

MEETING OF THE PARLIAMENT

Thursday 24 June 1999

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Scottish Parliament

Thursday 24 June 1999

[THE PRESIDING OFFICER *opened the meeting at 09:30*]

The Presiding Officer (Sir David Steel): Before we begin this morning's business, I will complete my response to yesterday's point of order from Shona Robison, who asked about an emergency question that I had declined. I passed the question, as a written question, with a request for an urgent answer. I understand that an answer was received yesterday. Is that correct?

Shona Robison (North-East Scotland) (SNP): I am not aware that I have received an answer. Do you know how it was communicated, Sir David?

The Presiding Officer: In the normal manner, I dare say, but I was assured that the answer had been given yesterday.

Shona Robison: I have checked my mail, but I will double-check; as far as I am aware, it has not arrived yet.

The Presiding Officer: Thank you very much.

Privatisation of Public Services

The Presiding Officer: The first item of business this morning is a debate on motion S1M-67, in the name of Mr Alex Salmond, on the privatisation of public services. This debate will conclude at around 12.20 pm.

Michael Russell (South of Scotland) (SNP): On a point of order, Mr Presiding Officer. I have raised the matter of the procedure for Opposition day debates with you before. There has been discussion about whether we should follow the Westminster precedent of the Executive winding up and having the last word in each debate, or whether we should apply a different rule, similar to that applied in local authorities and elsewhere in such circumstances.

I understand that you have ruled today that the Executive should close the debate, but I ask you to consider how we could examine the matter at greater length and come to a conclusion. Will you assure us that today's decision is not a precedent for Opposition day debates—of which this is the first—but merely a convenience at this stage?

The Presiding Officer: This is the first Opposition day debate that we have had, so we are feeling our way, as in so many other matters. In this case, I have decided that the Executive should have the last word, as is the practice at Westminster, but I have taken into account our brief discussion in the Parliamentary Bureau. I believe that the matter ought to be considered sympathetically by the Procedures Committee when it comes into being. Today's decision should not be taken as a precedent.

09:33

Nicola Sturgeon (Glasgow) (SNP): This morning's debate is extremely significant, although I see that most of my Labour colleagues and all of my Liberal Democrat colleagues take a somewhat different view. The debate is significant because the subject matter is so important, but also because this is the first opportunity for the Parliament to discuss Opposition business.

As is evident in this motion, the Scottish National party is a constructive Opposition. We will criticise and oppose vigorously, where appropriate, but we will do more than that. As a party that aspires to government, we will also propose real alternatives, as we are doing today.

We have chosen the topic for this morning's debate for very good reasons. The privatisation of public services through the private finance initiative was one of the election campaign's central issues. A substantial number—who knows, possibly even a majority—of members of this

Parliament oppose PFI, or at the very least have grave reservations about it. The SNP stood on a platform of opposition, as did the Liberal Democrats, the Scottish Socialist party, the Greens and Dennis Canavan. In the "Newsnight" poll, conducted before the election, 24 Labour candidates said that they were in favour of reducing the reliance on PFI. Admittedly, as we do not know the identity of those 24, we do not know how many of them are now MSPs, but we know that Labour is far from united on the issue. John McAllion once said that Tory ideas live on under the initials PFI. He was right, and he reiterated his opposition to PFI during the election campaign. It was, and is, only the Tories who, to a person, are enthusiastic supporters of the scheme.

Despite the opposition, which is shared by the vast majority of people in Scotland who want education and health to be retained in public hands, Labour is determined to press on. Labour is aided and abetted in that determination, I am sad to say, by members on the Liberal Democrat front bench, one of whom has now decided to join us in the chamber.

I was somewhat surprised to read in the partnership agreement about the commitment to £600 million of investment in school infrastructure. I was surprised because I had not heard any Liberal Democrat member boasting about that seemingly remarkable achievement. At that point, alarm bells began to ring and I asked a parliamentary question, the answer to which confirmed my suspicions. Of that £600 million, £400 million is money to support the PFI—yet another breathtaking U-turn by the Liberal Democrats. In April this year, a spokesman for the Liberal Democrats said that if they were in a position of power at Holyrood, they would press for the abolition of PFI. Here they are, in that position of power, and in just a couple of weeks they have gone from a manifesto promise to replace the expensive and inefficient PFI agreements to Jim Wallace's go-ahead for the privatisation of 100 schools.

The SNP's opposition to PFI remains, because it is expensive to the taxpayer. Currently, the Treasury can borrow money by issuing gilts at a rate of around 4.5 per cent, but the interest rate on PFI contracts is around 9.5 per cent. Common sense tells us that that is inevitable with PFI, because if private investors cannot get an attractive enough return on their investment, they will not invest. The Government tries to use the cover of commercial confidentiality to shroud the PFI deals in secrecy, but the public should know what PFI is costing them. That is why our motion calls for publication of the details and the rates of return. Jack McConnell is smiling, but if the Government is confident that PFI represents value for money, surely as Minister for Finance he will

have no worries about full public disclosure.

PFI is also grossly inefficient. The negotiations take an age; in the world of private finance, time is money and profits always come before the public interest. On "Channel 4 News" on Monday night, the chief executive of Jarvis said that his company's first loyalty is to its shareholders and that any enterprise only exists because it makes money. That may be so, but it is also the reason why companies such as Jarvis should not be allowed to own schools and hospitals. The first loyalty of the people who own schools should be to the children and the first loyalty of those who own hospitals should be to the patients.

The overriding reason for the SNP's opposition to PFI is that it represents, as Mr McConnell's successor, Alex Rowley, said in 1996, the privatisation of public services: privatisation of the education system, the national health service and transport services. The assets that are created by PFI will never return to public ownership. PFI contracts are frequently referred to as mortgages, but in the real world, when someone pays off their mortgage, they own their house. That is not so in the case of private finance. Under PFI, the investor gets his money back, makes a profit and keeps the goods.

The Minister for Finance (Mr Jack McConnell): Will Ms Sturgeon name one PFI project in which that option is not available to the public sector?

Nicola Sturgeon: My colleagues, including Margo MacDonald, will return to the issue of the Edinburgh royal infirmary later on, but I believe that it is one. [MEMBERS: "Answer the question."] I have taken Mr McConnell's point.

The Government's answer to the privatisation charge is that while it may be selling the asset, it is not privatising the service. That is absolute nonsense.

Before I address the example of education, I will allow Keith Raffan to intervene.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I have listened with interest to Nicola Sturgeon's diatribe against PFI. Perhaps she could explain why Perth and Kinross Council, when it was under SNP control, indulged in a PFI project—the council's office accommodation—and why Angus Council, which is still under SNP control, has also gone ahead with a local PFI project. The SNP cannot have its cake and eat it.

Bruce Crawford (Mid Scotland and Fife) (SNP): May I interject?

Nicola Sturgeon: Certainly.

Members: Rescue.

Bruce Crawford: When members settle down,

perhaps we will get around to some common sense here.

The SNP ensured that Perth and Kinross Council always delivered a process under which its citizens got value for money. [MEMBERS: "This is a speech."] This is an answer to a question and an interjection at the same time.

The Presiding Officer: It is an intervention in Nicola Sturgeon's speech and must be short.

Bruce Crawford: Three years ago in Perth and Kinross—there is a question here for Nicola—capital spend was £25 million; this year it is only £12 million. In effect, the hand was up the back of the SNP-controlled council at that time. I had no option but to proceed with a completely failed regime. Is Nicola happy with the unholy alliance of the Labour, Tory and Liberal Democrat parties that now controls Perth and Kinross Council?

Nicola Sturgeon: It was only right to allow the former leader of Perth and Kinross Council to intervene. We will be seeing a lot more in the future of the alliance to which he referred. Like other councils, Perth and Kinross Council has to play the only game in town. We do not accept the policies, so our attacks should be aimed at the policy makers rather than the deliverers.

I now return to privatisation and, no doubt, the denials that will come from Labour members. Let us put aside the question of how long it will be before the jobs of teachers as well as those of janitors are outsourced; before we ask the private sector to provide mainstream education services; and before we go down the road of education action zones, which exist in England, or of charter schools, which exist in the United States. The fact remains that school buildings and ancillary workers cannot be separated from the delivery of the whole education service. According to Unison,

"the operation of buildings and facilities for local services are an intrinsic part of service delivery."

This is privatisation. With privatisation comes the deterioration of services, jobs and workers' conditions. I cannot be the only person who felt a shiver down their spine on Monday night when listening to the chief executive of Jarvis on Channel 4. He was asked whether he hoped to be running a couple of hundred schools in two or three years' time. He answered yes. The interviewer then suggested that that would make Jarvis a very powerful player in Britain's education system. The chief executive answered that he hoped so.

I hope not, because that chief executive's first loyalty—remember—is to his shareholders. In other words, he does not consider himself accountable to the public.

Dr Richard Simpson (Ochil) (Lab): Will the

member give way?

Nicola Sturgeon: No, I have taken several interventions already.

This Parliament can and will hold Sam Galbraith and Susan Deacon responsible and accountable for the state of our education and health services. We might not always be satisfied with their answers, but at least we can ask them questions. That is not so with companies such as Jarvis, as their only loyalty is to shareholders.

It is very easy, as I think I have ably demonstrated, to demolish the case for the private finance initiative. The challenge is to come up with an alternative; the SNP has risen to that challenge. The SNP's alternative is one that the Liberal Democrats gave support to in the election campaign. We proposed the introduction of Scottish public service trusts that would be non-profit-making and would be charged to act in the public interest. Such trusts would not have to satisfy shareholders, and could issue bonds at keener borrowing rates than those that are available to the private sector—the trusts would supply services at a cheaper cost.

Our proposals have been described by the leading financier, Bill McCall, as "financially doable" and have received support from people such as Dennis Canavan, the Liberal Democrats—although I understand that they have changed their minds—and Bob Thomson of Unison. Our proposals are extremely worthy of consideration.

Mr McConnell: Will the member give way?

Nicola Sturgeon: No, I am winding up.

I hope that in the interests of the new politics, Mr McConnell will agree to consider these proposals. He will find that they are infinitely more sensible and acceptable than his own.

In conclusion, I call on this Parliament to take an honest decision. No doubt the Labour and Liberal Democrat ministers will line up behind the Tories to support the private finance initiative, but I tell members on the Liberal Democrat back benches to honour their manifesto commitment—to do so for the first time. I tell members on the Labour back benches who know that PFI is wrong to prove a certain—absent—minister wrong and prove that, when it is right to do so, they and this Parliament are not afraid to depart from the London line.

I move,

That the Parliament condemns the privatisation of health, education, transport and other public services through the Private Finance Initiative (PFI) and Public-Private Partnership (PPP) schemes; notes the mounting body of evidence that PFI and PPP, introduced by the Conservative Government and continued by the Labour Government, are an inefficient and expensive method of funding vital public

services which also undermine the pay and conditions of public service staff; calls upon the Scottish Ministers to disclose the annual expenditure commitments associated with each public project involving private finance, and the rate of return that private partners receive for the capital that they commit; urges the Scottish Ministers to examine alternatives to such private financing, and calls on the Scottish Ministers to bring forward proposals to introduce Scottish Public Service Trusts.

The Presiding Officer: The Executive has lodged an amendment, which appears on the supplementary business bulletin. I call Jack McConnell to move amendment S1M-67.1.

09:47

The Minister for Finance (Mr Jack McConnell): I start by thanking Nicola, who showed the modesty of Frank McAveety in describing her speech, for the opportunity to reaffirm our plans for modernising public services. I was disappointed to hear that Mr Russell believes that we should adopt the procedures of local government rather than a national Parliament. We will have to agree to disagree on that point.

Public services are central to our purpose in this Parliament and to our values. We have no interest in doing harm to public services. Our partnership is founded on strengthening and expanding vital services that impact on the lives of ordinary Scots every day: new hospital developments; new and refurbished schools; standards in education; integrated public transport; and the construction of new and renovation of existing houses. Those are all public services that have been improved by this Parliament.

This is not about privatisation. We are creating and supporting partnerships between the public and private sectors to achieve high-quality investment in public services. We are committed to delivering, and are delivering, new skills for Scottish children and hospitals for those who need medical care. We say, openly and clearly, that where services will be better, where costs will be low, and where staff will be protected, we will create public-private partnerships.

We are committed to continuing with those partnerships, but we are also committed to innovation and flexibility, and to reviewing how the partnerships work in the interests of people and communities.

Brian Adam (North-East Scotland) (SNP): Mr McConnell suggests that his scheme will give flexibility, but I fail to see how that can be achieved under long-term contracts. In many of the areas that he has described there will be a need for significant changes in the lifetime of contracts; every time a change is required, we will have to go to whoever owns the facility, or manages the

service and controls the staff. How will his scheme give the public sector the flexibility to introduce changes that it might require but that public-private partnerships might not be able to deliver?

Mr McConnell: If Brian Adam will bear with me, he will hear something about flexibility. In every case, we decide the length and nature of contracts, so we decide the degree of flexibility. We do so for the public good in every case, and are proud of that.

Nicola has demonstrated today why the nationalists lost the election. This debate will demonstrate either that they do not understand public finances or that they are using vital public services as a political football. Their plans for a public service trust would not work. Not only would they prevent any new hospitals or schools being built under the PFI, but they would threaten those projects that we have already launched and throw the PFI programme into chaos and confusion. Work on the eight new hospitals that are being built—the largest hospital building programme that Scotland has ever seen—would grind to a halt. The PFI project to build new schools and modernise older ones would stop as well.

The SNP claims that it could borrow at very competitive rates that are significantly below those that are available for PFI schemes. However, the only way to reduce the rates is by the Government guaranteeing the loans and, if that happened, the sum would be counted as public sector debt and the programme would be cut.

Andrew Wilson (Central Scotland) (SNP): I suggest to Mr McConnell that he read "Pathfinders to the Parliament", the Government's consultation document that sets out a business agenda for the Parliament and has a foreword by Lord MacDonald of Tradeston. The document endorses the idea of a public service trust in the form of a transport bond. It says:

"We believe this innovative financial arrangement should not count as part of PSBR."

Perhaps Mr McConnell's civil service brief supplies the answer to my question, but what I said is the reality of the situation.

Mr McConnell: I do not have to check my civil service brief; I can answer with an example from my constituency. The new hospital in Wishaw—which I hope will be called the Wishaw general hospital rather than the new Law hospital—will be funded by bonds. Bonds are in use in several of our public-private partnerships.

The form of PFI projects has changed from the dogma of the Tory years. Labour has cut through the red tape, made the process more accountable and acted to ensure protection for staff. The choice that we face today is between better public

services, schools and hospitals and the Opposition's half-baked and unworkable plans.

Our highest priority is to achieve an education system with a world-class reputation. To do that, we will need world-class school buildings and information technology, which public-private partnerships will deliver. Following the recent initiatives of Falkirk Council and Glasgow City Council, seven councils are embarking on projects. In total, those initiatives will have a capital value of £400 million, a figure which is in addition to the investment of £600 million that the partnership agreement mentions. Investment in education is threatened by the SNP's proposals.

We want to have the most modern health service in Europe. That cannot be achieved in hospitals that were built in the last century. We are committed to the biggest hospital building programme in Scotland's history and to a modern approach to the delivery of public services.

Nicola Sturgeon: The minister said that the £400 million of private finance for schools is in addition to the £600 million that the partnership agreement refers to. That conflicts with the answer to a parliamentary question that I have been given, which says that the £400 million is included in the £600 million, as an addition to the £185 million that is mentioned in the comprehensive spending review document. Would he care to clarify the situation?

Mr McConnell: That is a misrepresentation of the answer. The £400 million is in addition to the £600 million. If Ms Sturgeon checked her facts, she would understand that better.

It is not only in Edinburgh that a major new hospital is under construction. New hospitals are being built at Hairmyres in East Kilbride and in Wishaw in my constituency. During the next three years, public-private partnerships will deliver new projects that will be worth in excess of £500 million. That is in addition to the substantial capital investment from public funds that we plan. All those new public health service initiatives are threatened by the SNP's proposals.

It is not only in hospitals and schools that we are delivering modern public services. The new motorway between Glasgow and the English border is open eight months ahead of schedule and within budget. In relation to local authorities, I would like to commend Mr Crawford and the Perth and Kinross Council, of which he was a member, for the council's use of public-private partnerships in delivering new council offices. I am sure that the nationalist administration adopted a value for money approach when it chose to use PFI.

We urgently need to spend around £5 billion on infrastructure for water and sewerage during the next 15 years. As with our schools and hospitals,

we have spent too long debating the need for infrastructure; it is time to deliver. A total of £500 million is being procured for sewerage schemes and progress is well under way. However, the process of cleaning up our beaches and our sewerage systems is threatened by the proposals of the SNP. Far from supporting public services, the SNP is playing fast and loose with Scottish services.

The Executive will support only public-private partnerships that improve public services and represent not the lowest value, but best value. We are committed to ensuring democratic control over those projects and services. I urge nationalist MSPs to drop the rhetoric of the election campaign and join in the effort to modernise Scotland. If they choose not to, they will have to answer for their actions in Edinburgh, East Kilbride, Falkirk, Glasgow, Aberdeen—and in Wishaw, too.

We have said that we will review and improve PFI and today I will set out new policies in the areas of staff, surplus land, information and the ownership of assets. Those are areas in which we can make public-private partnerships work better to achieve our objective of best value.

The issue of surplus land often arises in these projects, as in other capital investments, because old facilities are being replaced. The disposal of surplus land can raise valuable receipts to help offset the cost of new buildings but care needs to be taken to protect the public interest. In response to public concerns that we make clear our approval, I will ensure that, in future Government public-private partnerships, the assumption will be that surplus land will not be included in the contracts unless it can be determined that it represents best value to do so. That has always been the Government's assumption and I will expect the rest of the public sector in Scotland to follow that approach.

The Executive is committed to fairness and equality of treatment for workers. It is important that staff get fair treatment in public-private partnership projects. I commend the Scottish Trades Union Congress and Unison for their efforts to ensure that that happens in negotiations with us and with private companies. As the Minister for Finance, I intend to keep under review the opportunities to improve security and conditions for staff who deliver our vital public services.

Tommy Sheridan (Glasgow) (SSP): Does Jack agree that the STUC and Unison are implacably opposed to PFI?

