a recommendation that would lead to a discussion rather than as a decision that had been made—perhaps we would not be in this kind of unhelpful dynamic.

John Swinney: I hear your point, convener, but I am required by Parliament to present a draft budget—that is what it says on the tin. I have done so, and it is for Parliament to consider it. I do not

think that I could have expressed today with more respect to the parliamentary process the right of Parliament to consider. However, I also point out that it is just not good enough for members of the Scottish Parliament to disagree with the decision that I have arrived at in compiling the draft budget, then to tell me that they have no alternatives to make the budget affordable.

The Convener: That point is understood.

Alison McInnes: Returning to the detail of the budget for the GARL project, Councillor Purcell indicated to us in his evidence that the £210 million budget that was originally identified by Strathclyde partnership for transport could accommodate the £70 million-worth of works that were required at Glasgow airport. What is your view of that assertion, taking into account that the cost of the GARL project was substantially increased by its merger with the Paisley corridor upgrade project?

John Swinney: I suppose that Councillor Purcell included in that number the notion that the costs of relocating the fuel farm were included in the total figure. However, what was included was not £70 million but £7.8 million—that is the issue with the costs of relocating the infrastructure on the ground.

Alison McInnes: Councillor Purcell also raised the issue of whether there had been double accounting of the capital expenditure.

John Swinney: The Minister for Transport, Infrastructure and Climate Change sent a letter to members of the Scottish Parliament on 7 October, which gave a pretty detailed breakdown of where the £70 million came from. That is the Government's position. We are the authorised undertaker of the project, and those are the numbers.

Alison McInnes: I turn finally to the Commonwealth games. You said earlier that you had to consider whether GARL was essential or desirable. I wonder whether it is essential that commitments that this country made when it bid for the games are upheld, otherwise how is the country to be trusted when it bids for international projects in the future? I would like to be assured about the consideration that you gave to how the cancellation of GARL would impact on access to Glasgow airport for people attending the Commonwealth games and the impact that that would have on our international standing.

John Swinney: The bid for the Commonwealth games proposed improvements to the transport infrastructure in and around Glasgow, which of course are taking place. The M74 completion is a fundamental part of that work. The athletes arriving at Glasgow airport were to be transported not by the Glasgow airport rail link but by buses

from the terminal—down the new M74, I assume—directly to the Commonwealth games village. The Commonwealth games administration has made it clear that it has no issues with the Government's decision. Obviously, we have given a significant commitment to the games, and I would at no stage want to undermine that commitment.

14:30

Alison McInnes: However, the GARL project was specifically referred to in the bid document for the games.

John Swinney: The project was referred to in the games document, but the Commonwealth games administration has made it clear that it has no issues with the Government's decision.

The Convener: Des McNulty will ask the final question on GARL.

Des McNulty: Let me take the cabinet secretary back two years to the spending review period. What advice was he given by Transport Scotland officials on the implications that his spending review decisions would have for the sustainability—by which I mean the affordability and timetable—of the committed major transport capital projects?

John Swinney: In the spending review, we assessed that the Government had an affordable programme of commitments and we took them forward on that basis.

Des McNulty: Was the advice at that time that all the projects could be delivered within the financial envelope that had been put in place?

John Swinney: Yes, but other factors must also be taken into consideration. Obviously, as projects develop, costs can change. As we know, the cost that the previous Administration budgeted for the M74 completion was about £100 million lower than the figure that we eventually had to settle for in a tender. We are also operating in a context of what might be described as keener prices within the construction sector. In some years, we are wrestling with inflation of 7 or 8 per cent in the construction sector. We also need to consider the size of the envelope that is available for capital investment.

Des McNulty: I am interested in the current spending review period. The cabinet secretary has indicated the financial pressures that led him to make the cancellation decision. I want to ask about the implications of specific decisions that were made in the spending review, especially the decision that loan charges would be handled within the transport budget rather than the central budget.

John Swinney: I cannot think of the detail that Mr McNulty is asking for. On the structure of transport area budgeting, I have not changed any arrangement that was in place when I came into office.

Des McNulty: I just find it interesting that the cabinet secretary now says that, in effect, the GARL project is unaffordable, when it was affordable two years ago in autumn 2007. The question in my mind is how we have moved from a situation in which budgetary provision was committed to the project to one in which the project is apparently unaffordable within the current spending review period.

John Swinney: The project was not just within the current spending review period. Expenditure on the Glasgow airport rail link was due to continue into the third year of the next spending review period.

Des McNulty: In the figures that Transport Scotland has provided, the expenditure that will be avoided as a result of the cancellation of GARL is £48.7 million in 2009-10, £62.6 million in 2010-11, £37.7 million in 2011-12, £23 million in 2012-13 and £3.2 million in 2013-14. The amount is approximately the same in 2010-11 as it is in total for the three years that succeed it. It seems to me that the real financial issue—which you confirmed in what you said to Parliament—is your management of the spending in 2010-11, which is in the current spending review period, and not what lies beyond.

John Swinney: That ignores the fact that we have a cut in our capital expenditure budget in 2010-11 of £129 million, which I am making good by protecting projects using end-year flexibility. It also ignores the fact that we have a fresh £129 million cut in our capital budget for 2011-12. That is unavoidable. We cannot start projects without having the money to complete them. I do not understand how on earth that could be sophisticated management.

Des McNulty: I am probing your argument. I challenged you at the outset by saying, "If your problem is budgetary in 2010-11 and 2011-12, as you said it is, then put your cards on the table and say what the budget options are for dealing with this black hole that you've identified." You have refused to do that; you have simply said, "We've chosen GARL as the project to go because we regard it as not essential but desirable." I pressed you on the shortage of capital in the next spending review period, but it turns out that the money required for GARL—£110 million—is in the current spending review period. Two years ago you said that the project was affordable, and now you say that it is not. I am asking you about the consistency of your argument.

John Swinney: Yes, and I am making the entirely consistent argument that we have to ensure that if we start a project we can fund it to completion. Because of the profile of capital expenditure in the years to come, I do not think that that is possible.

Des McNulty: If I understand you correctly, you are saying that the black hole that you pitched in the next spending review period is the spending profile, in other words, £37.7 million in 2011-12, £23 million in 2012-13 and £3.2 million in 2013-14. That is roughly £63 million. Is that really your argument for cancelling GARL?

John Swinney: That is what I told Parliament.

Des McNulty: I just want to be clear about it: we are talking about £63 million in the next spending review period. You do not know how much money you will have and you are saying that other projects in that period that you have not even begun to consider as options or alternatives will have significantly larger financial profiles. What kind of business would make a decision on that basis?

John Swinney: Precisely the type of business that wants to ensure that its capital programme is affordable.

Des McNulty: But you have refused to define what affordability is. You have not said—

John Swinney: I think that I defined it absolutely perfectly. Affordability means whether we have enough money in a fixed budget to pay for our commitments. I make the point to Mr McNulty that the issues that arise once the spending review has been undertaken take in all the questions about the timetabling of projects, whether we uncover difficulties in a particular project, whether the ground conditions are different and more intervention is required, and whether projects slip or come on stream too early. We have to wrestle with all those factors when managing a capital programme, as any business does. Our financial management has enabled us to deliver a capital programme that has utilised the resources that are at our disposal.

The Convener: I ask Des McNulty to wind up fairly quickly.

Des McNulty: We are discussing your cancellation of a project that will not be delivered. Your rationale for cancelling the project is a budgetary black hole in the next spending review period, but it turns out that the vast bulk of the expenditure for the project that you are cancelling is in the current spending review period. You said that the project was affordable two years ago. Your management of the project in that two-year period is what is under question. What is the justification for selecting GARL, as a project in

Glasgow, to be cut on the basis of spending issues in the next spending review period when the bulk of spending is in the current spending review period and you said that the project was affordable two years ago?

John Swinney: With respect, convener, that is the same question that Mr McNulty has asked me about three times. The issues are to do with the fact that, in any given spending review period, we face challenges in delivering capital projects. Those challenges are based on a variety of factors, including construction inflation. I cited the fact that the cost of the M74 contract was significantly greater than the cost that had been budgeted for, and we dealt with that. We have also had to wrestle with changes to the resources that are at our disposal, and we have dealt with that into the bargain. Those are the types of factors that any capital programme has to rationalise.

The Convener: We have to move on to wider issues in the draft budget. I ask members to remember that we are reasonably tight for time. We spent quite a lot of time on the GARL project, understandably, but it would help if questions and answers were now as succinct as possible.

Cathy Peattie (Falkirk East) (Lab): Overall spending on transport has been broadly maintained in the draft budget, but public finances are likely to be severely constrained in future, and major commitments such as the Forth replacement crossing are likely to dominate expenditure. What will be the financial realities for transport policy making in Scotland in the next few years?