Mr McConnell: They have also played a constructive role in negotiations with the Government and the private companies that are involved in the schemes.

Tommy Sheridan: Yes or no?

Mr McConnell: Tommy might not want to praise the unions for that role, but I would.

I can outline a step which will benefit some public sector staff. The Transfer of Undertakings (Protection of Employment) Regulations—the so-called TUPE regulations—protect many public sector conditions that employees have when they transfer to the private sector. However, the regulations do not extend to pensions. The public sector negotiates with the private sector to ensure that staff have broadly comparable pension arrangements. Last week, we announced a further step to extend that protection to transfers made under subsequent contracting rounds and, in cases of subcontracting, where that is an integral part of the primary contract. That change will apply to Government departments and their agencies where the Government is the employer and to contracting agencies. I expect it to be followed by the rest of the public sector in Scotland, including local authorities, and I will write this week to all those responsible to advise them of the change.

Ms Margo MacDonald (Lothians) (SNP): The ancillary staff of the Edinburgh royal infirmary have been transferred to the employ of Haden Young. Haden Young's pension scheme does not equate with the NHS scheme. Can Mr McConnell explain how the scheme is to be funded? Has he renegotiated the contract with Haden Young, or will the Health Service Executive pick up the bill for that group of workers who will lose their pension rights?

Mr McConnell: As Ms MacDonald will be aware, we are negotiating on the matter. We have reached a good agreement at the Hairmyres hospital and I believe that we have almost reached an agreement at the new Law or Wishaw general hospital. It would be wrong of me to comment on who might pick up the bill following those negotiations as we hope to secure the best possible deal for the public sector.

The partnership agreement made clear that, where appropriate, we would review the operation of public-private partnerships to ensure that assets would revert to public ownership. I am pleased to announce a new approach for buildings for which there is no practical alternative use at the end of contract period, including most schools and hospitals. There will be an option in contracts for those assets to revert to public sector ownership at no cost to the public sector. Other options will remain, and that situation represents maximum flexibility for the public sector and ensures important safeguards. The policy will be implemented immediately in Government public-private partnerships and I expect it to be followed by the rest of the public sector as soon as possible.

Ms MacDonald: Will the minister give way?

Andrew Wilson: Will the minister give way?

The Presiding Officer: To whom will you give way, Mr McConnell?

Mr McConnell: I will give way to Mr Wilson, because Ms MacDonald is getting a bit greedy.

Andrew Wilson: Will that policy apply to assets that have alternative uses? If it does not, there will be no loss to the private sector and significant cost to the public sector. If it does not apply across the board, why not?

Mr McConnell: As Mr Wilson should know because of his expertise in the area, the whole basis of the public-private partnerships and PFI is the transfer of risk. In some cases, the transfer of risk takes place where assets have conditions tied to them about their reverting to public sector ownership. In all the different cases across Scotland, in every contract, we have chosen the best possible option in the public interest, which, in the future, will mean that, in some cases, the risk will transfer at nil cost. At the moment, the risk is transferred at different values, or there is an option for that to happen. That option is important because, in some cases, public buildings will not be wanted at the end of the contract and it would be preferable to leave the risk and liability with the private sector.

I am sorry that I have taken so long, Sir David, but I wanted to take interventions. I am determined that as much information as possible is made available, provided that is not commercially confidential. Last year, the Treasury task force produced a policy statement on the involvement of staff and the trade unions in public-private partnerships. Both the Trades Union Council and the Confederation of British Industry welcomed the approach, which we will continue to take in Scotland. However, I will take the policy of openness further and, in future, will make available the annual expenditure commitments associated with public-private partnership projects, sector by sector. In the health sector, full business cases are already published. My colleague Mr Galbraith initiated that during his time as health minister. I have decided that that policy will apply to all future Government public-private partnership projects in Scotland.

Central to the partnership agreement is a commitment to innovative government, welcoming good ideas from wherever they come. By seizing that prize we will deliver better quality public services. Public-private partnerships are innovative; they are delivering new hospitals, new schools and better transport links. We are open-minded about how they work in practice and I want to discover how we can make them better and how we learn from experience. As a first step, I

have announced important new policy changes: a firm public commitment to a best value approach in asset sales; new pension rights for workers; new options for public ownership of the new facilities; and more information for Parliament and interested citizens.

I hope that those policy changes will lead to better value and to public-private partnerships that operate better. We are committed to keeping the process under review. In particular, my colleague Susan Deacon will be consulting widely through the Scottish Partnership Forum on the way in which we go forward in the national health service in Scotland, using the principles that I have described today.

Politics, colleagues, is like life: full of choices. [*Interruption.*] That was very profound.

We must answer an important question about the direction of the Parliament. Today we vote either for the public services of the future or for the rhetoric of the past; we choose between the real projects initiated by the Government—real schools, real hospitals, cleaner water and better roads—and the negative, carping, mythical plans of the Opposition. I know what the people of Scotland chose on 6 May, and today we will deliver the future that they want, need and, most of all, deserve.

I move, as an amendment to motion S1M-67, leave out from "Parliament" to end and insert

"supports the provision of high quality health, education, transport and other public services; agrees that public/private partnerships will continue to be one of the ways used to increase innovation and investment in public services where this approach represents best value; calls on the Executive to continue to work to improve the operation of public/private partnerships and seek opportunities for new types of partnership and flexible contracts which will allow assets, when appropriate, to revert to public ownership, and recognises its use in delivering high quality public services while protecting the interests of the community as indicated in the *Partnership for Scotland*."

10:03

Mr Keith Harding (Mid Scotland and Fife) (Con): We have heard a lot of talk in the chamber about new politics. I have always been somewhat cynical, but I have to say that the new politics has arrived. In a previous existence, the minister—whom I knew as Jack—was a member of Stirling District Council. We opposed each other for eight or nine years. We did not agree on a major issue on any occasion. Now we have new politics: today I am going to agree with the minister.

Before Jack took the road to Damascus, he was proud to be a left-wing socialist. Had I proposed a private initiative when I was council leader in the late 1980s, he would have opposed it vigorously. I

welcome his transformation.

Mr McConnell: Will Mr Harding take an intervention?

Mr Harding: I have taken so many over the years that one more will not matter.

Mr McConnell: Will Mr Harding confirm that, in the late 1980s, I moved a motion to set up a covenant to finance the redevelopment of the swimming pool and leisure centre in Stirling and that he voted against it?

Mr Harding: We are still picking up the tab; it has cost us nearly £500,000. It is the most heavily subsidised swimming pool in Scotland.

I will get down to the nitty-gritty. We oppose the SNP motion and commend the Scottish Executive for broadly continuing the initiative that was launched by the Conservative party in 1992. The private finance initiative allows not only more taxpayers' money to be spent on delivering services, such as teaching and health care, but the use of private sources to fund the buildings in which those services are delivered. As has been said, it is somewhat ironic that the SNP opposes the initiative yet took full advantage of it to deliver projects in Perth and Angus.

These days, there are very few businesses or organisations that own and operate the buildings in which they work. It is a matter of good, prudent financial management to lease buildings and to leave the burden of maintenance and management to a specialist landlord. In most of those arrangements, the buildings remain in the ownership of the landlord at the end of the lease.

It is much better for the Government to focus on what it does best and on what it was elected to do—promoting good health, treating illness and teaching our children—rather than on investing a huge amount of scarce capital resources in buildings.

I suggest that the mover of the motion—regrettably, she is not here—asks her constituents whether they want new hospitals now, in five or 10 years' time or perhaps never. I know what the answer to that will be. At the moment, only PFI can deliver and satisfy the people's aspirations. It extends the amount of expenditure, because the underlying principle of public-private partnerships is to provide additional public expenditure rather than to replace existing public expenditure.

Today is memorable for me for three reasons. First, I have agreed with Jack McConnell for the first time in my life. Secondly, I have got my maiden speech out of the way—an absolute delight. Thirdly, my daughter is in labour—do not get excited, Jack, she is still a Tory—and I hope that I will become a grandparent for the first time before the end of the day. [*Applause.*]

I now have a singular ambition: I want this Parliament to work. In the future, I want my granddaughter, who is going to be called Laurie, to be able to say, "They got things together, they have made Scotland much better, and my grandfather was there."

10:07

Kay Ullrich (West of Scotland) (SNP): I have in my hand a copy of a document subtitled "A Partnership for Scotland". No, it is not the "Partnership for Scotland" document, which is now more commonly known as the articles of surrender of the Scottish Liberal Democrats. This is the partnership for Scotland document that started the whole scandal of the privatisation of our hospitals and schools; this was the document in which Michael Forsyth introduced the private finance initiative to Scotland. In one telling line, Forsyth says it all: he says that the private sector will have the "scope for higher profits". Talk about being the master of understatement. At one stroke, Michael Forsyth sacrificed public need on the altar of private greed.

That was at the fag-end of the Tory Government. The SNP was not alone in opposing the theft of public assets—only the Tories were enthusiastic about giving their pals in the private sector a licence to print money at the taxpayers' expense. New Labour was incandescent in its opposition. At the Labour conference before the 1997 election, the Labour party blasted the Tories for what it described as the creeping privatisation of the NHS under the private finance initiative.

We all know that those heady days of principle are long gone. Under new Labour, the creeping privatisation of the Tories has become galloping privatisation. Scotland has six times as many PFI projects as Wales and Northern Ireland put together. Since new Labour came to power, Donald Dewar has signed away 20 times more money for PFI schemes.

Mr Murray Tosh (South of Scotland) (Con): Will the electors to whom Mrs Ullrich appealed in the recent election value the creation, under PFI, of a major sewage treatment works in her area, which could never have been funded under conventional borrowing? Is that not practical evidence of the benefits that this approach will bring to her area?

Kay Ullrich: Constituents in the area where I live and where I fought the election would value the scheme more if they were not having to pay through the nose for it.

Mr McConnell: Will Mrs Ullrich answer the question?

Kay Ullrich: I will not give way just now.

It is a fact that nearly 30 per cent of health service PFI schemes in the UK are in Scotland, and I call that a betrayal by the very party that gave us the national health service. I know that many of the Labour members who are here today share our misgivings over PFI. Nicola spoke of the "Newsnight" survey, which indicated that a majority of Labour candidates wanted their party to move away from PFI. As a Unison member myself, I know that many Unison members—and ex-Unison officials—who are here today have particularly heavy hearts about PFI.

Mr McConnell: Will Mrs Ullrich welcome one thing? In that "Newsnight" survey, the specific question that members were asked was whether they would like PFI to be kept under review. Given that today I have announced four reviews of PFI policy, will she welcome the fact that their viewpoint was taken on board by the Government?

Kay Ullrich: No matter which way Mr McConnell puts it, the bottom line is still the same—his party was rent asunder over PFI. During the election campaign, Unison members who were Labour candidates had to stand by as their colleagues resigned from the Labour party over the privatisation of the health service. In one week alone, they saw the resignation of Unison's local government leader, Mark Irvine, and had to stand and watch as no fewer than 1,500 Unison members at Edinburgh royal infirmary severed their links with the Labour party because the new hospital would remain in the hands of the private consortium and not with the people of Edinburgh.

Karen Gillon (Clydesdale) (Lab): Will Mrs Ullrich agree that Unison's head of health, John Lambie, dismissed the SNP's policy as unworkable, ill thought out, ill advised and unable to fulfil the needs of the public sector?

Kay Ullrich: In the words of Mandy Rice-Davies: as an executive member of the Labour party, John Lambie would say that, wouldn't he?

The cost to the taxpayer of £4.2 billion on service payments alone—on assets that the taxpayer will never own—is a gigantic scandal. However, the real cost is in human terms. For example, the number of available beds will be cut, on average, by 30 per cent and budgets for nursing staff will be cut by up to 20 per cent. The cost that is of most concern is in the division between clinical and non-clinical workers. The privatisation of non-clinical workers will lead to the destruction of the concept of the health care team. By that act alone, PFI will effectively destroy the ethos that underpins the national health service in Scotland.

This motion calls on the Scottish Parliament to end the secrecy that surrounds PFI. If the

Executive really believes that PFI represents best value, this Parliament should be allowed to examine the books and scrutinise each public project that involves private finance.

10:14

Des McNulty (Clydebank and Milngavie) (Lab): One of the key episodes in the comedy of errors that passed for the SNP's election campaign for the Scottish Parliament and convinced an overwhelming majority of Scots to place their votes elsewhere was the ludicrous position that Mr Salmond and Mr Swinney got themselves into over their notion of a public services trust. Have I got the term right? It kept being changed during the election campaign as the SNP changed tack. Mr Swinney heralded the notion as

"a mechanism that would be able to provide finances at very competitive rates, significantly below those at present available for PFI schemes."

Unfortunately for Mr Swinney, the Bank of Scotland, which he had claimed as being among the two or three financial authorities sympathetic to the notion of a public services trust, almost immediately indicated that the scheme as it stood was completely unworkable. That is the reality of the situation.

Alex Neil (Central Scotland) (SNP): Does Des McNulty agree that the Bank of Scotland's activities in recent years have not provided the best guide for judging anything? Is it not the case that, according to the *Financial Times* in recent months, the sub-committee established by the chancellor, Gordon Brown, to consider PFI—the so-called Bates committee—is likely to come out in favour of something akin to the SNP's proposals?

Des McNulty: It would be interesting to find out what the SNP is proposing, as it seems to be reluctant, in various ways and in various forums, to indicate clearly what its proposal is. For years, the SNP has adopted a process of thinking of a slogan and then trying to construct a policy behind it, and that is what it has done in this instance. The press in Scotland has given the SNP great leeway over the years by refusing to take it seriously as a political party and to subject its proposals to proper scrutiny. In the process, the press has done the SNP and us a disservice. Now that we are all here in this Parliament, we have to engage in grown-up politics, to consider issues, to make hard choices and to consider carefully the options before us.

There is a huge gap between the funding needed to replace aging schools, hospitals and infrastructure and what we can reasonably expect the taxpayer to provide over the next five to 10

years. Anyone who walks around Scotland's schools, hospitals or other elements of the infrastructure, such as the water and sewerage industry, immediately recognises that gap. Much of the blame must be laid at the door of the previous Conservative Government, which consistently diverted resources away from public services and refused capital consent for education, health, housing and key environmental projects, such as water and sewerage plants. As a consequence, we have a huge backlog of under-investment, which has to be addressed as a matter of urgency, as it threatens the continuity and the quality of services that we in Scotland require and which our constituents expect us to provide on their behalf.

Andrew Wilson rose—

Des McNulty: I will come back to Andrew in a minute.

In that context, it is correct for the Scottish Executive to look at a range of options for public investment, including public-private sector partnerships. We have to be flexible in our approach, just as any business would be, identifying the most appropriate methods of securing real improvements in provision, with service quality and value for money uppermost in everyone's mind.

We should be hard-headed in our approach to investment in public services, balancing the advantages and disadvantages of different options and making decisions on that basis. We should not use the two-legs-bad approach of the Conservatives, whose policies have denuded the public sector of assets and resources, or the four-legs-good sloganising of the SNP, which opposes public-private sector partnerships but which can give, and has given, no convincing alternatives.

The proposed schemes have the prospect of bringing substantial new investment that otherwise could not be afforded—that is the important point.

Ms MacDonald rose—

Des McNulty: I will not give way.

In Glasgow, 28 schools will benefit from substantial capital investment—real benefits for children who are currently in the system, not jam tomorrow and not the prospect of something 10 years down the line. In health, we anticipate that extra funding of £500 million can be added to current capital allocations on the basis of existing budgets. The benefits are real and will be felt by people who are looking for improvements in these services.

We must be clear that a flexible approach—not rhetoric—will deliver. That approach involves public investment, investment delivered through public-private sector partnership and private

investment linked to the development of public services. All those approaches should be considered on a case-by-case basis, so that we can ensure that they represent value for money and serve the public interest.

There are undoubtedly questions to answer about each of those alternatives and about each individual scheme, but that is how things have to be done. We should not engage in empty propaganda. In each case, this Parliament will have to exercise effective scrutiny; indeed, I would argue that one of the reasons why we are here is to engage in such a process of scrutiny.

I am delighted that, over the past two years, Treasury ministers have refined and developed rules so that many schemes now use the European Investment Bank as part of the investment package, which significantly increases the financial attractiveness of the process. I am also delighted that the Labour Government's good economic management has led to the lowest interest rates in more than 20 years, which also makes those schemes more attractive than they would have been three or four years ago.

Andrew Wilson: Will Mr McNulty give way?

Des McNulty: If Andrew will let me make one more point, I will let him come in. I am very grateful to Jack McConnell, because his announcements—about surplus land, about the protection of employees, particularly on pensions, about the reversion of assets to public sector use and about the openness that will assist the scrutiny to which I have referred—represent major steps forward. There have been legitimate criticisms of these schemes in the past, but those criticisms have now been addressed.

Fiona Hyslop (Lothians) (SNP): Does Mr McNulty agree that the reviews announced today on issues such as surplus land have been introduced only because of the SNP's sustained pressure on and criticism of Labour's PFI policy? The scandal of Edinburgh's land rip-off is a prime example of that policy.

Des McNulty: I said at the start of my speech that the SNP has to engage in grown-up, serious politics. I do not feel that the party has done so up to now. It has not engaged in the debate about real options and alternatives. When the SNP wants to talk seriously about what can and what needs to be done, it will be taken seriously.

Ms MacDonald: I just want Mr McNulty to take me seriously. He will forgive me for using highfalutin' rhetoric when I say that the Government could afford the schemes if it were willing to scrap nuclear weapons. However, that is by the bye. Let us return to the issue of the Edinburgh royal infirmary. Can Mr McNulty explain what plans are in hand for the so-called surplus land at Lauriston,

which I consider to be publicly owned land and which should remain in the public province?

Des McNulty: As Margo is a member of the Scottish Parliament, she is perfectly entitled to ask such questions, as are members of her party. However, the reason why we have committees is to engage properly in that process. Ministers here can also respond to those questions. My point is that we have a responsibility in this Parliament for proper financial management and for delivering effective public services. That means that we have to consider every option credibly, seriously and with appropriate financial and other detailed advice. If we fail to do that, we will be failing the people of Scotland.

The Deputy Presiding Officer (Ms Patricia Ferguson): Some members have not placed their chip-cards in their consoles. It would help greatly with interventions if they could do so.