John Swinney: We have to deal with the fact that the capital budget will be falling in real terms. The revenue budget issues are less clear. There are clearer capital lines than revenue lines in the budget red book. It is important that we focus clearly on the types of programmes and initiatives that will help us to meet our objective of changing the modes of transport that are used, that we encourage people to use more public transport, and that we take forward our priority of ensuring that the transport network makes a full contribution to the climate change agenda. Those considerations will be at the heart of the judgments that have to be made about transport policy.

Cathy Peattie: Can I push you a wee bit further on that? What challenges might constrained public spending create for the national strategic targets? You highlighted some of those, such as travel to work. What effects might there be on the national transport strategy outcomes and the Scottish Government's interim climate change targets? It is clear that all those things will be affected by any restriction in spending on transport policies.

John Swinney: Those are some of the challenges with which we will have to wrestle. The passage of the Climate Change (Scotland) Bill in June created the requirement for us to ensure that our transport networks—along with household activity, business activity, energy use and land use—contribute to the climate change targets that the Parliament approved. That relates to the approach that we have taken in the budget, where we are putting resources into continuing to enhance public transport networks and encourage modal shift. All those factors are significant in ensuring that we deliver on the commitments that were made to the Parliament in relation to the climate change agenda.

Cathy Peattie: Will the financial situation be a barrier to meeting the targets that the Parliament agreed, to which you are committed?

John Swinney: The targets that the Parliament agreed and the legislative framework that is in place will have a significant effect on the priorities that we choose. One difficulty is that we have clear financial information up to 2011 but we will probably not get clear information for beyond 2011 for some time—I would be surprised if we had it before October 2010. There is therefore some uncertainty about how adequately we can tackle the considerations before then.

14:45

Des McNulty: I have a question about cycling. Earlier this year, your colleague Mr Stevenson suggested a target of 10 per cent of all journeys to be undertaken by bike by 2020. Knowing Mr Stevenson, I have no doubt that he is well on the way individually to carrying forward that objective. However, the fact remains that the figure for Scotland has remained about 1 per cent of all journeys, compared with much higher percentages in other European countries. In light of that, are you satisfied that current funding levels are sufficient for the Scottish Government to have a realistic chance of meeting your aspirational targets for active travel? What is your view of the Spokes proposition that the draft budget be amended to allow for a cycle projects fund of £20 million—rather than £20, as it says in the question paper—to be administered by the Scottish Government sustainable transport team?

John Swinney: I am confident that the proposal is not for a fund of £20. On this target, I suspect that I may end up with a better record than Mr Stevenson. His public transport record outclasses mine, but my cycling record outclasses his, although he will probably take that as a great challenge and report to members regularly on the matter. I am sure that members are looking forward to that already.

The issue is under active consideration by the committee. The last time I was here, the convener requested that the Government hold off on publishing further material on the cycling action plan until such time as the committee had considered the matter. We were happy to agree to his request; I hope that that has been conveyed to the committee. Money is spent on supporting cycling development in a number of parts of the budget, but that is not always immediately obvious. I have made the point to the committee that we are spending money in parts of the trunk road network budgets to develop cycling infrastructure. It is possible to arrive at a compartmentalised figure for that, but such a figure does not appear in the budget document.

An extra £20 million is quite a sum of money to be wrestled with, given the financial constraints within which we are operating. I know that the issue has concerned the committee before and would be happy to consider its proposals on the matter.

Rob Gibson (Highlands and Islands) (SNP): My question relates to the strategic transport projects review. We realise that provision has been made in the draft budget for design and development work for projects in the review. Given the cancellation of GARL, the slippage in the delivery of existing, committed capital infrastructure projects, the cost of the Forth replacement crossing and future constraints on transport spending, is there a danger that we will not be able to afford to deliver any review projects in the foreseeable future?

John Swinney: The strategic transport projects review is often characterised as simply a range of big, stand-alone transport projects. In fact, it is a collection of 29 recommendations that are grouped under three themes: first, maintaining and safely operating existing assets; secondly, making better use of existing capacity; and thirdly, making targeted infrastructure improvements. I am confident that our budget provisions take forward that agenda in all three areas. We are strengthening budgets for the trunk road network, investing in park-and-ride interventions and the Forth replacement crossing and developing the Highland main line, which is a project under the STPR. We are making progress on these matters, but in each spending review we will need to revisit the programming. I am certainly confident that what we have in the draft budget helps us to take forward the STPR agenda.

Rob Gibson: I presume that design and development work has started on the Highland main line improvements.

John Swinney: Yes. Work on that project is under way.

Rob Gibson: And I take it that, alongside work on the Forth replacement bridge and so on, we would be expecting to see progress to be made on the ground in this spending review period.