10:23

Mr Kenneth Gibson (Glasgow) (SNP): When Des talked about £500 million being added to the public sector through PFI, was he aware that, according to Scottish Office outturn figures, £494 million has been cut from capital expenditure in local authorities since the Labour Government took office in 1997?

I want to nail the lie about why SNP councils have been forced down the PFI route. In 1995-96, Government support for local government in Scotland was £734 million at constant 1997-98 prices. That support has fallen in the current financial year to £328 million, which represents a cumulative cut of £1,470 million in Government capital support for Scottish local government in just four years. That is why Perth and Kinross Council, Angus Council and Moray Council went down the PFI road: they had absolutely no other option.

Peter Williams of the Council of Mortgage Lenders, speaking last week at a Chartered Institute of Housing conference in Edinburgh, described PFI as

"pushing the bill out into the future".

Unison's document, "Paying for Scotland's Public Services", described PFI as

"like paying off a 30-year mortgage and the building society keeping your house".

Unison and the Council of Mortgage Lenders are hardly political or economic soul mates, but what they have in common is that they recognise that somebody somewhere in the Government has to stand up and tell the truth about public policy on PFI. The truth is that PFI is the equivalent of the never-never—always paying, never owning. In order to guarantee lower taxes today, PFI means

higher taxes tomorrow.

Mr McConnell: I will ask Mr Gibson the question that I asked Ms Sturgeon. Can he name one PFI project where the option to purchase does not exist at the end of the contract? There are some projects like that and I know which they are, but can he name any?

Mr Gibson: The Skye toll bridge.

Mr McConnell: The Skye bridge is owned by the public and by the Government. Mr Gibson's statement is untrue and he should withdraw it.

Mr Gibson: The important issue is the option to buy. Mr McConnell talks about the option of being able to buy, but he is asking the public sector to buy at the very end of the contract after it has paid through the nose throughout the contract period.

The truth is that, to guarantee lower taxes today, PFI means higher taxes tomorrow—when the bill that Peter Williams talked about finally presents itself. PFI is more about bolstering new Labour's political virility with its key financial backers in the City than about sound economic management. The truth is that the only people who will win from PFI are the financial consultants, contract lawyers and merchant bankers who have their snouts in the fiscal trough.

Speaking to the companies that bid for PFI projects and build the infrastructure, I found, most surprisingly, that they, like local government, are involved in such projects solely because PFI is the only game in town. One senior engineer with a well-known plc recently told me that he regarded PFI as a banker's scam and that his company was more interested in building hospitals than in running them. I do not believe that he is alone in that view.

Dr Elaine Murray (Dumfries) (Lab): Will Mr Gibson give way?

Mr Gibson: Not at present. I have a long speech and I think that the Deputy Presiding Officer will cut me off if I take too many interventions.

Back in the early 1980s, one of the infamous inner-London boroughs got into trouble for its involvement in a scheme whereby, to bridge the yawning chasm in its annual budget, it sold all its parking meters to a foreign bank and then leased them back from the bank for an annual fee. The Tory Government and Labour front bench condemned the scheme as loony left, but it seems to me that, far from being loonies, the people who thought up the scheme were visionaries. How could they have known that the scheme that they created in the smoky committee rooms of an inner-London council—on an agenda item sandwiched between motions on twinning with Pyongyang and giving the freedom of the borough

to Gerry Adams—would later be whole-heartedly endorsed by the Tory Government and then implemented by Tony Blair's shiny, happy new Labour?

Scotland in 1999 is no different from Hackney, Haringey or Lambeth in the 1980s. Instead of leasing back our parking meters, we are leasing back schools, hospitals and other vital assets. Instead of indulging in a harmless piece of creative accountancy to get round rate capping, we are handing over public assets on the cheap and storing up an ever-increasing tax burden for the next generation.

Someone somewhere in the Labour party has to say that there must be a better way than PFI or public-private partnerships—I hope that a member in this chamber will be the first. Many Labour MSPs in this chamber have stood against PFI in the past. MSPs from trade union and public sector backgrounds have stood up against schemes that have threatened the wages and conditions of their colleagues and members; I know that those MSPs will take this opportunity to break free of the control-freak tendency in their party and stand up for what they believe in. This is an issue in which belief matters and dividing lines can and should be drawn.

In *The Observer* in April, Bob Thompson, the treasurer of the Labour party in Scotland, said:

"What I find repugnant is new Labour's insistence that the jobs of loyal support staff are sold off like feudal serfs. So much for partnership and team working".

In *The Scotsman* in June, Alex Rowley—remember him?—described PFI as "alarming" and "a back-door privatisation of council services".

As my colleague Nicola Sturgeon has already said, and as even John McAllion has said, *The Scotsman*, continued:

"The Tories may have gone, but their ideas live on under the initials PFI."

This is an issue on which those of us who are prepared to say that the private sector does not always know best and is not always cheaper or better must today stand up and be counted. There is more at stake than financial procedures. What is at stake is not only the ethos that runs through the entire public sector, but the morale, pay and conditions of thousands of public sector workers across Scotland. What is at stake is the very essence of why the majority of members in this Parliament resisted wave after wave of Tory privatisation plans. It would be one of the cruellest ironies if one of the first acts of the new Parliament was to endorse the ideology that so many people who fought for this Parliament were sure that we would do away with.

David McLetchie (Lothians) (Con): As part of

Mr Gibson's resistance campaign to Tory privatisation plans, will he confirm that the SNP's policy is to return at the earliest opportunity that it has—which I hope will not be very early—Scottish Power and Scottish Hydro-Electric to nationalised control?

Mr Gibson: As that is something that we cannot discuss today—it is a policy that the Scottish Parliament cannot deliver on—that is a distraction from the subject at hand.

I believe that PFI has had its day. If Liberal Democrat and Labour members agree, they should vote with us today to hasten its demise. If they vote on a party whip with coalition partners against what they know to be right, they will throw PFI a lifeline and shame themselves and their consciences.

Dr Murray: The SNP candidate for Dumfries, Mr Stephen Norris, stated that he would be prepared to support the use of public-private partnerships for the building of the new maternity unit at Dumfries royal infirmary. If the SNP opposes PPPs, why did one of its candidates agree to support them?

Mr Gibson: As I said, we will support those partnerships if there is no alternative and it is that or nothing. Labour has forced us into a position where there is no alternative.

Mr Raffan: Will Mr Gibson give way?

Mr Gibson: Has Mr Raffan moved party? Is he still the Conservative member for Delyn?

Mr Raffan: Will Mr Gibson give way?

Mr Gibson: Not at this time.

Mr Raffan: I was sure that he would not.

Mr Gibson: Okay, go on then.

Mr Raffan: Mr Gibson cannot launch a diatribe against PPP, of which PFI is a part—I will inform him of that since he does not seem to know the difference—in the Parliament and at the same time say that the SNP is forced to use PFI on the ground. The SNP is saying one thing in this chamber and doing a different thing in local government. They cannot get away with that.

Mr Gibson: The Liberal Democrats are the ones who have sold out. Every member of this Parliament knows that—even Liberal Democrats know it. My colleagues will specify—

The Deputy Minister for Local Government (Mr Frank McAveety): We cannot hear the argument, Deputy Presiding Officer.

The Deputy Presiding Officer: Will Mr Gibson continue with his speech and wind up as quickly as he can?

Mr Gibson: I am just about to finish. We have had seven years of this, Frank, and we will have plenty more opportunities over the next four.

I have a word of warning to those who vote for PFI today. The people of Scotland have demonstrated time after time that they will have no truck with the privatisation of public services. We will ensure that every member who votes in favour of PFI today will be reminded of that on every hustings and at every public meeting, from Airdrie and Shotts to Cunninghame South and every village in between.

10:33

Mr Keith Raffan (Mid Scotland and Fife) (LD): In view of Mr Gibson's concluding remarks, I will start with a quotation from Mr Alf Young in *The Herald*, referring to Balfour High School in my regional constituency of Mid Scotland and Fife. He said:

"If we were to wait for the local authority to replace our overcrowded, worn-out school from its own financial resources, we could still be waiting in 2020. If we want our kids educated in the kind of modern, enriched teaching environment that implicitly tells them day-in, day-out: first and foremost this country values education, education, and education—then, like it or not, the private finance initiative is currently the only game in town."

Mr Gibson: Will Mr Raffan give way?

Mr Raffan: I will in a second, because Mr Gibson gave way to me. However, I will make this point first. The SNP must learn that the duty of the Opposition is not just to oppose, but to propose. Today, SNP members have not gone into detail about their Scottish public service trusts in any of their speeches, least of all in Ms Sturgeon's deplorable effort when opening the debate. She barely gave that proposal a sentence at the end of her speech. We all know why, because the policy is so deeply flawed.

Mr Gibson: Does not Mr Raffan accept that this is a structured debate, in which the SNP will put forward its alternative proposals? Does he not accept that the reason why local authorities are being forced down this road is that they have lost £1,470 million of capital investment from central Government during the past four years? Would not Mr Raffan rather see that £1,470 million restored over the next four years than go down the road of PFI and PPP?

Mr Raffan: As Alf Young rightly says, PFI is "the only game in town."

What the SNP cannot get away with in this chamber is to launch this extraordinary rhetorical diatribe against PFI, while SNP-controlled local authorities are taking advantage of PFI.

Nicola Sturgeon: Will Mr Raffan give way?

Mr Raffan: I will gladly give way to Ms Sturgeon if she resumes her seat and does not get too excited. I will give way to her in a minute.

The point is that today the SNP is saying one thing in the chamber while it is doing another on the ground, in local government. It cannot get away with that. If members of the SNP had lodged a more measured motion today, which made constructive proposals on PFI and explained their own policy—which is deeply flawed—we might have listened to them, but they have launched this diatribe while taking advantage of PFI on the ground.

Nicola Sturgeon: It is about time that we injected some reality into the rantings of Mr Raffan. I ask him to comment on two quotations. The first is from the Liberal Democrat manifesto, which promised that it would

“replace the expensive and inefficient PFI agreements”.

The second quotation was said by a Liberal Democrat spokesman in April this year:

“The party is attracted by the SNP’s plans for replacing PFI with public service trusts.”

Perhaps Mr Raffan should consider his party’s statements before the election and his party’s actions in the chamber before he criticises others.

Mr Raffan: We can all play the game of selective quotation, as I pointed out last week. I have the manifesto, and I will happily quote long sections of it to Ms Sturgeon. It said:

“We need a private public partnership which leads to more cost effective public sector investment strategy.”

That is absolutely right. I will make points in my speech about the way in which we are working together with the Labour party. I strongly agree with the improvements to this policy that Labour is making.

Andrew Wilson: Will Mr Raffan give way?

Mr Raffan: I am replying to Ms Sturgeon’s point. The swot can wait; we know that he is good at figures, but he does not always know what to do with them.

As a party, we will also seek the appropriate alteration of the current unnecessarily restrictive Treasury rules on investment. That is part of macro-economic policy, which is reserved to Westminster. We have also made proposals on community partnership trusts, which differ from the SNP’s Scottish public trusts—or whatever the SNP calls them—as the SNP well knows. We have strongly criticised its proposals, and the SNP has not responded to the detailed criticisms of its policy.

Perhaps Mr Wilson could answer this point. The main plank of the SNP proposals is that the banks

will lend at more competitive rates, yet the Bank of Scotland has described the proposals as “unworkable”. The SNP has latched on to the fact that Mr Peter Burt wrote to the SNP to say that the Bank of Scotland regarded its proposals for Scottish public trusts as “not feasible”, as if that were somehow better than “unworkable”. I do not know what the difference is between “not feasible” and “unworkable”, but the SNP is grasping at straws.

The Royal Bank of Scotland has attacked the SNP’s policy too, saying that the SNP has looked only at the funding side, not at the important contribution that private sector management makes to PFI projects. That is why the SNP policies are so deeply flawed; the trade unions have said so, too.

Andrew Wilson: I am grateful to Mr Raffan for giving way during a key contribution to the debate. The Bank of Scotland criticised our proposals not because of the funding mechanism, which it supports, but because we refused to downgrade the conditions of workers and employees within the projects. We protected them, which perhaps Mr Raffan should support.

Will Mr Raffan take the opportunity to outline the Liberal Democrats’ plans for community partnership trusts, which appear in three words in the Liberal Democrat manifesto and nowhere else?

Mr Raffan: There is a whole column in our manifesto, and I will gladly send it to Mr Wilson afterwards.

Mr Wilson cannot get away with what he said about the Bank of Scotland. The Bank of Scotland said that the SNP proposal was “not feasible” and was “unworkable as it stands”. The SNP has not developed its policy since February. SNP members have come to the chamber today to attack the Executive. If the SNP is to be a responsible and mature Opposition—if, in Mr McNulty’s words, it is to grow up as an Opposition and as a political party—SNP members cannot come to this chamber and not explain in detail their own policy and not respond to the points made about the deep flaws in it, which have been exposed by banks and business, let alone the Scottish Executive.

SNP members must explain their position to their constituents. I was astonished at Ms Sturgeon today: she lambasted the private sector, almost like Tommy Sheridan in drag. She lambasted the private sector in an extraordinary way, ignoring the fact that the seats that the SNP holds at Westminster—and here—are former Tory seats. I am not surprised that SNP members do not say those things as loudly in their constituencies, attacking the private sector as

having no redeeming features whatever, since they took over those seats from the Tories. The most bizarre aspect of their performance today is that they have emerged as such unreconstructed Jurassic park socialists.

I am glad that Mr McConnell's views have developed and that Labour's policies have developed and moved closer to the Liberal Democrats. In partnership we have come together to make improvements on the public-private partnerships, of which—I say again to Mr Gibson—PFI is just one version.

Our party has made its position quite clear: through the partnership agreement with the Labour party, the two parties have moved together on this policy and are working to improve it. We welcome the minister's initiatives today, which seek to improve the operation of public-private partnerships. We are developing new types of partnership and flexible contracts—which is crucial—and we will allow assets, when appropriate, to revert to public ownership. That is in our manifesto; the Labour party agreed to it and it is now in the partnership agreement.

I accept that not all PFI projects produce good value. The Skye bridge is the most notorious example. However, the good thing about this Parliament and the committee system that we have set up is that the Finance Committee, of which I am a member, can examine PFI policy and the Audit Committee can examine particular projects. I support the motion in the name of my colleague John Farquhar Munro, the member for Ross, Skye and Inverness West, which calls for an investigation into the Skye bridge contract and the toll order. The more the Audit Committee examines particular projects and the more the Finance Committee examines the operation of PFI policy, the more accountable the Executive will be, the more the policy can evolve, and the more it can be refined and improved.

This Parliament, brought about by devolution, will lead to increased accountability in terms of PFI projects. We should all welcome that. SNP members have chosen today to play party politics in a knockabout fashion—[*Interruption.*] Frankly, if they do not like the heat, they can get out of the kitchen. If that is the way that they want to play it, we will respond in kind.

Andrew Wilson rose—

Mr Raffan: Hang on a second. [*Interruption.*]

We have to examine the policy in the Finance Committee and examine particular projects in the Audit Committee. This is a committee-oriented Parliament, and that is the way in which we can play a constructive role in the development of PFI policy.

Andrew Wilson: Notwithstanding Mr Galbraith's rather ungallant comments, I am grateful to Mr Raffan for giving way. It might be more appropriate for this chamber if Mr Galbraith stopped sniping from the sidelines.

Can Mr Raffan pick up on the point in our motion that seeks to improve existing PFI projects by opening them up and making them more transparent, allowing the Finance Committee to examine them? Does he agree with me and with Geoffrey Robinson that there should be absolute transparency in all projects, not only in the sectors mentioned by Mr McConnell?

Mr Raffan: I am all for transparency and I am all for openness. From what I have heard—and I listened closely to the minister—he supports that as well. Transparency I want; it is the SNP's diatribe and rhetoric that I am not having anything to do with. This is a complex and important issue, and the SNP has yet to explain its policy.

The crucial point is that partnerships between the private and public sectors produce capital projects earlier and more efficiently than otherwise would be the case. That is why I mentioned the case of Balfron High School. Either the SNP has to explain and develop its policy convincingly so that its inherent flaws are removed, or it has to accept the alternative to borrowing, which is tax. We know that the SNP is the tax party—

Alex Neil: Will Mr Raffan give way?

Mr Raffan: No, I am not going to give way any more because I am near the end. I have given way a lot—well, all right, I did not realise that it was the fundamentalist; I will give way to the fundamentalist. He is the SNP's internal opposition.

Alex Neil: Much appreciated.

Mr Raffan quoted Alf Young saying that a school required PFI. Is it not the case that if we had adopted Liberal Democrat policy, putting 1p on income tax and earmarking it for education, PFI in education might not have been necessary at all?

Mr Raffan: Mr Neil would make that point, wouldn't he? Kay Ullrich is sitting next to him; she has quoted Mandy Rice-Davies once already—who am I to quote her a second time? But he would say that, wouldn't he?

We made it quite clear that, having looked at the books, we would raise taxes if we thought it necessary. That is the whole point. Our policy position on tax was quite distinct from the SNP's, and our position was clear over a long period, not announced overnight like the SNP's. Last week, we saw the fundamental contradictions at the base of SNP economic policy—a contradiction on interest rates that SNP members have yet to explain, a contradiction on spending, a

contradiction on tax, and now a contradiction on PFI, which they use in the councils that the SNP controls, but attack in Parliament.

SNP members cannot get away with it. I ask them, in the name of the new politics, to work with the other three parties in the chamber. At the moment, there is a grand coalition against them on this issue. That is why I am surprised that they launched this debate. Their own policy is deeply flawed, and now they are breaking the unholy alliance that was developing with the Tories. We thought that the new love affair would develop into something more permanent, but SNP members have split it asunder by taking the stance that they have on PFI, giving the Tories no alternative but to sue for divorce. There is a vast majority in the chamber in favour of developing PPP and PFI. The SNP should work with us to develop these policies. It is time for it to stop being a destructive Opposition and become a constructive one.

10:46

Mary Scanlon (Highlands and Islands) (Con): Keith Raffan is always a hard act to follow, but I will try my best. I am proud to speak as a member of the party that initiated PFI. I am very comfortable standing by our manifesto commitments and doing what we said we would all along—voting on the issues in our manifesto.