John Swinney: There is provision in the 2010-11 budget to take forward a number of the elements of the Forth replacement crossing, but large-scale expenditure on the project will begin in 2011-12.

Rob Gibson: That is the elephant in the room, but the question is whether there is any room for manoeuvre for smaller projects. Is there a case for reallocating a little bit of the budget to preparatory work on relatively low-cost capital and revenue schemes that in the short term might provide better value for money at a time when finances are tight?

John Swinney: I answered Mr Gibson's first question in the way that I did because I want to assure the committee that we can take forward a number of interventions set out in the STPR that will make a real difference to our transport networks' capacity and capability. However, those projects are not set out in a budget line entitled "STPR Progress" or whatever. Certain capital improvements, the relationship with Network Rail through the high-level output specification and the safety improvements that form part of the trunk roads budget all present opportunities to implement elements of the STPR, and the Government will certainly be keeping a focus on that.

Rob Gibson: Are you saying that many of these smaller projects are beyond the planning stage and are being taken forward at the moment?

John Swinney: Yes. A number of projects are being taken forward in that fashion.

Rob Gibson: It could be argued that it is almost inconceivable that all 29 projects in the STPR can be delivered within the original timescale. Should ministers and Transport Scotland formally acknowledge that and establish a more realistic timescale for delivery that runs, say, to 2032?

John Swinney: In the STPR, we were seeking to identify a range of different interventions, some of which would be quite straightforward and others more significant, to take the transport network from its current position to a position where it can deliver on our expectations over a 20-year period. The review, which was very much informed by the national transport strategy that we inherited from the previous Administration, was designed to give some continuity to transport planning in Scotland and its format and structure offer us enough of an opportunity to consider on a spending review by spending review basis the amount of new activity that can be undertaken.

Rob Gibson: Given that, as Iain Docherty points out in his submission, transport projects will be squeezed so that we can maintain basic services in health, education and so on, as the ground from which people can see the potential for recovery, will the 29 schemes be delivered in the timeframe that was envisaged, or is that timeframe slipping?

John Swinney: The timescale that was put together as part of the STPR was entirely appropriate. We need to reflect on the ability to deliver these interventions in each spending review when the financial information becomes clearer. I would say this about the financial picture: there will be a constraint for a number of years, but it will not be for ever. I think that public spending will rise towards the middle of the next decade, so it is not as if there will be a perpetual constraint on public expenditure.

Cathy Peattie: You talked about priorities in the transport strategy and about starting new projects, but there are projects that it would be advantageous to the economy for us to support now or within the next five years. What discussion is going on about the smaller amounts of money that could be used to develop or build on what is in place already rather than starting anew?

John Swinney: I certainly want to share with the committee the Government's willingness to look at pragmatic opportunities to enhance the existing infrastructure. When I answered Mr Gibson's question about the three different categories of project in the STPR, I was essentially making that very point. The STPR is not just about big projects; it is about how we maintain and safely operate existing assets and how we make better use of existing capacity. We may find that outcomes can be achieved in a very sustainable way as a consequence of some of these interventions. I want the committee to understand that the Government is willing to have such discussions. There is no shortage of suggestions about projects to take forward, but we are happy to consider them.

Des McNulty: Obviously, the overhang of the Forth replacement crossing is very considerable. Of the 29 schemes in the STPR, only the Forth scheme and the Edinburgh to Glasgow rail improvement programme—EGIP—are given a timetable and thus prioritised. If it turns out to be the case that not all 29 schemes are deliverable within a reasonable timeframe, is there a case for Transport Scotland looking again at the STPR and identifying a shortlist of projects that can be brought forward in the space that is available in the coming period?

John Swinney: It is not quite as straightforward as saying that the Forth replacement crossing and EGIP are the only projects that are going forward. The rail improvements on the Highland main line,

the rail enhancements between Inverclyde, Ayrshire, Renfrewshire and Glasgow, and the upgrades on the A9 are taking their course. The mechanism that we have put in place of ensuring that each spending review considers what is deliverable in the context of that review is the most appropriate way to proceed. Having done the analysis of what it would be beneficial to have as components of the STPR, we have a very good guide as to how we can proceed on many of these matters.

15:00

Des McNulty: I am interested in the issue of transparency here. I suppose that you have a decision to make about the immediate projects, but the fact that there is a very long list of projects means that Parliament perhaps cannot hold ministers as accountable as they need to be for some of the choices that they make. For example, you mentioned the A9 improvements, but they have not really been programmed in and are not therefore, in my view, properly accountable to Parliament, as against other choices or options that you might have wanted to bring forward. In the context of accountability for what you do with the budget that is available to you, ought you not to have an identifiable, achievable shortlist of projects for which you can be held accountable for choosing and delivering, rather than a big long list of projects?

John Swinney: That is essentially implicit in the spending review, because ministers have to set out every three years what is to be achieved and delivered over what one would call the medium term. Obviously, ministers come in front of parliamentary committees each year on the individual choices for each budget. However, I think that the spending review is always considered essentially as a restatement of the Government's priorities. Obviously, that is published and discussed with Parliament, and ministers are held to account on that basis.

Des McNulty: Then maybe this can be taken account of in the spending review that is coming up next year.

John Swinney: Of course.

Des McNulty: Can I ask you as well about the range of financial mechanisms beyond conventional procurement to take forward projects? What options can be used—accelerated capital expenditure, the private finance initiative, the Scottish Futures Trust or other mechanisms—to take forward transport programmes in the next spending review period?

John Swinney: Obviously, the core capital budget will be available to the Government. Mr McNulty will know that we are working with the

Scottish Futures Trust on the development of additional financial vehicles to assist. We have used the non-profit-distributing model in a number of different public sector projects, and will continue to do so. We are doing it on the Borders railway, for example. We have the facility of the Network Rail regulated asset base, which is a very important part of our approach to transport planning and which certainly gives the opportunity to invest effectively in the rail network in Scotland.

The Convener: I remind members again to keep questions nice and tight.

Alison McInnes: As we are touching on alternative funding sources, I note that last week the witnesses from the regional transport partnerships called for the Scottish Government to create a pot of money to provide match funding for external sources, such as European structural funds and the European North Sea region programme. Are you attracted to that idea at all?

John Swinney: Certainly, I am attracted to the concept of utilising our resources to match fund where we will not suffer a financial penalty for doing so. Instinctively, I want to ensure that we do not lose out on any opportunities to be able to secure match funding for different projects.

Alison McInnes: So you will give some further thought to that. The witnesses from the regional transport partnerships also expressed concerns that local and regional transport budgets might be at risk because of the future constraints on public spending that we have been talking about and because transport invariably loses out to priorities such as education and social work when local authorities allocate spending from the single pot of resources that they now have. Are you aware of that issue? Do you believe that it is a legitimate concern? You will be aware that I have raised the matter with you in the past.

John Swinney: I am certainly aware that difficult choices have to be made on public finances. I accept that; I have made some of them myself. Local government has to do exactly the same, and some of the colleagues who are round the table have done exactly that in the past into the bargain. It is a question of assessing how resources can be used in the round to achieve the objectives that we all want to achieve. For example, we are taking steps in the direction of economic recovery. That recovery is still fragile, so our ability to ensure that we support it properly is an important consideration. Local authorities have to wrestle with all those questions, and I know from their participation in regional transport partnerships that they will be able to do that and to identify what resources can be pulled together to make the maximum impact.

Alison McInnes: Have there been any recent discussions with local authorities—perhaps in relation to their single outcome agreements—on the key role that transport can play in economic recovery?

John Swinney: Transport priorities feature strongly in single outcome agreements and are signed off between the Government and community planning partnerships, so those discussions will have taken place at local level. I have had a significant amount of discussion with local authorities about their role in supporting economic recovery and have found them keen to play a positive role in that process.

Alison McInnes: It seems that the regional transport partnerships' financial woes might be compounded this year. Table 2.12 on page 42 of the draft budget indicates a £2 million reduction in the budget for transport strategy and innovation. As I understand it, that line of the budget provides the running-cost support for RTPs. What is your assessment of the impact of that cut?

John Swinney: There should be no impact on the operating and running costs of regional transport partnerships.

Alison McInnes: Where will that £2 million reduction come from?

John Swinney: We have had to apply a requirement to constrain budgets across a range of different policy areas. That is one on which we will simply have to develop our priorities and plans bearing in mind that we have fewer resources available to us than we expected.

Alison McInnes: I am sure that the regional transport partnerships will welcome that reassurance that their core funding will be provided.

Shirley-Anne Somerville: With the current constraints on public expenditure, are there any threats to the regional transport partnerships' ability to deliver the strategic objectives that are set out in regional transport strategies?

John Swinney: I do not think so. The regional transport partnerships' success will be dependent on the extent to which they can work co-operatively and collaboratively with their constituent local authorities to realise a shared agenda. That is the mechanism that they must use. I understand from local government the importance that it attaches to taking the most effective steps that it can to improve the transport infrastructure.