Dr Simpson *rose*—

Mary Scanlon: Give me a second please, Richard.

There may be times when Keith and I will agree or disagree, but I hope that we and others in the chamber will put the people of Scotland first, rather than hark back to comments by Mandy Rice-Davies, Alex Rowley or whoever else.

The important principle is being lost in this debate. That principle is the delivery and provision of public health and other services to the people of Scotland. When, many years ago in the House of Commons, the Conservative party argued that tenants should be given the right to buy their council houses, the consumption of the good was the most important thing, rather than who owned it. Rather than saying “public good, private bad”, we should try to focus the debate on the delivery of the services.

Dr Simpson *rose*—

Mary Scanlon: Could Richard let me get started? I know that he loves intervening when I am speaking, and we seem to be developing a relationship here. [*Laughter.*]

The Minister for Children and Education (Mr Sam Galbraith): She has been snubbed by the SNP.

Mary Scanlon: If Richard insists on being helpful, he can go on.

Dr Simpson: I am not so sure about the relationship, but I am trying to be helpful.

I am going to shock the chamber, because the party that introduced the first privatisation of the health service in the United Kingdom was the Labour party. The health services in general practice are owned privately by banks, by building societies, by doctors—they are not owned by the national health service. In 1966, the Labour health minister Robinson introduced that; the Conservatives cannot claim to have done so.

I hope that Mary Scanlon will agree that there has never been a complaint about that aspect of privatisation of the health service, because it is pragmatic and it has worked for the people. That is what PFI and PPP are about, as Mr Raffan has said.

Mary Scanlon: I do not think that any of us has a monopoly on good ideas, and I am delighted to hear that we took the idea from the Labour party and that the Labour party has now re-endorsed it. I welcome the minister's re-examination of the guidelines and proposals. As mature politicians, it is our responsibility to examine those proposals and to move forward with the commitment to PFI.

Des McNulty was still harking back to the Tory years. I believe that if we are to get a serious grip on Scotland's public finances, many Labour-controlled councils should endorse PFI and public-private partnerships for reasons of service quality and value for money. The debate should focus on providing services. I do not believe that any patient turns up at a hospital and asks who owns it. Patients are more concerned about standards of treatment and waiting times. I have never heard a parent say that they were concerned about who owned a school. Parents, children and we as politicians should be concerned about the standards and the provision of education, rather than about who owns and maintains the building.

Looking across the chamber, I seem to remember that, during our debate on Holyrood, the point was clearly made that the business of this Parliament could be conducted equally well whether we were tenants in this chamber or owners in the other chamber. It is the business and the decision-making that matter.

I am pleased to endorse the excellent idea of PFI and am delighted that Labour members have come on board and done so, too. According to the information centre, PFI projects in Scotland that have been completed or are in the pipeline have a value of more than £2 billion. That is serious money; I would like to hear those who are opposed to PFI make a realistic and honourable suggestion of an alternative means by which we

can provide that level of public services.

The Deputy Presiding Officer: A number of members have indicated that they wish to speak in the debate. To try to accommodate them all, I will impose a time limit of four minutes from now on. I ask members to adhere to that.

10:50

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Clearly, this will be a dominant controversy in this Parliament, but I hope that it can also—perhaps somewhat improbably—be a defining issue of the new politics and one where we make the quantum leap of realising that both sides of the case have some merit.

There is concern about PFI. Tommy Sheridan did not reveal a state secret when he said that the Scottish Trades Union Congress was officially opposed to it. I know that many of my constituents are as well. The SNP, however—and Mr Gibson in particular, when he suggested that the Labour party was doing this for some ideological reason—overstated the case when it criticised the Labour party. The reality is that the Labour party is doing this for the practical reason of speeding up investment in public services. I know that the SNP has put forward an alternative, but that would fall foul of the public borrowing rules. That is a dilemma which the Labour party has had to address.

I think—and again some members may find this improbable—that there are grounds for consensus around the Labour amendment because of its use of the words “best value”. This Parliament provides an excellent opportunity to scrutinise every proposed PFI or PPP deal.

There is massive controversy about whether those deals are better value than traditional funding in the long term. In each case the Government says that it has let a deal go ahead because it offers better value, but many economists and experts say that there is doubt about the public sector comparator. The existence of this Parliament makes scrutiny in great detail of those deals possible for the first time. On that basis, I am prepared to accept the Labour amendment.

Bruce Crawford: Scrutiny is very important in regard to PFI. Has Mr Chisholm been told by ministers in his own Government about level playing field support? That is the process whereby local authorities were encouraged to become involved in private finance initiatives. Has he been told by the Labour front bench how much level playing field support exists for local authorities for future private finance initiatives? Further, has he been told that it may well be exhausted?

Malcolm Chisholm: There is clearly an issue about how affordable PFI is. Although it brings forward investment, there is a limit to the number of projects that can be undertaken because of the commitment to pay for them over 30 years. We cannot get into that area today, but many of the committees of this Parliament should examine it in great detail over the next few months.

Bruce Crawford rose—

Malcolm Chisholm: I have only four minutes. I would like to take more interventions, but I must speed up and miss out things that I had intended to say.

Labour has always said that best value is about not only cost, but quality. Apart from the issue of whether PFI is cheaper in the long run—which I have doubts about—there is the issue of staffing. Concern has been expressed about the effect of PFI on unified staff, particularly in the health service.

I welcome Jack McConnell’s announcement today on the conditions of NHS staff and, I presume, education staff in PPP projects. However, there is still concern about the loss of a unified NHS staff. The Select Committee on Health at Westminster examined the issue of NHS staffing and—while not opposing PFI in the health service in England—called for a moratorium on new NHS private finance initiatives until the effect on staff had been monitored. That had the support of the Labour majority on the committee. There is widespread concern about the work force issues and we must monitor them closely to assess the effect on staff morale and the details of staff conditions.

I am pleased that the pension arrangements have been modified at the new Royal Infirmary. That has been of great concern to many of my constituents who work in the health service. We must keep a close eye all along on the effect of PPP deals on the work force and conditions of service.

At the end of the day, along with staffing, the key issue is best value. How does paying over 30 years using this method compare with the traditional method of funding? This Parliament should address that key issue.

On condition that that debate and scrutiny take place, I am prepared to support the Labour amendment, although it is well known that I have serious reservations about PFI.

10:55

Mr Adam Ingram (South of Scotland) (SNP): I shall preface my contribution to the debate with some observations on its historical context. I know that that is a wee bit risky given that history is a

little out of fashion in the Labour party.

Last year we celebrated 50 years of the national health service—probably the single most important peacetime achievement of any Government this century. It was the greatest leap forward for social inclusion that this country has ever seen. Everyone in our society was given entitlement to quality medical provision free and at the point of need regardless of his or her means. It was Aneurin Bevan, the great socialist architect of the NHS, who proclaimed the dawn of a new age in this country—an age in which no one would be denied the support that was necessary to climb out of the miseries induced by illness, ignorance, poverty and unemployment. That support would be there from cradle to grave. At last that supreme article of socialist faith—

“From each according to his abilities, to each according to his needs”—

was given hugely practical and popular expression. For the past 50 years, public investment and reinvestment has been efficiently financed by low-interest, long-term loans from the Public Works Loans Board. That has allowed succeeding generations to fulfil and to sustain Bevan’s vision. That vision is now being systematically undermined.

The ticking time bomb that is the private finance initiative is set to blow away the legacy of the past 50 years. In the motion we are asking Parliament to stop that bomb going off. The rush to PFI means an ever-increasing takeover of public assets such as schools and hospitals by private consortia that are driven by the profit motive rather than by public interest.

In the debate, my colleagues have described and will describe how public needs are being overridden; I would like to concentrate on why that is happening. PFI was essentially a Tory creation that was born out of Thatcherite ideology.

Mr Galbraith: No, it was not.

Mr Ingram: Yes, it was. It was a creation that was determined to push back the boundaries of the state, and the welfare state in particular. The official justification, however, was the need to reduce the public sector borrowing requirement and to meet the Maastricht criterion that any deficit in public finances should be less than 3 per cent of gross domestic product. Gordon Brown and the new Labour leadership have not only inherited that line from the Tories, but have—if anything—outdone their predecessors in their zeal to control and cut back Government expenditure on vital public services.

What is the current deficit as a percentage of GDP? Are we struggling to meet the Maastricht limit? The answer is an emphatic no. We are not

just comfortably within it, but within it by a factor of no less than 10. The current deficit as a percentage of GDP is a mere 0.3 per cent. In other words, the new Labour Government has the room to increase public borrowing and spending by a massive £22 billion this year, and by as much if not more in each of the next four years. It will still be able to meet the Maastricht criteria for economic and monetary union.

There is scope for a massive increase in capital expenditure. Scotland’s share would be around £2.5 billion this year and every year up to and including 2003-04. To put that sum into perspective, last year, Government spending on capital projects in Scotland was only £1.7 billion. The value of all the PFI projects in Scotland—those that have been signed up for and which are in the pipeline—is only £2.8 billion.

The Deputy Presiding Officer: I ask you wind up now please, Mr Ingram.

Mr Ingram: The reality is that this new Labour Government has the wherewithal to launch a massive public works programme without recourse to public-private partnerships, but it clearly lacks the political will to do so. It would appear that Gordon Brown will use the billions in his rapidly accumulating war chest to buy the votes of middle England with more cuts in personal income tax. Without doubt, it is a case of retaining power for its own sake, rather than exercising power meaningfully for the common weal.

11:01

Tommy Sheridan (Glasgow) (SSP): The speech that we have just heard is the kind of speech that would have been made by a Labour member five or 10 years ago. It was full of socialist content. Some of the members on the Labour benches used to be socialists.

The problem with today’s debate is the stench of hypocrisy and arrogance. The British Medical Association is one of the most respected bodies in the national health service; Unison is the largest trade union in Scotland; and the Scottish Trades Union Congress represents some 900,000 organised trade unionists in Scotland, yet all those bodies are completely and emphatically opposed to the private finance initiative. That is why this debate is arrogant. Are the BMA, Unison and the STUC wrong and Labour, the Liberal Democrats and the Tories right? Do the parties have the monopoly on wisdom?

Jack McConnell warned Opposition members that we had better get in line or, in places such as Glasgow and Falkirk, the voters would take umbrage. In Glasgow, which used to be rock-solid Labour territory, there is no longer a single safe Labour seat. In Falkirk, my respected companion,

Dennis Canavan, gave youse a gubbing—to use the parlance of Glasgow. If Jack thinks that PFI is popular and that we will lose support if we do not get in line, he is on a hiding to nothing.

Politics is about priorities. Mr Ingram gave us an illustration of how this Government's policies are all wrong. Three years ago, under the Tory Government, a campaign was started in Glasgow, which was taken up by the *Glasgow Evening Times*, to raise £1.5 million for an MRI scanner for the children's hospital at Yorkhill. Three years later, the money has been raised through public donations.

In the same week as that campaign was launched, the Tory Government announced that it would support the British contribution to the Eurofighter project at a cost of £15 billion. That is the politics of priority—Governments that can afford £15,000 million for weapons of destruction, but cannot afford £1.5 million for an MRI scanner for a children's hospital.

The problem that faces Labour members is that the Scottish electorate cherish our public services and the fact that they are delivered on the basis of need, not to satisfy the bank balance of shareholders. That is why we talk about best value when we talk about health, our schools and our houses. The director of the City of Glasgow Council's housing department had to admit that the best way to achieve best value in delivering a complete renovation of Glasgow's housing stock was through conventional public investment. The problem is that, because of the archaic public sector borrowing requirement rules that we use in Britain—the only country in Europe to use them—that method of financing has been forgotten.

Mr Tosh: Does Mr Sheridan accept that, to an extent, conventional methods of public investment have been the problem? All the houses developed in the 1950s, 1960s and 1970s were funded in that manner. The councils did not build any life-cycle costings into the plans and no money was set aside for renewal and refurbishment, so that in Glasgow around 77,000 houses are now of almost no value because so much work is necessary to bring them up to standard. That is the result of the conventional approach to funding and it is the legacy of not looking at efficient property management for decades.

Tommy Sheridan: I completely deny that that is the reason why we are left with those problems. They are due to a lack of planning. There was a willingness to construct thousands of homes to deal with massive overcrowding in areas such as Govan and the Gorbals in Glasgow, which resulted in the building of flat-roofed tenements. That would have been nice and they would have lasted for ever in places such as Greece, which has a nice climate, but not in places such as

Glasgow where it is always teeming with rain.

However, that does not mean that we should now throw the baby out with the bath water. We should plan properly and invest publicly in housing to produce homes that, unlike the homes that they have now, people can afford and in which they can live and bring up their families with plenty of space and in comfort. The director of Glasgow's housing department was forced to admit that such homes could be delivered more quickly through public investment.

The Deputy Presiding Officer: I ask you to wind up, please.

Tommy Sheridan: There is clearly more than enough finance available to make proper public investment in public services and to save the jobs of our janitors, cleaners and domestics who are going into the private sector. I do not want to undermine Mary Scanlon, as she makes her comments honestly—some members of other parties do not make theirs as honestly—but she is a Tory. She says that the priority is who owns things. I will bear that in mind when the party that I represent has replaced the Labour party as the party of working-class men and women in Scotland.

The Deputy Presiding Officer: Will you wind up now, please?

Tommy Sheridan: When the Scottish Socialist party approaches the Bank of Scotland, the Royal Bank of Scotland, ICI, Unilever, ScotRail and British Telecom, we will tell them that who owns them is not the problem and that that is why we are taking them back to run them in an accountable and democratic fashion, in the interests of ordinary people and to produce goods on the basis of need, not profit.

11:08

Mr John McAllion (Dundee East) (Lab): When Nicola Sturgeon introduced this debate, she said that the fact that the Scottish National party was introducing a motion showed that it was being a constructive Opposition. She then went on to attack personally Jim Wallace, the Liberal Democrats and the Labour party. She even managed to drag poor Alex Rowley into it, as if he did not have enough problems of his own. If that is her being constructive, I would not like to see her in destructive mode.

We know what the real idea behind today's motion is, simply by listening to the radio. This morning, the SNP spin doctors had already told the radio broadcasters what this debate was all about—a blatant attempt to break the Liberal Democrats from the coalition. Newspaper journalists have also been told that this motion is a

blatant attempt to embarrass Labour. In other words, this motion is not a serious attempt to debate PFI or an opportunity for this Parliament to address the issue properly; it is, as usual, the old politics of Westminster—party politicking to get at other political parties.

Mr Gibson gave it away when he reminded everyone here that how we vote today will be used at every hustings that members attend between now and the next election. I, for one, am certainly not going to be fooled into supporting an SNP motion that is aimed directly at helping the nationalists and damaging my party.

Let us look at the SNP motion. First, it condemns the privatisation of public services. There is nothing wrong with that—I do it myself. The clear implication behind that condemnation is that public services should always be publicly provided—again something that I would not fall out about. Why, then, has the SNP-controlled council in Angus, which has been under SNP control for 16 years, never delivered its housing maintenance and repair service through a direct labour organisation? It has never had a direct labour organisation and it has always delivered that public service through the private sector. Of course, it gets an advantage from doing that because the wages in the private sector are lower, the conditions are not so good and there are no apprenticeship schemes. The SNP gets the benefit of boasting about low rents and council taxes in Angus, but it does that by delivering public services through private means. I will give way to the provost who was responsible for many of those policies.

Mr Andrew Welsh (Angus) (SNP): Mr McAllion is entirely wrong. He should do his homework before making such accusations against the SNP. The administration that I led employed direct labour; we encouraged local business and we used direct labour where appropriate. If Dundee City Council came anywhere near the record of Angus—the best-run council in Scotland—the citizens of Dundee would be much happier.

Mr McAllion: I have done the homework. Mr Welsh ceased to lead the administration in Angus in 1987. At the moment, there is no DLO in Angus providing the housing and maintenance repair service, but there is one in Dundee. That is the difference. Our council is Labour controlled, whereas Angus Council is SNP controlled. As Mr Raffan said—I do not always agree with him—members cannot say one thing here and do something entirely different on the ground. No one is twisting the SNP's arm up its back in Angus. Labour-controlled Dundee has been able to deliver a DLO and so could have Angus if it had chosen to do so.

Mr Welsh rose—

Mr McAllion: Sit down. I have given way once and do not have time to give way again.

There is a public-private partnership at Baldovie in my constituency, where we are replacing the old incinerator with a new waste-to-energy plant. That is being done, and the plant is to be operated, under a public-private partnership. Members may say, "Fine, that is another example of Labour going down the privatisation road." Why, then, did Angus Council volunteer to become a partner in that public-private partnership? It was not forced to. It asked to get in because it wanted a way forward.

Shona Robison (North-East Scotland) (SNP): Will the member give way?

Mr McAllion: I will not give way. The honourable lady—sorry, it is not very honourable. Mrs—I cannot remember her name, but she can make her own speech in her own time. SNP members cannot come here, preach socialism and then return to their constituencies and practise capitalism.

Mr Raffan: Exactly.

Mr McAllion: That is what they do across Scotland.

Public-private partnerships and PFI came about because there were problems with public funding. We all know that. Limits were set on the amount that government could spend and borrow. As a result, many public projects were left lying on the shelf gathering dust. PPP and PFI are meant to break that log-jam and allow public projects to be developed.

Bruce Crawford: Will the member give way?

Mr McAllion: I do not have time to give way.

The Deputy Presiding Officer: Wind up, please.

Mr McAllion: I have serious reservations about PFI. The idea of a privately owned and privately run hospital in the NHS is anathema to me as is the idea of forcing public sector workers out of the public sector against their will. That is not why I came into politics, but those of us who are opposed to it have to find a practical alternative. That is what this Parliament is about.

It is no good Tommy fighting about the Eurofighter project. For the next four years, we are working within a devolved polity and a devolved budget. If we want an alternative to PPPs we had better start to find it. We will not find it in debates like this; it is for the Finance Committee and the Audit Committee. We must examine the Treasury definition of public sector borrowing requirement and invite Treasury officials to come here and explain why they will not follow the European method that is used everywhere else and allows

councils to borrow money privately.