Shirley-Anne Somerville: In taking evidence from the RTPs last week, committee members heard concerns about uncertain times following the changes in the partnerships' status—specifically, reduced budgets and regional

strategies that are heavily reliant on STPR projects. Is there any danger that a strategy gap could emerge between the national, regional and local levels? Do you foresee regional transport partnerships making an important contribution in the future?

John Swinney: There will certainly be no lack of strategy. There are plenty of strategies around, but the question is how effectively different tiers of Government work together to implement them. There is a very clear picture of the national perspective in the strategic transport projects review. The regional transport partnerships delivered more focused strategies after the Government gave its initial feedback to those strategies, and local authorities understand the challenges that they must deliver against and the opportunities that they have to collaborate in undertaking some projects across boundaries.

We have a clear agenda. It goes back to my answer to Rob Gibson on the strategic transport projects review. That was not just about identifying big capital projects to be undertaken; it was about identifying interventions that would be beneficial in developing the transport networks and utilising capacity within them. They have an important contribution to make.

Charlie Gordon: The witnesses from the regional transport partnerships were confident that, with a relatively modest amount of additional capital and revenue funding, they and their partner local authorities could make a significant difference to national objectives on modal shift and climate change through the prioritisation of low-cost initiatives such as strategic park-and-ride systems. Do you share that view?

John Swinney: Yes, I share that view.

Charlie Gordon: Is there sufficient flexibility in the current budget to pursue such an approach?

John Swinney: In 2008, we decided to put the capital funds for regional transport partnerships—with the exception of the capital funds for the Strathclyde partnership for transport—into the local authority settlement. We did that because we wanted to maximise local authorities' ability to pool resources to meet common priorities. I encourage the regional transport partnerships to engage in constructive dialogue with their constituent local authorities—their own members, essentially—to identify the interventions that can make all the difference.

Wherever I go in the country where there is a park-and-ride system, it is full. Such measures have been fantastically successful as long as the public transport connections exist to link up with them. In my experience, those are very good interventions that deliver modal shift and

contribute to the reduction of emissions. They are, therefore, to be welcomed.

Charlie Gordon: How do you react to the suggestion that money could be saved by seeking to achieve better value from relatively expensive lines of revenue spending? The example was given to us of the administration costs that are associated with concessionary travel.

John Swinney: I am not sure that I follow your question.

Charlie Gordon: That was something that came from the committee's witnesses.

John Swinney: I will explore that and get back to you about it in writing. We are focusing the concessionary travel system on benefiting members of the public, who are using it comprehensively.

Charlie Gordon: Absolutely. We appreciate the political sensitivity.

John Swinney: I would be concerned if there were an administrative overhang. I will investigate that and will write to the committee on the subject.

Charlie Gordon: Given the expected longer-term constraints on future public spending, is there an opportunity to examine and debate the split between capital and revenue spending in transport budgets? Is there scope for, for example, redirecting spending from large capital projects to several smaller projects that might make a significant contribution to meeting modal shift and climate change objectives at this time, when public finances are tight?

John Swinney: We have talked extensively today about the fact that choices must be made. We could, for example, deliver a significant number of park-and-ride schemes around the country for the cost of one of the other projects with which we are proceeding. I have, somewhere, a costing of each of the park-and-ride schemes that we have brought forward. If my memory serves me correctly, we are investing accelerated capital in eight park-and-ride schemes in the west of Scotland, and I do not think that we are talking about more than £5 million to £7 million. It is clear that those are relatively low-cost, high-impact projects but, as we have rehearsed, there are difficulties in shifting resources away from major priorities and projects that people want to happen to a range of smaller projects that people want equally to happen. It involves making a judgment.

15:15

The Convener: We are aware of the time, cabinet secretary, but I have a few more questions on the carbon assessment of the budget before we finish.

In developing the draft budget, what changes were made as a result of the carbon assessment?

John Swinney: This is the first year in which we have carried out the carbon assessment, and I could not have been more open about the fact that I believe that it can be described as work in progress. If the committee has an appetite to consider those questions carefully, the Government will be delighted to engage with it.

The carbon assessment can be characterised as a piece of work that tells us exactly where we are on the basis of the choices that we have made. I view its function now as being to inform the choices that we make and the options that we take forward. We will decide between the proposals that we face not simply on the basis of cost; we will also evaluate their carbon impacts.

The Convener: So you are saying that the carbon assessment that has been published for this year's draft budget is a description of where things stand now, which means it has not been used to inform any changes in spending.

John Swinney: It is fair to say that the carbon assessment has been carried out as a stocktake of our existing and proposed spending priorities. It also gives us a baseline against which to test in any future work.

The Convener: Given that the decisions that are made to change spending from one year—and one budget—to the next are relatively marginal, what on-going impact do you expect the carbon assessment methodology to have?

John Swinney: You are right, convener: the choices from year to year are not ordinarily that significant. However, the choices for the three years of each spending review tend to be more noticeable, so the real value, in terms of informing the choices that need to be made, will be from a spending-review-to-spending-review perspective. All that must be undertaken in the context of Government's obligations under the Climate Change (Scotland) Act 2009. Other reporting streams will enter the process to assess whether we are making sufficient progress in reducing emissions in line with the objectives and requirements of the 2009 act.

The Convener: The methodology that has been adopted for the assessment includes a substantial chunk of the emissions for each spending line or department based on the income of the workforce—the expenditure on salaries—and the induced emissions that result from the way in which public sector workers spend their salaries. Is that a sensible approach, given that it suggests that the health department, for example, is a substantial producer of carbon emissions simply because it has a larger workforce?

John Swinney: That is another area that we are open to discussing. A number of approaches could be taken in creating a carbon assessment tool—for example, we could use an approach that is based on individuals and the contribution of their employment to carbon emissions. Alternatively, we could take an approach that is driven by the number of households and businesses, or by business use and activity, with assumptions about the gross value added figure that businesses produce. There are a number of different ways in which one could approach the methodology.

I stress that I am more than happy to engage with the committee—formally or informally—on questions of methodology in order to determine whether our carbon assessment carries the confidence of the committee, or whether there are ways in which it could be strengthened. We do not have a template against which we can test the assessment, so the work could truly be described as pioneering. I am happy to consider the issue.

The Convener: Given that the benefit of a binding commitment to provide a carbon assessment of each year's budget is the ability to show a difference from one year to the next that allows people to compare like with like, should not we aim to reach a position in which the carbon assessment tells us about the implications that spending decisions—that is, the changes in the Scottish Government's budget from one year to the next—will have on climate change? That means that we need to see what emissions will result from that change in spending, rather than just the number of people who will need to be employed to implement the change.

John Swinney: My hope and aspiration is that we will have a methodology that allows us to do that. I do not understand what the point of a carbon assessment would be without its fulfilling that test.

The Convener: A clear implication for transport capital projects is that new infrastructure projects would need to detail the emissions that will arise from them.

John Swinney: Absolutely. As I pointed out, the starting point of the convener's question is exactly the outcome that I am trying to achieve with the carbon assessment. I would prefer that we ironed out sooner rather than later whether our methodology will allow us to do that, and whether it commands the confidence of this committee and of the Finance Committee, so that the carbon assessment can become part of the furniture of analysis that we undertake to provide. That will allow us to do the exercise that the committee is most interested in, which is testing whether policy A or policy B helps or hinders the position.

Cathy Peattie: I will stay on the same subject. I acknowledge the cabinet secretary's commitment to an on-going process and to working with the committee, which is very welcome. Given that the carbon assessment will be developed year on year to make it more robust, could the tool also be rolled out to other public bodies so that they meet their statutory requirements? I have raised that issue on previous occasions with the cabinet secretary. What role will other public bodies have in securing a more robust mechanism?

John Swinney: That is an essential issue. If we are to fulfil our obligations on climate change, the goods cannot be delivered only by the core Scottish Government and not by other bodies. That would not take us far. The analysis needs to involve other bodies. As the Government does, public bodies need to be able to determine whether a policy will be beneficial in reducing emissions. That is absolutely the test that we need to apply to policy interventions.

Cathy Peattie: Is there a timescale for that?

John Swinney: As I said to the convener, I want the matter to be signed off sooner rather than later. When we come back to this conversation next year, I do not want us still to be debating the baseline and starting point. I would like us to be in a position in which we have confidence that our carbon assessment is robust so that we can turn our minds to the far more interesting and important issue, which is whether individual policy interventions are assessed as being good or bad and whether they should be taken forward. That is where we need to get to, and I want us to be there in order to ensure that we can have that informed discussion as part of the next budget process.

Cathy Peattie: The committee appreciates that the approach that the Scottish Government has taken is a first step in introducing carbon assessment to the budget process. Has consideration been given to obtaining independent advice—from, say, the UK Committee on Climate Change—on the approach that has been taken, with a view to determining whether it might be further developed or refined?