The motion calls for the Parliament to consider public services trusts. I am an economist—sorry, I am not an economist—and I have the advantage of not needing to pretend to know everything. I do not know whether public services trusts will work, but the Finance Committee could find out.

The Deputy Presiding Officer: Wind up, please.

Mr McAllion: Let us leave the work of examining PFI to the committees and they can report back to the Parliament. Then we can have a proper debate and not the pseudo debate that we had so far this morning.

11:14

Mr Gil Paterson (Central Scotland) (SNP): What a gift we will leave our children as a result of PFI; we will build a hospital or a school at 10 times the real cost and give them the invoice.

Mr Galbraith: It does not cost 10 times the amount.

Mr Paterson: It does, Sam, if you do your sums, and the worst thing about it is that not only will they pay the invoice, they will end up not owning whatever they paid for.

Mr McAveety: Will the member give way?

Mr Paterson: No, I have only four minutes.

Taking up the Tory point, what business in its right mind would do the same thing? What business would lease property at 10 times the capital cost? I lease property, but I do not do it at 10 times the capital cost. I would be bankrupt if I did and no sensible business person would ever do it.

Here is a wee challenge for members. Who would buy a house—say in Bearsden, Sam—for £100,000 and end up paying £1 million in the knowledge that, in 30 years' time, the Halifax will chap on the door and evict them? Members should press their green button if they say yes to that.

Mr McConnell: Will the member take a point of information?

Mr Paterson: No, thanks.

I have made the point before, being a central belt MSP, that I think the worst PFI—the first and the worst—is the Skye road bridge. Daily, people up there are paying through the nose. That pushes up the price of bare essentials—if people go up there, they will see what the prices are like.

Mary Scanlon: Does the member agree that people living on Skye can buy a book of tickets to travel over the bridge, which costs them less than

it did to go over on the ferry?

Mr Paterson: The thing is that they have only one way to go and that is across that bridge. I know that it is a new bridge in the Highlands and that it is for the benefit of people on the mainland. To be quite frank, I am ashamed of the situation on Skye. I am ashamed that it has gone on for so long and I think that that shame transverses this chamber. The Liberals have made a big noise about it. The solution that they have reached in the partnership agreement is to stagnate the charges—bully for them. I suggest that Liberal members do not give up their day job if that is the best deal they can do. I would not like to see them do a bad deal. For me, their suggestion is like a policeman saying to a battered woman, after he chaps on the door, "We know that you are battered, and that you get battered every night, but the good news is that it ain't gonna get any worse."

Somebody mentioned nuclear weapons and Trident. Would not that be a great thing for PFI? People could not do it. We all know that when Trident is redundant—frankly, it is redundant now—nothing but a mess will be left. It will cost as much to decommission it as it cost to put it in place. We are lumbered with that.

What are we ending up with? Things that we do not want under PFI, such as Trident, and things like that that we cannot get rid of—and we do not get to own the stuff of communities, such as schools, roads and hospitals.

Mr McAveety: Will the member give way?

Mr Paterson: No. If the profit element is taken out—not the interest element, as people need to earn money—of the cost of the new royal infirmary, we would end up with two schools.

I know that there are some good people on the Labour benches.

Mr McConnell rose—

Mr Paterson: No, I am not giving way. I know that there are some good people on those benches and that they are not happy with PFI. The difference is that they will follow orders from London and Tony's plan.

The Deputy Presiding Officer: Wind up, please.

Mr Paterson: For me, PFI always has been and always will be a rank, rotten Tory policy, which, unfortunately, some good people over there will follow.

11:20

Mrs Margaret Smith (Edinburgh West) (LD): Like Mr McAllion, I do not know everything. I am

not an economist and finance is not my strong suit. My husband would agree with that. I am much better at spending money than saving it and I do not know much about Treasury rules. No doubt we will all become more acquainted with the subject during the next four years.

Not one member is unaware of some of the drawbacks of PFI and PPP. We might not know the full facts, but we have all heard of examples that have concerned us and given rise to questions. On the other hand, we all agree that there is a need for substantial capital investment in hospitals, schools, roads and other public infrastructure, and we have to work within the fiscal and financial limitations of this Parliament. That is the background to this subject.

As a Liberal Democrat candidate in Edinburgh at the election I had severe concerns—I still do—about many of the elements of the new royal infirmary. I could bandy figures around—and Mr McConnell and Mr Galbraith would jump to their feet and tell me that they have figures to bandy back at me—but the reality is that many of us still have concerns.

My three main concerns have always been: value for money for the Scottish taxpayer; workers' rights—particularly the local example of pensions at the royal infirmary, but also examples across Scotland—not only in health projects but in schools projects that I am acquainted with; and the need to retain public assets in public hands if necessary and desirable.

Everybody in this chamber is well acquainted with the fact that, with those concerns in mind, the Liberal Democrats have entered a partnership agreement to deliver stable government for Scotland. In the partnership agreement, we have taken forward the idea that best value is crucial. The role of the committees will be crucial in ensuring that best value is integral to all projects from now on.

We must also tackle the problems of workers' rights. I was pleased to hear Mr McConnell's comments today. Many of us will look into that matter with him to get some meat on those bones.

As the representatives of the people, we want to ensure that we keep the right to retain public projects when that is in the best interests of the public.

I echo many of the comments made by Malcolm Chisholm, John McAllion and others.

Bruce Crawford: I asked Malcolm a question about level playing field support. Perhaps Margaret is familiar with that area because she comes from a local authority background. I asked him whether the front bench had informed him that the level playing field support that is available to

local authorities—which encourages them to go down the route of PFI—is all but exhausted. Has the front bench of Margaret's party told her how many new local authority projects may be financed through PFI without that level playing field support?

Mrs Smith: No, it has not. It is in the hands of the committees of this Parliament to ask the Government that question.

That brings me to the subject of committees. Mr Raffan and others have spoken about the roles of the Finance Committee, the Audit Committee and the subject committees. It is for all of us to examine this issue. What Mr McConnell has told us today, and what is in the partnership agreement, moves the PFI-PPP debate forward. It does not take the debate to its conclusion, but it is better than where we were. One of the roles of the committees is to move the debate forward again.

I will not attack the SNP for using PPP and PFI projects locally. I will give four reasons why I will not: Craigmount High School, The Royal High School, Muirhouse Primary School and Silverknowes Primary School—four different school projects in my area. I have concerns about PPP and PFI, but I am more concerned to ensure that the children I represent get the best education possible from Edinburgh City Council and this Parliament.

The Deputy Presiding Officer: Wind up, please.

Mrs Smith: Ultimately, we are about delivering the possible—not the perfect world. We will not achieve the latter but, with a bit of pragmatism we can make progress, move away from dogma and consider the alternatives. In the Health and Community Care Committee and elsewhere I am happy to consider any options that anyone in this chamber—be they SNP or anything else—proposes to give the people and the children of Scotland the public services that we must deliver.

11:25

Mr Kenny MacAskill (Lothians) (SNP): As I drove care-free and toll-free down the M8 last week, I had the opportunity to listen to a folk music tape by the American folklorist Woody Guthrie, on which he sang a song about the American outlaw Pretty Boy Floyd. The lyrics say:

“As through this world you wander you see lots of funny men, some will rob you with a six gun, and some with a fountain pen.”

In my previous existence as a defence agent I met many people who would rob with a six gun. I have now landed in a chamber where I am meeting the individuals who would rob us with a fountain pen.

The robbery started under the Tories. It was maintained under a Labour Administration, and it is now accelerating under this Lib-Lab partnership. Under Thatcher, public utilities were privatised. That was robbery of, and private gain from, a public asset at public expense. Privatisation went to such an extent that Harold Macmillan said it was selling off the family silver. Labour jumped up and down in raptures in support of that.

Mr Tosh rose—

Mr McAveety: Can Mr McAskill remind me: was Mr Macmillan alive when PFI was introduced?

Mr MacAskill: I did not know the answer, but my colleague Alex Neil has kindly told me that he was. Macmillan was referring to the privatisation of public utilities. PFI is privatisation. Labour is not selling off the family silver; it is selling off the family furniture, because we are dealing with health, education and housing—the fundamental issues for individuals.

I wish to comment on alternative funding and Mr McConnell's amendment. I will also touch on the points made by Mrs Smith. Mr McConnell talked about the choices. I do not want to go into great detail about Scottish public sector trusts—my colleague Andrew Wilson will do that—but Mr McConnell raised an issue that I was going to comment on: the Scottish transport bond. I note that Mr McConnell talked about the civil service brief "Pathfinders to the Parliament". I do not speak to many lords. Lord James is always polite to me.

Mr McConnell: Mr MacAskill referred to a civil service brief, and that is accurate. The point is that we already use bonds in our public-private partnerships, including the one that is being used to pay for the new hospital in my constituency of Motherwell and Wishaw.

Mr MacAskill: I may have misheard Mr McConnell, but I thought that he referred to a civil service brief. I have a personal letter from Lord Macdonald of Tradeston—he even signed it "Yours, Gus Macdonald"—and I was pleased to receive it. The letter enclosed a copy of the report of the pathfinder groups and said:

"This report brought together the findings of the 13 Pathfinder Groups that I set up and I am very pleased to enclose a copy for your consideration."

In the penultimate paragraph, Lord Macdonald said:

"I would therefore hope that the report will be given serious consideration by Members of the Scottish Parliament and the Scottish Executive and I commend it to you."

I presume that Gus Macdonald did not send something to me that he did not also send to Mr McConnell. In that document is raised the question

of, and the options for, the Scottish transport bond, which doubtless Andrew Wilson will elucidate. We are quite happy to look at alternatives if Mr McConnell is not prepared to accept the Scottish public sector trust, but we must move away from PFI, PPP or privatisation.

That brings me to the issue of schools, as raised by Mrs Smith. As far as I can see, PPP means privatisation for parents and public. Mr McConnell talked about ownership. I have the document "Private Partnerships: Investing in Education" from the education department of Edinburgh City Council. Mr McConnell said that ownership remains with the public sector—or he alluded to it. Lo and behold, under the heading "Why PPP?", at the end of paragraph three, the document says:

"In practice, this means that the Council will lease rather than own the proposed new or refurbished PPP buildings and receive funding from the Scottish Office to meet rental costs."

That is what the City of Edinburgh Labour group said.

Mr McConnell: The point I was making—if Mr MacAskill listened to that part of my speech—is that the option for public ownership remains when the contracts expire and when the public interest asks that it should remain. In almost all of the PFI contracts currently in existence in Scotland, that option appears in the contract—although none of our colleagues have so far been able to name any, despite their grandiose claims—and in most cases for a nominal value.

In future, where there is no practical alternative use for the project at the end of the contract period, during which cost-lease arrangements apply, there will be the option of transferring at no cost. I would be grateful if Mr MacAskill would welcome that.

The Deputy Presiding Officer: Mr MacAskill, you must wind up your speech.

Mr MacAskill: I will do my best.

The ERI contract makes no mention of a buy-back. However, I will skip what I intended to say about the details of PPP in Edinburgh and deal with this amendment. Mr McConnell thinks that his is a favourable proposal. I notice that Mrs Curran, who has previously commented on international affairs, is sitting at the back of the chamber. I want to know why, if this is such a good option for the Scottish Parliament, we are restricting it to this chamber and this nation. Why, when throughout the world, particularly in the third world, there are requirements for homes, schools and hospitals, are we not giving others the benefit of the wisdom that we have acquired through Mr McConnell and his colleagues?

The Deputy Presiding Officer: Wind up,

please, Mr MacAskill.

Mr MacAskill: Why do we not suggest PPP to the United Nations and the G8 as the way in which to revitalise the third world? If it is good enough for us, it is good enough for them. If it is not good enough for them and they will not accept it, why is Mr McConnell imposing it on our people?

11:31

Dr Sylvia Jackson (Stirling) (Lab): The debate on PPPs must rank alongside that on student finance as one of the most contentious that faces this Parliament. In practice, both debates have been oversimplified and have failed to capture the complexities of the issues involved, as many members have pointed out. In the case of PPPs, one mistake has been the failure to recognise that what have been called PFIs and PPPs are not all the same. There is variation and they are evolving.

From some of the speeches that SNP members have made, there would seem to be no middle ground. We have polarised the arguments, so that people are either for PPPs or against them. I suggest that we need to consider the middle ground.

My approach to this matter starts from basic principles. For most of the past 20 years, the public sector has been starved of resources; most of us agree on that. There is a real danger that, as J K Galbraith, one of the century's most distinguished economists, said, we will have

"private opulence but public squalor".

If that is to be avoided, we must act, and act quickly.

My approach to this matter recognises that many of the PFIs that have been introduced to date have been unsatisfactory. The balance between public and private gain has been wrong, and much of the private gain has been made at the expense of public sector workers. The balance may have been wrong because too many of the public sector bodies that have negotiated with the private sector have lacked the expertise that is necessary for them to do so effectively.

I criticise much that has happened in the past. The Tories' policy—that the private sector is always best—flies in the face of all experience. There are too many examples, whether from privatisations or PFIs, of the private sector making excessive profits at the expense of the public purse; we have alluded to those already. However, that does not mean that there are no circumstances in which I could support the use of private sector finance for public sector development. Rather, it means that I want there to be much more scepticism about private sector involvement. It means that I want far more controls

on the operation of public-private partnerships—controls that will protect the rights of workers who are employed by those partnerships. It means that I want there to be an opportunity for assets that have been developed through the PPPs to revert to public ownership at the end of the defined period. What we have heard today from Jack McConnell gives us hope that that will happen.

Members will have seen the briefing that has been provided by the Scottish Parliament information centre and noticed the frequent references to an article by Professor David Bell. Professor Bell is a constituent of mine who works at the University of Stirling. He argues for a mix of public and private funding to develop public assets, so that risk can be shared. However, an important element of what he proposes has received insufficient attention. He argues that the public sector must learn from its mistakes and not bargain with the private sector from a position of weakness. At the moment, too many negotiations with the private sector are carried out by bodies that have little experience in such matters. That must change, so that there is a clear focus for negotiations with the private sector. Malcolm Chisholm has made some good points about how we can make progress on scrutiny and monitoring of that process.

Amendment S1M-67.1 seeks to capture many of the points that I have made. It does not reject the notion of public-private partnerships, but recognises that our approach to such partnerships needs to evolve further and that we need to learn from experience. I commend the amendment to the chamber.

11:36

Ms Margo MacDonald (Lothians) (SNP): I will take Jack McConnell's invitation at face value and put campaign rhetoric behind me; I will ignore the fact that Keith Raffan called me an unreconstructed Jurassic park socialist.

Having got that out of the way, I apologise for not tackling the huge issues—the ideological issues—that are implicit in the private ownership of public services; PFIs involve a partnership, which implies ownership. I will also put aside the unkind jibes that I made about where we might find an alternative source of funding—by getting rid of nuclear weapons—and address myself to the situation here in Edinburgh.

I have an urgent reason for bringing the chamber's attention to the reality of PFI. Although I welcome a sinner who has repented, and what Jack McConnell said today about making wee improvements at the margins, I fear that, for some aspects of the Edinburgh royal infirmary contract that has already been signed, and for the contract

that is waiting to be signed, that may be too late.

There is a second PFI at the Edinburgh royal infirmary—for equipment. Before the election, I was concerned because every piece of advice that I had received—from the British Medical Association, from the people who work in the area that will be covered by the second PFI and, of course, from Unison—suggested that it would, almost certainly, lead to a lowering of the standard of clinical care. The equipment PFI covers equipment that is patient-critical. The equipment is operated by a health team that is made up of the same people who purchase, install and maintain it, and who train the staff in how to use it. They are an integrated part of the medical care. Under the equipment PFI, they would be split off from the rest of the clinicians and nursing staff.

I was also very concerned about the total absence of British health care companies from the companies that tendered for this PFI, because I do not want the bedside bookkeeping of the American health care companies in Edinburgh's new royal infirmary. I am sure that Mr McConnell does not want that either.

I have a compelling third reason for revisiting the PFI. When the minister sums up, I want him to give us an assurance that the Executive will re-examine the books for the Edinburgh PFI. I have here a letter dated 31 May. It is addressed to the executive directors of the Lothian University Hospitals NHS Trust, and is from the heads of service and business managers at the royal infirmary. It says that

"effective planning of and communication about the entire project has ground to a halt"

and that

"plans for equipment specification and purchase are causing deep anxiety."

Most worrying of all for the people who will use the privatised new infirmary at Little France, the letter states that few of the service heads and managers

"have gained confidence about the level of service they will be able to provide after going through this process."

During the election campaign, some new Labour spokespeople brushed aside criticisms that I was making. I was, if members will excuse their phrase, "a troublemaker". Angus Mackay, a very nice boy—

Mr McConnell *rose*—

Ms MacDonald: I apologise to Jack McConnell, but I do not have the time to take interventions. We will talk about it at the Audit Committee, I hope.

Angus Mackay went so far as to say that the medical staff at the royal infirmary were very

pleased with the PFI plans. They are not. Here it is in their letter dated 31 May. They are anything but pleased; they are very concerned. They have lost all confidence in the matter being handled properly. Did it cross Angus's mind, when he spoke the words that he was given at the press conference, that there had to be a reason for the showpiece PFI being unable to attract and keep a chief executive or a director of nursing services? There is something wrong with the whole contract. I ask the minister to re-examine the matter.

I apologise, but I will return to the election campaign. It looked as though Sam won the heavyweight contest with Donald Dewar. Sam said that he could reopen the books and renegotiate the part of the contract that referred to the Unison members who will lose their pension rights, a matter which he mentioned today. Donald Dewar said that the contract could not be reopened. I take it, then, that Sam won that argument. I am therefore asking that we re-examine the contract, and that we certainly stop the second PFI contract until we are convinced that there is value for money and that the BMA was not right when it stated that the medical services and the quality of services will be reduced in the new hospital.

11:41

Mr Andy Kerr (East Kilbride) (Lab): I thought that it was inappropriate for Adam Ingram to say that we are not celebrating 50 years of the NHS when the largest building programme in its history is under way. Some of that has been funded through the traditional channels and some under public-private partnerships. I find it strange that he spoke about the needs of the people, when in East Kilbride, where I was born and brought up, the new £67.5 million Hairmyres hospital is literally growing out of the ground. A partnership agreement has been signed by the management and staff, who are represented by Unison. That is a benchmark for participation and for trade union and employee involvement in such schemes.

In the hospitals which I knew, people had to get an ambulance to get to the X-ray department from another part of the hospital. The gynaecology patients needed a trolley service to get around different departments. That is the sort of hospital that we are trying to get rid of, and this is the real issue in today's debate: new hospitals would not be built through traditional finance channels.

On the Glasgow schools project—I mention this although Kenny Gibson is not in the chamber at the moment—were it not for the PPP input to schools there, it would take 20 years to get to where it will be in three years. That is the reality of funding. We are making hard choices, but governments have to make hard choices. On the campaign trail, I heard that the people of East

Kilbride wanted a new hospital on their doorstep. That is what they are getting as part of a modern health service, not a wartime TB hospital, which the staff who work there do not want to work in either.

I distance us from the Conservatives, who talk about privatisation. They talked about compulsory competitive tendering, through which conditions and quality could not be taken into account—lowest price was the issue. The Conservatives acted according to that in local government, under compulsory competitive tendering. I have knowledge of that because I worked in the public sector. Lowest price was important, not quality. The contracts are written by the people involved in the health service. They can and do include issues of quality. During the tender evaluation, such issues are considered. That is the strength of the schemes of which we are now in control under the PPP scheme. I welcome the minister's mentioning of openness and pensions in this morning's announcement. Like everyone else, we have concerns about those working in the health service.

I am happy to participate in this debate and to support the amendment which has been lodged. Real people in the real world want these services and, at last, those real people are getting them.

11:44

Christine Grahame (South of Scotland) (SNP): It is difficult to bring anything fresh to this stage of a debate, so I am speaking on behalf of my left foot, which has had immediate contact with the Edinburgh royal infirmary. I have been privileged not only to assess disability access in this building, which is very poor, but to gather information at first hand about the need for a new royal infirmary.

I was wheeled into accident and emergency only a month ago with my throbbing foot raised in front of me. I was parked next to a youthful tae kwon do enthusiast—in parallel pose—while we waited an interminable time, as in a Monty Python sketch, to be taken for examination. Much, much later that night, I progressed—or so I thought—to a cubicle and was left, shrouded in a green curtain, in solitary confinement. Time passed slowly and I was wondering whether I had been forgotten about when a cheery male nurse did the necessary and went off to hunt for what he called “a decent crutch”. He did not find one. While he fondled my foot in the line of duty, we had a deep discourse about the level of nursing pay. It was a useful discussion, and I thoroughly sympathise with nurses over their remuneration. I hope that we can do something about it.

Subsequent visits to the fracture unit have

continued my health service education. Access to the fracture unit, for one who is hirpling around the city, offers a challenge of gladiatorial proportions. Transport can get no further than a portcullis entrance. My left foot and I, and the not-so-decent crutches, had a 30 yd trek to the main entrance. That was stage 1. After a prolonged and enforced break at reception—people should take their own entertainment and provisions as the 2 pm appointment should have read 3 pm; I took a stereo, a magazine and a banana—I progressed to stage 2. I was then shown a lengthy corridor where I was lead to believe that I would find, like Jabba the Hutt, the residence of the consultant. He appeared after a considerable length of time from the only door I was not watching. In the meantime, I had the privilege of reading my own medical notes, as many of us do.

Mary Scanlon: Would Christine Grahame mind relating her left foot experiences to the subject of the debate?

Christine Grahame: I will do. I am coming to that, if Mary Scanlon will oblige me.

I had not been in a hospital for 40 years and realised what the royal infirmary's difficulties are. I fully accept and am sympathetic to the bill. The difficulty is that the new infirmary should not be built at any cost to the Scottish public.

We have thoroughly examined the matter of PFI. It is a disgraceful way to finance public services and buildings, and I am astonished at some of the contributions from the likes of John McAllion. I will not requote the quote that has come back to haunt him, but will mention my Labour opponent in the Tweeddale, Ettrick and Lauderdale constituency, George McGregor. Speaking as a Unison representative, he said:

“The Edinburgh Royal Infirmary will cost the taxpayer 1.5 billion pounds to fund a hospital which in cost is 190 million pounds. For us, we say that PFI is about getting a mortgage with a loan shark.”

Poor George. How that hung like an albatross round his neck during the debates in Tweeddale, Ettrick and Lauderdale. He did not support PFI, and I know that many on the Labour benches are very unhappy about it. When I sit in this chamber and hear Conservatives congratulating Labour congratulating the Liberal Democrats, I feel that I am in a surreal stage setting.

It is time that the matter was revisited. The SNP proposal is a very good one, the financial aspects of which—like Margaret Smith, I am not an economist—will be developed by Andrew Wilson. I commend the motion.

11:48

Mr Murray Tosh (South of Scotland) (Con): It

has been a remarkable debate in many respects. Here we are, almost at midday, and we have heard several times the refrain that Mr Andrew Wilson will address the motion for the first time when he speaks later. It is curious to sum up for a debate which has not begun; we have not heard anything constructive or meaningful about the SNP's proposals.

The nearest that we came to a real contribution was that of Mr Ingram. He took up the points of Mr Crawford and Mr Gibson: that SNP local authorities which took up PFI initiatives had to do so because it was

"the only game in town",

their arms were up their backs and there was no other choice.

I wonder what position the SNP believes Her Majesty's Government is in when it embarks on a variety of methods to fund capital investment. It is no surprise—Mr Ingram referred to this—that the framework for public sector borrowing and investment in our economy is essentially dictated by sound principles of macroeconomic management, which were most recently embodied in the Maastricht treaty and in the European Reconstruction and Stability Pact.

Mr Ingram made the point that, in the context of the 60 per cent and 3 per cent rules, there was scope to expand conventional public sector borrowing. There may very well be scope in the current climate, when we are very nearly at the peak of the economic cycle—but an economic cycle goes up and down. We were not in a position to meet the Maastricht treaty's requirements when it was signed; virtually no European economy was at that stage. It is a matter of good economic management.

Tommy Sheridan *rose*—

Mr Tosh: I would say to Mr McNulty, who made the point about under-investment in the public sector over 20 years, that public sector borrowing restraints were introduced to our economy in 1976 and since then we have had to live within sensible economic management rules, as every major industrial economy does. There is a limit to the amount of borrowing that is reasonable. I will allow Mr Sheridan to come in at a later point as there is something I have to say to him.

This Government, like the previous Government, faces the difficulty of the massive backlog in necessary investment in the public sector. We have heard a lot this morning about "public sector good, private sector bad." I find that very curious—it is the mirror image of the caricature that is thrown at Conservatives all the time, which is not our position. "Public sector good, private sector bad" seems to be the position of the SNP,

however. The private sector has a far better track record than the public sector in building and maintaining properties.

What Tommy Sheridan said about some of the reasons for the poor quality of council housing in Scotland is true, but the essential problem is that councils have never indulged in life-cycle costings. They do not build up reserves to tackle necessary repair work at the end of the lifetime of a building. Housing associations build up reserves and their tenants know that, at the end of the lifetime of their buildings, they will be able to get the repair work that is needed. They are technically private sector, so the SNP does not like them.

Tommy Sheridan: I have two questions for Mr Tosh. He mentioned housing again. Does his party support the cancellation of the capital housing debt in cities like Glasgow, given that it cancelled the debts of Scottish Homes, British Steel, British Rail, Scottish Gas and others? Secondly, does his party support the retention of the public sector borrowing requirement, or would it support the introduction of the European-wide new system of general government financial deficits?

Mr Tosh: That is the nearest we have come all day to a constructive suggestion. I would welcome a debate on central government general deficits, or whatever the jargon is—I can never remember quite how to style it. I would even welcome a debate on the idea of public sector trusts.

Fiona Hyslop *rose*—

Mr Tosh: The Government has allowed local authorities in Scotland the latitude to indulge in consultancies and to investigate a variety of proposals to increase investment in housing through a variety of delivery mechanisms. The SNP has not suggested a public sector trust in the context of housing. It has said no—absolutely no, ideologically no, totally no—to any variation from the existing pattern of local authority tenure. They say that in the full knowledge that it means no extra resources, no ability to fund the massive housing programme that is required by that position, and they take the same position on the entire gamut of public sector policy.

Fiona Hyslop: Will Mr Tosh give way?

Mr Tosh: The SNP this morning has said no to increased investment in education, no to increased investment in housing, no to increased investment in health. It has not brought forward constructive proposals.

Fiona Hyslop: Will Mr Tosh give way?

Mr Tosh: SNP members give the impression that they are not actually interested in improvement and that they relish the problems that we have and glory in preaching about what they would do about them. All my life I have heard

the SNP promising to spend money. If only they were in power, money would be spent on everything. They have bottomless pits to their pockets. Everybody will be catered for in an independent Scotland, despite its huge structural deficit, despite the economic problems that it would have, despite the fact that the SNP would have to live within the same economic rules as everybody else and would have the same difficulties in managing investment in public sector borrowing as everybody else.

We have heard the SNP moan and moan about the absence of new politics in this Parliament. This morning, the absence of new politics is concentrated in their corner of the chamber. We have heard nothing that was constructive or that takes us forward. All we have heard is moaning and whingeing. There is no statesmanship in the motion and no strategy to engage the Parliament in a constructive debate about the variety of mechanisms that might be developed.

Let us have a proper debate about how we can take Scotland forward. Let us welcome some of the changes that the Government has announced this morning and consider how we can continue to develop what has been achieved so far. Let us look forward to a Scotland that will be able to satisfy the demands and the needs that exist in our society and dismiss the SNP's partisan, ranting old politics and old-style electioneering.

11:55

Andrew Wilson (Central Scotland) (SNP): I thank Mr Tosh for a vigorous contribution to the debate. As we stand here in the General Assembly building of the Church of Scotland the ghost of Mrs Thatcher's sermon on the Mound seems to live on. The difference is that, if she were here today, she would receive not the condemnation that she had at the time, but support from the Liberal Democrat, Labour and Conservative benches. Mrs Thatcher's approach to funding public services has been embraced by the people's party, by the still-alive-but-not-quite Conservative party and by the ever-spinning and without-principle Liberal Democrats.

The reality is that Labour's bluster and bluff—and Mr Galbraith's plain rudeness—failed to disguise the facts of the matter. Labour has changed the position that it held in opposition, when it utterly opposed the PFI scheme. Harriet Harman and Alistair Darling are on the record as having said as much. The Liberal Democrats have made a volte-face, but that is no surprise from a party that has lost the respect of the entire country—I would except Ms Smith from that, as she made a good speech.

PFI is expensive and unnecessary. I welcome

what Dr Simpson said, as it shows that we now have agreement across the political spectrum. He said—I think his words will come back to haunt him in years to come—that

“the party that introduced the first privatisation of the health service in the United Kingdom was the Labour party.”

I agree with Andy Kerr that this is about service quality and delivery. The Government makes a distinction between short-term gain and the long-term sustainability of the public sector. Prudence and sustainability must go hand in hand with delivering public services. Short-termism is the problem with PFI. PFI means signing up to a much more expensive lease deal for the delivery of public services.

It is all very well to say that we will deliver hospitals and schools today—of course everyone wants that—but we must be prudent and honest about where the money is coming from. The Edinburgh royal infirmary, as Margo MacDonald said so well, will be seven times more expensive than if it was funded through borrowing under conventional mechanisms—it will cost the public purse seven times the actual cost of the project. Will Mr Galbraith answer that point in his summing up, rather than just shouting about it during the debate?

The Government can issue a Treasury gilt bond at 4.5 per cent. The average return on PFI is 10 per cent. With a cost-of-capital difference of 5.5 per cent, how can the circle be squared? Will it be by hitting pay and conditions for workers?

Ms Scanlon, Mr McNulty and Mr Chisholm seemed to suggest that there was no alternative to private finance. Adam Ingram—if folk were listening—made the most significant contribution to the debate today and to the PFI debate beyond this chamber. Mr Tosh mentioned Maastricht, but within the Maastricht guidelines, which everyone accepts as prudent, there is £22 billion to spare for public projects in the UK.

Des McNulty: Does Mr Wilson accept that I and a number of other speakers suggested several different options for financing different kinds of public investment? The SNP is the only party that is not prepared to put forward a decent option. We are still waiting to hear what the SNP has to offer.

Andrew Wilson: I was pointing out that there is an option within the existing public sector arrangements to issue bonds to the tune of £22 billion and to finance that within the Maastricht deficit limits. That is what is available to the public sector just now. The point that we have been making is that this Parliament does not have that option because, in the Scotland Act 1998, the Labour Government reserved that function to Westminster. That is regrettable but it is the case. “Pathfinders to the Parliament” also recognises it

as regrettable.

Mr Tosh *rose—*

Andrew Wilson: If Mr Tosh can remain in his seat, perhaps he can come in later.

In a 16-page document that has been the most substantial contribution to the privatisation debate so far—Mr Tosh should have taken the time to read it—we outlined our idea for public service trusts. That idea is a significant and positive suggestion about what can be done within the confines of devolution. We will criticise the limits of this devolved Parliament and come up with positive suggestions on how we can make public services work; I hope that we can move on and make the case.

I also welcome Mr Chisholm's backing for our case for openness and accountability in public service contracts. It is critical that we know exactly what is being done in the public's name. Alistair Darling supported that position before the election. On 11 January 1997, he said in the *Financial Times*:

"Legitimate use of commercial confidentiality is one thing, but using it to hide the truth about the extent of the taxpayer's commitment from the public is inexcusable."

In a very welcome announcement today, Mr McConnell said that announcements will be made by project area rather than by specific projects. Sectoral spending on specific PFI deals is a step forward. However, that is only because the scale of PFI funding is so great just now that commercial confidentiality can be hidden within those bounds. If we are to have openness and accountability, it must be on a project-by-project basis.

I refer members to what Geoffrey Robinson, the former Paymaster General, said on "Channel 4 News" on Monday night. Of his time at the Treasury, he said:

"I wanted the idea of transparency translated into reality, if there was a question about what was commercially sensitive or not, those that were involved should respond to the spirit of what was required and should reveal more rather than less."

Through the Finance Committee, we want to be provided with the detail of the deals involving every public-private partnership project. There should be no hiding behind commercial confidentiality. No one other than the Government knows, for instance, to whom the £20 million funding for the Holyrood project is going. Let us open up the matter and put it before the Finance Committee. I hope that Mr Galbraith will agree to that when he sums up—all members would welcome it.

I now come to public service trusts. If that puts several folk on the edge of their seats, they should really have paid attention to the documents that

we issued during the campaign that was launched over the weekend. On Sunday, Mr Galbraith issued what was—with the greatest respect—a very embarrassing press release condemning the campaign. Mr Galbraith did not know what he was talking about. We know that the Treasury has examined the public service trust model in detail and we know for a fact that our idea is gaining some currency. Scottish Homes is considering a similar model, as did "Pathfinders to the Parliament". We can cite a whole range of examples throughout Europe of the public service trust model in action.

Malcolm Chisholm: Is not "Pathfinders to the Parliament" more honest in admitting that what is being proposed would count as public expenditure? The document talks about borrowing that is supported by an income stream, as is the case for the transport charges that are mentioned, which is quite unlike what happens for either the health or education services.

Andrew Wilson: Mr Chisholm's first point is wrong, but his second is correct. We believe that this innovative financial arrangement should not count as part of the public sector borrowing requirement. That is reasonably straightforward. Mr Chisholm is right, however, to say that the document talks about borrowing that is secured against an income stream—as Fiona Hyslop's idea for a communities and homes trust is secured against a rental income stream—or against a guaranteed income stream from the public sector. Either way, the model works and is bang on. That is something that Malcolm Chisholm should support, given the point that he has just made.

If we were to stand before the Parliament and propose healthy eating and regular exercise, Labour members would be on their feet condemning it as a left-wing plot and entirely unworkable. No matter what good ideas come before the Labour party, if it has not thought of them, it will condemn them—unless the Tories thought of them. The SNP cannot suggest anything that Labour will endorse, because Labour's is the politics not of ideas but of cynical and nasty electioneering. The way in which Labour members conducted their entire election campaign was appalling, because they offered nothing. Their only idea was to tell the electorate to vote for them because they were not the SNP. Let us hear some positive ideas that have not come from the SNP—then we might support the Labour party.

As I said, the model is perfectly workable and the only criticism of substance that has been made against it was from the private sector, which did not like the idea of securing the jobs and conditions of public sector workers. Why does Labour, the people's party, disagree with our idea? We are not going to give ground; we are not going

to privatise the workers at the expense of their working conditions, because we have too much respect for them. Susan Deacon may shake her head, but she must agree with the idea, as I know that she opposed PFI in the past. What changed her mind, other than a seat at the cabinet table? She and people like her should examine where their politics is going if they are willing to give up every principle that they once held to pursue PFI.

I hope that members will forgive me for that dig at Susan Deacon. I could not resist it, but I want now to deal with some more positive contributions. Mr McConnell's point must be welcomed, but let us go further. It makes some sense to include land in any deals. Mr Macavity—or McAveety—probably opposed that when he served on Glasgow City Council and considered the housing deal. I know that he was very precious about some of the council's land assets. Maybe the proposal will send a shock wave across there. If it makes things work and keeps rents down, it will be better than the status quo, and I would have to support it.

As Margo Macdonald pointed out, the reason that this issue has been forced is the scandal of the transfer of land during the Edinburgh royal infirmary deal. Mr Galbraith may shake his head, but land that was transferred during that deal was subsequently sold off for private housing development at six times the price that was paid for it. Will Mr Galbraith bring the figures before the Parliament? He should stand up and tell us what the reality of the situation is. That is the information that I have in front of me, but which he hides behind an argument of commercial confidentiality. The detail will be examined under the Transfer of Undertakings (Protection of Employment) Regulations 1981, which is a step forward.

In summation, I say that PFI is a profiteering scam. It serves politicians well, because they are able to announce the building of new hospitals and schools and can take the kudos. The long-term pain is over a number of years and Labour members will not be here when that pain is brought down on the public sector and the taxpayers.

Mr McAveety: Will Andrew Wilson take an intervention?

Andrew Wilson: Frank, I will take an intervention. When Tony Blair came into government, his hair went greyer. Yours seems to have gone darker.

Mr McAveety: I thank Mr Wilson, and remind him that I have maintained my consistency for intellectual superiority. After his performance last night on the football field, I suggest that a few more training sessions would be welcome.