John Swinney: The methodology for the carbon assessment was the product of a lot of dialogue with external parties. We ran an international workshop, which provided some fantastic opinions that helped us in the process. I have not considered going to the UK Committee on Climate Change for a number of reasons, not least of which is that—as the convener, Cathy Peattie and I heard the other day—it does not exactly have its workload to seek just now. Primarily, we want to focus that committee on providing us with an assessment of our position in relation to targets. We expect that assessment in the spring of 2010. If members' view then is that further independent

scrutiny of the carbon assessment will be beneficial, I would of course consider that. However, I would prefer that we developed a tool in which we in Parliament have confidence, so that we can apply it meaningfully to our budget programme.

Cathy Peattie: Will the Scottish Government use the carbon assessment data more widely? For example, will the data help to inform the policies and programmes report that is to be published next year? How will the approach be used outwith your remit? I guess that the issue is about mainstreaming carbon assessment.

John Swinney: There is absolutely no point in carrying out the exercise if it does not have a meaningful effect on the choices that are made, not just across Government, but right across the public sector. If we do not consider the carbon impact assessment in our determination of policy, we will not be able to make the connections that will give us confidence that we can meet our commitments under the Climate Change (Scotland) Act 2009. That is why I am keen to make progress as swiftly as possible so that we reach a point of agreement and, as a consequence, proceed to judge and consider policy against that backdrop.

Cathy Peattie: Is a monitoring mechanism in place to ensure that that happens across Government and public authorities?

John Swinney: We have a number of arrangements in place for management of the programmes. My colleague has helpfully placed information on that before me. Obviously, strategic responsibility is carried by members of the Cabinet. On our behalf, the strategic board—the group of senior civil servants that is chaired by the permanent secretary—carries operational responsibility for managing the issue. We then have the climate change delivery board, which brings together feedback from the public and private sectors and which considers matters such as energy supply and demand, transport, waste, agriculture and forestry. All those matters flow into the process. Ultimately, the Cabinet monitors the issue right across Government and the public sector, but it is also informed by a significant amount of information from a wide variety of sources.

The Convener: Des McNulty can ask a final supplementary question, but it will have to be reasonably brief.

Des McNulty: It will be relatively brief.

The Government's interim targets will be reviewed in February in the light of information from the UK Committee on Climate Change. How will that affect your formulation of this year's budget and, more particularly, the spending

review, which you will begin to consider early in the summer of next year?

John Swinney: I reiterate what I said to the convener a moment ago. The carbon assessment must be a central part of the judgment that is made on our spending priorities and we must be able to demonstrate how it has been a factor in consideration of the options. As I said to the convener, that will happen most meaningfully from spending review to spending review although, within a three-year period, programmes will emerge that have to be considered distinctly to determine whether they are carbon beneficial or carbon harmful. We should use the period immediately ahead of us to reach a position of comfort on the methodology, so that the carbon assessment tool is available as part of the spending review preparations, which will dominate the summer of 2010. The spending review will be considered by Parliament when it looks at the budget for 2011-12. By that stage, we will have in place a pretty robust mechanism to allow us to do that.

The Convener: That concludes our questions, cabinet secretary. I am aware that we have taken a little more of your time than we expected, but we appreciate your time and that of your colleagues.

15:30

Meeting continued in private until 16:25.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

Members who wish to suggest corrections for the archive edition should mark them clearly in the report or send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP.

The deadline for corrections to this edition is:

Wednesday 11 November 2009

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Published in Edinburgh by RR Donnelley and available from:

Blackwell's Bookshop

**53 South Bridge
Edinburgh EH1 1YS
0131 622 8222**

Blackwell's Bookshops:

243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

And through other good booksellers

Blackwell's Scottish Parliament Documentation

Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries

**0131 622 8283 or
0131 622 8258**

Fax orders

0131 557 8149

E-mail orders, Subscriptions and standing orders

business.edinburgh@blackwell.co.uk

Scottish Parliament

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.co.uk

For more information on the Parliament, or if you have an inquiry about information in languages other than English or in alternative formats (for example, Braille; large print or audio), please contact:

Public Information Service

The Scottish Parliament
Edinburgh EH99 1SP

Telephone: 0131 348 5000

Fòn: 0131 348 5395 (Gàidhlig)

Textphone users may contact us on
0800 092 7100

We also welcome calls using the RNID
Typetalk service.

Fax: 0131 348 5601

E-mail: sp.info@scottish.parliament.uk

We welcome written correspondence in any language.