The principle that should guide any debate—

either in local authorities or in this Parliament—is, as the Minister for Finance said, what is in the public interest. Even under conventional rules, the model that we figured for Glasgow City Council's education bid would deliver in three years the kind of schools that people require. Does Mr Wilson accept that, if we waited for the SNP's proposals, a high-school student who is leaving a Glasgow school at the moment could have a child who would also be leaving school by the time the proposals had begun to be implemented, with the school still not improved? We should address the fundamental issue of the moment, which is to deliver in the present a quality education service for the future.

Andrew Wilson: I thank Mr McAveety for that significant contribution. I remind him that I scored a number of goals last night.

Mr McAveety: They were assists.

Andrew Wilson: Mr McAveety only says that because those goals were scored against his team. I agree with him about this: we need improved schools within three years, and there are three ways of achieving that. The first is to operate within a PFI deal that exacts the cost over 25 years and hits the taxpayer over the longer term. The second is to be honest and to tell the electorate that we will finance the work in a way that is prudent over the long term and will not defer the costs to future generations. We would ask them to pay for it through traditional and progressive taxation. We offered that solution, and the Liberals suggested they might support it, but now they have performed a volte-face. The third option is the public service trust, which sits on the PFI model but does the job cheaper.

Those are the options. The Parliament must be either honest or dishonest. We bring honesty to this debate, while Labour says, "We will deliver jam today, take your votes tomorrow and disappear over the horizon once the costs come home to bear on you."

PFI gives too much influence to the private sector. In case members do not believe me, I will quote Mr Paris Moayed, the chief executive of Jarvis. The First Minister did not appear to have heard of Jarvis when it was first mentioned in this debate, although it is the most significant PFI funder of schools in the UK. The Channel 4 interviewer asked Mr Moayed whether he was hoping to run a couple of hundred schools in two or three years' time, to which Mr Moayed said yes. When the interviewer said that that would make Jarvis a very powerful player in Britain's education system, Mr Moayed replied, "We hope so." That is what is going on.

That is where the PFI deal is taking us, and there are members from all parties who agree with

that. I appeal to them to look to their consciences, not to their briefs or whips. They should examine the reality of politics today. We are being sold a dummy pass by people here who have performed a volte-face on their principles to get into the seats that they now hold. I ask non-Executive members to question what they are getting out of it apart from lack of principle.

It will be easy to expose this matter over the next few years. I say to Mr McNulty that we have offered positive solutions, which should be taken seriously rather than dismissed out of hand. This is a serious debate about the long-term use of public funds to finance public services. We have brought some positive solutions to the debate. The Liberal Democrat business manager, Iain Smith, is smiling, but that party has disgraced itself in this Parliament and has nothing to offer the debate. If Mr Smith wants to intervene, I would be delighted to give way.

The Deputy Minister for Parliament (Iain Smith): How does Andrew Wilson reconcile his criticism of our position on PFI with the wording in our manifesto? Our manifesto says:

"We will also seek the appropriate alteration to the current unnecessary restrictive Treasury rules regarding investment . . . We will also separate out the maintenance and service contracts and subject them to 'Best Value' criteria."

The proposal that is part of the partnership agreement also seeks to change the Treasury rules and to ensure best value. The two statements are virtually identical. I cannot see how we have sold out our principles by bringing forward a new approach to PFI in the partnership agreement.

Andrew Wilson: I congratulate the Deputy Minister for Parliament on his exacting victory in the negotiations for the coalition. Clearly, it was a wonderful victory, but if he will continue to pay attention to the debate I will remind him of a quotation from the Liberal Democrat manifesto. It said:

"We will seek to invest in capital projects for better hospitals, schools, and house building programmes . . . to replace the expensive and inefficient Private Finance Initiative agreements."

If such agreements were expensive and inefficient before the election, why are they no longer expensive and inefficient?

Iain Smith: Will Mr Wilson give way?

Andrew Wilson: I do not know why Mr Smith is jumping up again; I am not taking a second intervention as I have to finish my speech.

The Deputy Presiding Officer: Please do so briefly, Mr Wilson.

Andrew Wilson: The choice for us in this

Parliament is limited. We have the option of exacting private finance only if we are to lever in some capital, because there are no borrowing powers. We have no options in this Parliament because the powers that have been conferred on us are limited.

If we are to go ahead with private finance, I suggest that we adopt the public service trust model and use the pathfinder and Scottish Homes ideas. Members should accept the reality that the SNP is ahead of the game and is in the European main stream of what is going on.

Keith Raffan is laughing, but he must admit that he does not know what he is talking about. The reality is that there is a new right alliance from the Liberal Democrats right round the—*[Interruption.]* The level of abuse from Mr Raffan throughout the debate has been disgusting. My mum and dad respect the guy; wait till I tell them what is going on.

There is a new right alliance throughout this chamber, and the reality of what is going on in public services today is that those guys have won. As I said at the start of my speech, the ghost of Mrs Thatcher—even though she is not dead; it is a living ghost—is living on in this chamber, and members of all the other parties are complicit.

12:11

The Minister for Children and Education (Mr Sam Galbraith): One of the things that makes me run for my sick bag is politicians who adopt a position of moral superiority, particularly when it is tinged with patronising arrogance. I hope that we will see no more examples of that in the future.

I got my usual brief for this debate and the draft speech starts off with the words:

"This has been a good debate."

That is usually a euphemism for saying that it has not been very good, but rather variable and patchy. The thing that has characterised this debate—and it surprises me—is the extent to which so much has been said on the basis of ignorance of the subject and lack of information.

As so much has been made of this issue, I thought that we would at least have stopped some of the rhetoric and got to the bottom of the matter. We should at least have read some of the documents and got a true idea about what is going on.

Bruce Crawford *rose*—

Mr Galbraith: I have only just started. If Mr Crawford will give me a bit more time, I will get round to him in a minute.

I hear charges that are based on sheer

ignorance. All the points have been dealt with, but some people will not take true answers and just go on and on. It is normal and courteous in debates to deal with the points that have been raised, and I will deal with some of them now.

I must tell Margo MacDonald that the great bomb that she dropped with the devastating revelations in her leaked letter was really a bit of a damp squib. I am sure that she would agree that there is not really much in it.

Ms MacDonald: That is what I said.

Mr Galbraith: Yes, that is what she said, but she was a bit selective in reading from it. She missed out the passage that said:

"The NRIE is a challenging project which will be a success".

She might have included that quotation.

Bruce Crawford asked about level playing fields. Level playing field support, as he knows, is top-sliced off aggregate external finance. However, there is an agreement with the Convention of Scottish Local Authorities whereby it will no longer be top-sliced, but will be put into AEF; it will be up to local authorities to make their own choices about pursuing such projects.

Ms MacDonald: Will Mr Galbraith give way?

Mr Galbraith: But of course I will give way. I would be delighted.

Ms MacDonald: I think that we are agreed on one point. This is too serious a matter to brandish about without a route out of what is still a huge dilemma. Let us not bother about how huge it is; it is a big dilemma. I did not go through the list of six points in the letter because there was not enough time, but Mr Galbraith will agree that the whole contract needs further examination.

During the election campaign, Mr Galbraith was big enough to say that he would look again at the question of pensions, and it looks as though he succeeded in that. Can we have some sort of retrospective look at this contract, particularly at the land deals? We know that there is another land deal coming up at Lauriston.

Mr Galbraith: Andrew Wilson also mentioned land deals. He should read the letter to his leader and he should look at the Westminster parliamentary answer to John Swinney's question. Let us get things clear. There is no rip-off on the land; the return to the developer was perhaps slightly less than can usually be expected at about 4 to 5 per cent based on a total value—once all the houses were built—of £93 million. Taking off the cost of building all the houses and the infrastructure, there is a return of 3 to 4 per cent. I understand that Bruce Crawford is a world-leading economist, so he can work out what 3 to 4 per

cent of £93 million is. If he cannot, he can come back to me and I will help him.

Bruce Crawford: I am grateful for the information on level playing field support that was provided to members today. Obviously, level playing field support was introduced as a mechanism to equalise against the capital projects that were formerly being undertaken by local authorities. Is the minister confirming that that level playing field support, which was brought in for that purpose, no longer has any headroom and that all the costs associated with future PFI projects undertaken by local authorities will have to be borne by local taxpayers?

Mr Galbraith: As I explained, that level playing field was top-sliced off AEF. It will no longer be top-sliced and will go directly to the local authority, which can make its own choices.

I realise that I do not have too much time, so I shall move on to say something about the history of public-private partnerships. They were first mooted by Joel Barnett many years ago and partly adopted by the Ryrie rules; the first person to introduce them was, in fact, John Prescott. At that stage, the Tories opposed them because they said that they were not privatisation. The reality is that public-private partnerships are not about privatisation, but about using private sector involvement to deliver services. They are not about taking over services, but about how to get best value for money, and we must remember that all these projects go ahead only if they are value for money.

I have heard a lot of nonsense about how much more such schemes cost in terms of public borrowing. Over the lifetime of the contract, they are value for money. There is no great legacy left at the end of them at all; they are actually cheaper in the long run.

The SNP position is based in dogma. SNP members say that they want to bare their breasts, pay more and waste more of the taxpayer's money, just because of an ideological position. They do not want to make savings; they want public services to waste money rather than to deliver services. That position should not be acceptable. One of the theories behind such thinking is, I suppose, that they want to own those assets; that seems to be some kind of great totem for them. We can own those assets. I heard Mrs Ullrich saying that there is no option to own the royal infirmary. Has she read the business plan? It is written into the full business case, for goodness sake.

There are three options. We could walk away from the scheme; that is sometimes a good option, as it gives us the flexibility to move on. We could continue with another contract to maintain the

building; many people think that that option is the best one. Alternatively, we could take over the facilities. That is written into the contract. If we are going to have a debate on this, please let us base it on fact and not on any more rubbish. Please let us read some of the documents.

Andrew Wilson: I am grateful to Mr Galbraith for giving way. Will the buy-back arrangements always be in the public domain for every PFI contract?

Mr Galbraith: Absolutely. I have heard some rubbish about secrecy and transparency. One of the things that the Labour party has done to alter PFI significantly since the Tories dealt with it is to put every outline business case and full business case in the public domain. Was Andrew Wilson aware of that? It seems odd that he should complain about secrecy when one of the first things that we did was to put those things in the public domain.

Ms MacDonald *rose—*

Mr Galbraith: I will not give way again. Much as I love Margo, she ought to sit down.

All those documents are in the public domain. The only trouble is that nobody in the SNP has actually read them; it would be a good idea if someone did.

People have mentioned the terms and conditions for staff. One of the other changes that we made was to put in a condition whereby all public-private partnerships must in future involve the unions in discussions about the contractors that will be involved and the terms and conditions for staff in the event of a transfer of services. At Hairmyres, we have set up a partnership agreement, with the unions, that guarantees staff their pensions; the position is on-going at the royal infirmary.

That is the way in which we have changed things. PFI is about getting private sector money in so that we can deliver public services. Either we can have our hospitals today, or we can almost never have them at all.

Tommy Sheridan *rose—*

Mr Galbraith: I am sorry, Tommy, I am coming to the end of my speech.

The royal infirmary has been waiting for 25 years for its new hospital. I worked there, and it was a disgrace then. Now it has its new one. Glasgow can have its schools refurbished and highly equipped. That can be done in three years, or we can wait 20 years.

Nicola Sturgeon *rose—*

The Presiding Officer (Sir David Steel): The minister is winding up now.

Mr Galbraith: A member said earlier that this issue would be raised on every hustings. I hope that it will. We will say, "Look at this hospital. The SNP did not want you to have it. Look at this school. If it had been down to the SNP you would not have it." We are not apologising in any way for public-private partnerships. We are proud of them. We are proud that we are delivering schools and hospitals and other facilities for our people. We are the people's party; we are delivering the people's priorities, and we are proud of that. *[Applause.]*

The Presiding Officer: That concludes the debate. The decision on the amendment and on the motion will be taken at 5 pm.

Business Motion

The Presiding Officer (Sir David Steel): The next item of business is consideration of the business motion from the Parliamentary Bureau, which sets out the business programme. As there is no amendment to the motion, the debate is restricted to 10 minutes, with one speaker for and one against. Any member who wishes to speak should indicate that by pressing the speak button now.

12:21

The Minister for Parliament (Mr Tom McCabe): Before I move the motion, it may assist both members and the public if I explain how the whole of the next week is to shape up in Parliament. Monday will be available to members for constituency duties and for preparatory work relating to their committee and chamber business commitments. Tuesday and Wednesday have been earmarked for committee work, details of which will be published in the business bulletin. On Thursday, the official opening ceremony of the Parliament will take place and will be attended by Her Majesty the Queen.

On Friday, the Parliament will meet for the first time with its full powers, and business on that day will be as follows. We will meet at 9.30 am to take oral questions. That will be followed at 10.15 am by a statement from the Minister for Communities on the McIntosh report, followed by a debate on that statement. Motions on the establishment of an independent committee of inquiry on student finance, on the appointment of members to committees and on the register of members' interests are also expected to be taken on that day.

After decision time on Friday, there will be a member's business debate on the subject of David Davidson's motion on the application of the urban waste water treatment directive to the fish processing industry.

Proposed business for after the recess will be notified to members via the business bulletin some time in mid-August, in advance of the Parliament resuming. Those proposals will be put to the Parliament as the first item of business on Wednesday 1 September.

I move,

That the Parliament agrees the following programme of business—

Friday 2 July

9.30 am

Question Time

10.00 am

Open Question Time

followed by, no

later than 10.15

Statement by the Minister for Communities and debate on the McIntosh Committee report

followed by,

Motion to establish an Independent Committee of Inquiry on Student Finance

followed by,

Motion on Appointments to Committees (to be taken without debate)

followed by,

Motion on the Register of Members' Interests (to be taken without debate)

12.30 pm

Decision Time

followed by

Members' Business—

Debate on the subject of motion SM1-58 in the name of David Davidson on the fish processing industry

To be concluded no later than 30 minutes after the commencement of the debate without any question being put.

Wednesday 1 September

2.30 pm

Business Motion

followed by,

Executive Business

5.00 pm

Decision Time

followed by,

Members' Business

Thursday 2 September

9.30 am

Executive Business

2.30 pm

Question Time

3.00 pm

Open Question Time

followed by, no

later than 3.15

Executive Business

5.00 pm

Decision Time

followed by,

Members' Business.

The Presiding Officer: There are no speakers against the motion. The question is, that motion S1M-71, in the name of Mr Tom McCabe, be agreed to.

Motion agreed to.

Question, That the meeting be now adjourned until 2.30 pm today, put and agreed to.—[Lord James Douglas-Hamilton.]

Meeting adjourned at 12:24.

14:30

On resuming—

Question Time

The Presiding Officer (Sir David Steel): The first item of business this afternoon is question time. I remind members that, during the closed question period, the member asking the question should do so without departing from the terms of the question as published in the business bulletin. Supplementary questions should be brief and should refer to the same subject as the question.

I call Michael Russell to ask the first question.

SCOTTISH EXECUTIVE

Scottish Arts Council

1. Michael Russell (South of Scotland) (SNP): To ask the Scottish Executive whether it intends to bring forward proposals for a review of the structure and function of the Scottish Arts Council. (S1O-82)

The Minister for Children and Education (Mr Sam Galbraith): No. The SAC will have a continuing and evolving role at the centre of cultural life in Scotland.

Michael Russell: I thank the minister for his answer, although it was not the one that I was hoping for.

I draw his attention to the information bulletin from the Arts Council, a document which, as he is the minister responsible, I am sure he has read. It lists the council's committees. There are around 180 people on the list, of whom only 30 are working artists. Does the minister agree that it is important, even if the structure and function are not to be reviewed, that we find a mechanism whereby working artists can feel some ownership of the Arts Council, rather than seeing it owned by people who might have a more limited involvement in the arts?

Mr Galbraith: That is a dreadful slur on the people who give their time freely to the Arts Council; Michael Russell should be wary about making it. He makes a point about involving working artists, but he should bear it in mind that such people often have a vested interest in the distribution of funding.

As with the Sports Council, the difficulty in trying to engage people who are active in the field is that they say that, although they would love to be involved, they do not have the time. However, I take Mr Russell's point and we will consider ways in which to involve more working artists in the Arts Council.

Small Businesses

2. Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): To ask the Scottish Executive whether it intends to introduce measures to assist smaller business premises in relation to the impact of the non-domestic rates revaluation to take effect from 1 April 2000. (S1O-75)

The Minister for Finance (Mr Jack McConnell): The outcome of the revaluation, which should be fiscally neutral, will not be known for many months. Decisions on any form of special assistance will be made at that stage.

Fergus Ewing: What kind of logic dictates that small businesses—the engine of growth in the Scottish economy—must pay 50 per cent of the full rates bill for any small shop or office that is empty, while empty industrial premises, such as the premises in Dunfermline that are not occupied by Hyundai, receive 100 per cent remission?

Mr McConnell: We can discuss such matters when the review that is anticipated to result from the McIntosh report goes before this Parliament's Local Government Committee.

I welcome Mr Ewing's point and look forward to debating such points in the months ahead.

Voluntary Sector

3. Mike Watson (Glasgow Cathcart) (Lab): To ask the Scottish Executive what plans it has to strengthen its relationship with the voluntary sector in Scotland. (S1O-108)

In relation to that question, I would like to register an interest as a board member of the Volunteer Centre, which is based in Glasgow.

The Minister for Communities (Ms Wendy Alexander): I will ask the Scottish Parliament to consider endorsing "The Scottish Compact" at an early stage. I plan to build on that document to promote a positive partnership with the voluntary sector.

Mike Watson: I welcome that response and I am sure that it includes Scottish executive agencies and non-departmental public bodies.

The minister will be aware that around 50 per cent of the people in Scotland take part in voluntary activity annually. That contributes an amazing figure of almost £4 billion to the Scottish economy every year. Those figures are extrapolated from a survey that was carried out in England two years ago. Will the minister consider initiating baseline research into volunteering in Scotland? That would be of considerable benefit in mapping out the future of volunteering.

Ms Alexander: I am happy to give Mr Watson the undertaking for which he asks. We will

undertake baseline research on volunteering in Scotland to give us specifically Scottish data.

Tourist Boards

4. Bruce Crawford (Mid Scotland and Fife) (SNP): To ask the Scottish Executive what plans it has to ensure that the funding of area tourist boards operates on a sustainable basis for the next financial year. (S1O-72)

The Deputy Minister for Highlands and Islands and Gaelic (Mr Alasdair Morrison): I intend to seek views as to whether any change should be made in the method by which area tourist boards are funded.

Bruce Crawford: Years of local authority cuts have had an impact on many services, including support for area tourist boards. Several area tourist boards are on the verge of bankruptcy—or they were at the end of the previous financial year—and that makes it extremely difficult for them. It is also difficult for local authorities to maintain their previous levels of support.

What is required is a funding package, stretching over three years, as promised by the Chancellor of the Exchequer in some of his early statements to the House of Commons. When can we expect the Scottish Executive to introduce plans for three-year budgeting for local authorities and other bodies—on an individual council basis—to ensure sustainability and security not only for ATBs, but for other public service organisations?

Mr Morrison: I understand and appreciate the concerns of the ATBs. However, any review that we undertake will be done properly and will be well thought out. We will not be rushed or forced to arrive at hasty conclusions. We will initiate a review and, most important, we will listen to the views of local partners over the next few months.

Schools

5. Maureen Macmillan (Highlands and Islands) (Lab): To ask the Scottish Executive whether it will make a statement on devolving responsibilities to schools as part of an overall drive to push up school standards. (S1O-103)

The Deputy Minister for Children and Education (Peter Peacock): Devolved school management has been a great success in Scotland. It is significant in helping schools to address local priorities and fits well with our drive for continuous improvement in every school in Scotland.

Maureen Macmillan: How far will the responsibility for target setting be devolved to schools?

Peter Peacock: Detailed targets are set locally,

in discussion between the school and the education authority. There is scope in the system to accommodate particular local circumstances. This morning, I was in a school where that had been done very successfully. The system will be kept under review and head teachers will always have a strong role in local target setting.

Early-years Provision

6. Hugh Henry (Paisley South) (Lab): To ask the Scottish Executive whether it will make a statement on how it intends to improve the standard of early-years provision in Scotland. (S1O-110)

The Minister for Children and Education (Mr Sam Galbraith): We are investing £384 million in pre-school education and £91 million on child care and support for families with very young children over the next three years.

Hugh Henry: As well as providing resources for the training of staff in the early-years sector, will the minister consider some of the models of provision that are currently available, such as the excellent Foxlea centre in my constituency, which was inspected recently? Those centres are flexible models of provision that are open much longer than traditional nurseries and in which nursery nurses play a fundamental and responsible role. Will he encourage that type of provision?

Mr Galbraith: Yes, I certainly will. Perhaps Mr Henry knows that I visited a family centre in his former local authority and was impressed by its flexibility and the range of services on offer: that is what we want. Our policy for children is based on the child, but it must also be flexible, to ensure that we meet the needs of the parents as well. Provided that we keep those two things in mind—the needs of the parent, the needs of the child, which are paramount—I am certain that we will get it right well into the future.

Housing (People with Disabilities)

7. Fiona Hyslop (Lothians) (SNP): To ask the Scottish Executive what action it intends to take to assist people with disabilities living in existing public sector housing. (S1O-78)

The Deputy Minister for Social Inclusion, Equality and the Voluntary Sector (Jackie Baillie): To help meet the needs of people with disabilities, we will encourage the development of local housing strategies that give priority to the provision of suitable housing adaptations. Views on how best that can be done have been sought in the housing green paper.

Fiona Hyslop: I have a particular interest in people with learning disabilities. As the minister will know, this is Learning Disability Week. Does she agree that we have a problem in that many

people with learning disabilities, living in supported accommodation, are subject to weak housing agreements? Does she further agree that we need to change that so that the small minority of people with learning disabilities enjoy the same tenancy rights as the majority of tenants in Scotland?

Jackie Baillie: We are keen to make appropriate provision for all disabled people—including people with learning disabilities—in local housing strategies. Views on the matter have been sought in the housing green paper, and we will continue to keep it under consideration.

Fiona Hyslop: In the absence of a housing bill, does the minister think it appropriate that the matter be considered as part of the incapable adults bill?

Jackie Baillie: As Ms Hyslop will know, in the absence of a housing bill we can deal with certain issues without legislation, as it is not necessarily required.

Fishing (Safety)

8. Richard Lochhead (North-East Scotland) (SNP): To ask the Scottish Executive whether it has plans to introduce a distinct scheme to promote safety improvements in the Scottish fleet in view of the termination of the Fishing Vessel (Safety Improvements) (Grants) Scheme 1995 (S.I.1995/1609), and given the special circumstances of the Scottish fishing industry. (S10-66)

The Deputy Minister for Rural Affairs (Mr John Home Robertson): We recognise the critical importance of safety issues for the Scottish fishing fleet. Revised European legislation under the financial instrument for fisheries guidance, which is under discussion, will include consultation with industry. We will examine the case for a separate Scottish scheme in the light of developments in the UK and of new European legislation.

Richard Lochhead: Does the minister agree that it is ludicrous and incredibly unacceptable that the safety of our fishermen depends upon property deals in London? The Ministry of Agriculture, Fisheries and Food failed to sell Covent Garden, so the deficit that was left led to the current fisheries grant scheme drying up.

Mr Home Robertson: We should focus on our own responsibilities in this Parliament. Mr Lochhead will understand that maritime safety is a reserved responsibility.

The Deputy Prime Minister, John Prescott, who has overall responsibility in this area, announced that a fishing vessel safety scheme is to be reinstated. We are awaiting further details and will take a special interest in the implications of any

new scheme for the Scottish fleet.

Richard Lochhead: I put it to the minister that, as the scheme is having a shake-up, this is an opportune time for the Scottish Executive to take responsibility both for funding the scheme and for administering it in Scotland.

Mr Home Robertson: Mr Lochhead is missing the point. Maritime safety is a reserved responsibility of the Westminster Parliament. We will keep in touch with our colleagues in Westminster to ensure that Scottish interests are protected.

Culture

9. Des McNulty (Clydebank and Milngavie) (Lab): To ask the Scottish Executive what plans it has to fulfil its commitment to develop a national cultural strategy. (S10-113)

The Deputy Minister for Culture and Sport (Rhona Brankin): We expect to issue a consultation document shortly. We have appointed a small group of people with expertise in that area to focus on the development of that strategy.

Des McNulty: Will the minister assure me that there will be a full process of consultation, and that the outcome of that process will be brought back to the relevant committee of the Parliament for discussion?

Rhona Brankin: Yes, the process is intended to be as inclusive as possible. We are arranging a series of meetings over the summer in order to consult people across Scotland. We also expect that individuals and organisations will put in written submissions, if they so wish, and that the Parliament will have an important role in the consultation process.

Schools (Sport)

10. Trish Godman (West Renfrewshire) (Lab): To ask the Scottish Executive what plans it has to promote sport and other physical activities in schools. (S10-100)

The Deputy Minister for Culture and Sport (Rhona Brankin): We are supporting the appointment of school sports co-ordinators in every secondary school in Scotland, and local authorities will receive up to £1 million of lottery funding to support the scheme in its first year.

Trish Godman: Sir David, neither you nor the minister know this—I do not suppose that many people do—but I was no mean footballer in my day. *[Laughter.]* As a matter of fact, had I continued with football I might have been somewhere else rather than here—I ask members not to pass any comment about that.

I wish to ask the minister what plans there are

to encourage sports and physical activities in primary schools, when children are at a younger age.

Rhona Brankin: I am glad to see that there is another footballer among the women members in the chamber.

The school sports co-ordinators in secondary schools will be encouraged to make links with local associated primary schools, to examine how sports can be developed in those schools. We are making additional funding available for our top sport and play programmes in primary schools. The sum of £2.1 million will be made available from the lottery sports fund to encourage people who introduce play and sport to youngsters of primary school age, and to help to support them in that work. The money will be available for facilities and materials for schools, and for coaching for primary school teachers who wish to become involved.

Teenage Pregnancies

11. Tricia Marwick (Mid Scotland and Fife) (SNP): To ask the Scottish Executive what plans it has to tackle the level of teenage pregnancies in Scotland. (S10-74)

The Minister for Health and Community Care (Susan Deacon): Tackling the serious issue of teenage pregnancies is a top priority for this Executive. We are developing a comprehensive strategy which recognises both the importance of individual responsibility and the complementary roles of the statutory and voluntary sectors. A major element of our strategy will be the health demonstration project "Healthy Respect", which was proposed in the white paper "Towards a Healthier Scotland". That will place particular emphasis on reducing unwanted teenage pregnancies.

Tricia Marwick: Does the minister agree that poverty coupled with low expectation and lack of self-esteem are key factors affecting the level of teenage pregnancies? Will she join me in condemning the rhetoric of her new Labour colleagues south of the border, whose solution is to force single young mothers into supervised hostels, thereby continuing—not solving—social exclusion?

Susan Deacon: The Executive very much recognises the link between poverty and ill health in many areas. The problem of teenage pregnancies is very complex and requires us to consider imaginative solutions that cut across different departments; I am discussing how to go about that with my colleagues. We will draw up appropriate plans to deal with the specific needs that we have in Scotland and which will take a sensible and mature approach to this important

and complicated area.

Tricia Marwick: I want to ask one more supplementary question. The Department of Health's new unit dealing with teenage pregnancy has been awarded £60 million over the next three years. Will the minister confirm that a similar amount will be available for projects in Scotland?

Susan Deacon: Fifty million pounds has been allocated to the health demonstration project that I mentioned earlier. However, it is important that we spend the time in this chamber discussing what the Scottish Parliament will do instead of talking about what is going on in other parts of the UK. We have an opportunity to do that with this very important issue.

Tolls

12. Mr Kenny MacAskill (Lothians) (SNP): To ask the Scottish Executive whether it intends to extend the commitment in respect of the Skye bridge to freeze tolls at their current level to other bridges and transport infrastructure schemes, in particular to the Forth, Tay and Erskine bridges. (S10-79)

The Minister for Transport and the Environment (Sarah Boyack): The four bridges were procured under different statutes, and have different toll levels, maintenance costs and capital debts. We will freeze the tolls on the Skye bridge at 1999 levels. Tolling at the other bridges will be considered nearer the dates when the respective rights to collect tolls expire, as set out in the relevant statutes.

Mr MacAskill: Does not the minister agree that the Skye bridge, which we mentioned this morning during the PFI debate, was built using private finance and seeks private returns? However, the Forth road bridge, in particular, was built with public money, was paid for by the public and has been paid off by the public. Why are we still paying tolls and how will the Government and the Executive abolish them?

Sarah Boyack: We are still paying tolls because we are still paying for the costs of the bridges. The partnership agreement commits us to freezing tolls at 1999 levels and to examine the impact of the discounted schemes that are in operation. At the moment, discounted tickets are used for one journey in two and by nine out of 10 buses and lorries. During the winter, discounted tickets are used for seven out of 10 passenger journeys in cars.

Schools

14. Nicola Sturgeon (Glasgow) (SNP): To ask the Scottish Executive whether it has any plans to change the current method of target setting in schools. (S10-80)

The Minister for Children and Education (Mr Sam Galbraith): Our guiding principle is that every school should embrace the principle of continuous improvement. Target setting is important and we will work with schools and education authorities to make it as effective as possible.

Nicola Sturgeon: I will take that as a no. Does the minister accept that the current method of target setting in schools has almost no support among teachers, education authorities and parents? In fact, the Scottish Parent Teacher Council has been one of the method's most outspoken critics. Does he further accept that the targets have little or no statistical validity because of their reliance on free school meal entitlement, which is an inadequate measure of the differences in school intake characteristics? Finally, does he accept that if we are to have targets that can assist in raising standards, they must be more sophisticated and bear more relevance to the individual circumstances of schools?

Mr Galbraith: I do not agree with Nicola's first point. The teaching profession has shown support for this method of setting targets. My colleague Peter Peacock was at St Francis Primary School in Niddrie, at which teachers said that the targets were absolutely essential to enhance their school's status.

Once again, I detect the general vein of complaining about things but never coming up with something constructive. Target setting as a principle is not negotiable. What is negotiable is the ways in which target setting can be improved. I look forward to Nicola bringing her suggestions to me.

Tuition Fees

15. Marilyn Livingstone (Kirkcaldy) (Lab): To ask the Scottish Executive whether it will publish figures regarding the number of Scottish students who are exempt from the payment of any tuition fees. (S10-117)

The Deputy Minister for Enterprise and Lifelong Learning (Nicol Stephen): The latest figures from the Students Awards Agency for Scotland indicate that of new entrants who made applications during academic year 1998-99, just over 50 per cent were exempt from making a contribution to tuition fees.

Marilyn Livingstone: What provision has been made for student access funding in the higher education sector?

Nicol Stephen: Somewhere between £8 million and £9 million is being spent on student access funding. In the terms of the partnership agreement that figure will rise to £14 million for those in financial hardship.

Local Government

16. Mr Kenneth Gibson (Glasgow) (SNP): To ask the Scottish Executive when it intends to establish a power of general competence for local government in Scotland. (S10-68)

The Deputy Minister for Local Government (Mr Frank McAveety): Earlier this week the First Minister received the McIntosh report on local government and the Scottish Parliament. In that submission was a recommendation that a power of general competence be considered for councils. We are considering that recommendation in conjunction with the 29 other recommendations. We expect to have an opportunity to debate them in early July.

Mr Gibson: I was heartened by Wendy Alexander's comments in *The Scotsman* yesterday: she shares our view that the recommendations of the McIntosh report should not be cherry-picked. Will the minister confirm that the McIntosh recommendations will be implemented in full, at the earliest practical opportunity, without undue procrastination? Will the minister distance himself from the negative comments made in the press yesterday by Charlie Gordon, leader of Glasgow City Council?

Mr McAveety: As this chamber knows, those two individuals are very good friends of mine and I often support the views of Wendy Alexander and the leader of Glasgow City Council. The McIntosh commission was an opportunity to engage in the debate about the future of local government. A series of recommendations will be considered by this Parliament. I hope that Mr Gibson shares my enthusiasm for renewing local democracy in partnership with local authorities for the future benefit of everyone in Scotland.

Fuel Poverty (People with Disabilities)

17. Mr Lloyd Quinan (West of Scotland) (SNP): To ask the Scottish Executive what measures it intends to implement to alleviate fuel poverty among people with disabilities. (S10-96)

The Deputy Minister for Social Inclusion, Equality and the Voluntary Sector (Jackie Baillie): The new warm deal will be introduced on 1 July. Householders in receipt of benefits, including disability benefits, will be eligible for a grant of up to £500 for home insulation. The annual budget will be £12 million. That is twice the amount that was spent in 1997.

Mr Quinan: Having, in the preparations for the new warm deal, prioritised private sector housing, will the minister give a similar priority to people with disabilities in both public and private housing?

Jackie Baillie: The warm deal will benefit 25,000 people on low incomes. We are keen to

ensure that its benefits are widely received.

Dental Health

18. Mary Scanlon (Highlands and Islands) (Con): To ask the Scottish Executive what measures it intends to take to reduce dental decay in children under the age of 14. (S1O-111)

The Minister for Health and Community Care (Susan Deacon): Dental decay is a serious problem among children in Scotland. Health boards are tackling it now through health education, incentives to dentists and other initiatives. The Scottish Executive will build on that and will develop the agenda set out in the public health white paper, working towards the target of 60 per cent of five-year-olds with no experience of dental disease by 2010.

Mary Scanlon: Dental decay and oral cancer is the most common reason for admission of under-14-year-olds to in-patient and day-care beds in Scotland. Alleviation of the problem of dental decay and oral cancer would reduce preventable pain and save money in primary and secondary health care. Will the minister take up the British Dental Association's suggestion of including oral hygiene, diet advice and registration with a dentist in standard health checks, or as part of the pre-school education programme?

Susan Deacon: As Mrs Scanlon rightly suggests, the British Dental Association has published a comprehensive paper in which it raises a number of important dental health issues that I think the Parliament ought to consider. We in Scotland have a poor record of dental health, and we need to improve the dental health of children in particular. We will have to consider diet, oral and dental hygiene and education. I also think that this Parliament should consider the fluoridation of public water supplies, which has not been considered in Scotland for a generation.

Dumfries and Galloway

19. David Mundell (South of Scotland) (Con): To ask the Scottish Executive whether it has any plans to alter the operational boundaries of Dumfries and Galloway police force or Dumfries and Galloway fire brigade. (S1O-89)

The Deputy Minister for Justice (Angus Mackay): There are no specific plans at present affecting Dumfries and Galloway but a review of the structure of police and fire services in Scotland is under way.

David Mundell: Does the minister accept that public confidence is an important element in the provision of police and fire services and that the creation of larger and more remote brigades and forces would undermine that confidence while providing little or no service benefit to people in

areas such as Dumfries and Galloway?

Angus Mackay: I fully accept that retention of public confidence in police and fire services is critical. That is precisely why, after announcing a review, the steering group will now be composed of representatives of the Convention of Scottish Local Authorities, the police service and the fire service. We have repeatedly made it clear that any change to the structure of services would have to leave in place services that are both locally based and locally accountable.

Domestic Violence

20. Roseanna Cunningham (Perth) (SNP): To ask the Scottish Executive what plans it has within the Scottish criminal justice system to address the issue of domestic violence. (S1O-98)

The Deputy First Minister and Minister for Justice (Mr Jim Wallace): We are determined to tackle domestic violence effectively. The Scottish Partnership on Domestic Violence is developing a multi-agency strategy for tackling this very real and debilitating problem.

Roseanna Cunningham: I am sure that everybody here will applaud any attempt to reduce this particular scourge on our society. I would like Mr Wallace to consider the available penalties. As part of the discussion, will he consider enhanced penalties for breaches of the peace where there is evidence of harassment or where there are overtones of domestic violence, and enhanced penalties for what are effectively domestic violence assaults, so that—without necessarily creating a specific crime—we nevertheless get the action that we require in the courts?

Mr Wallace: Sentencing in individual cases is a matter for the courts. However, it is important to recognise, as Ms Cunningham does, that breach of the peace can apply to some very serious offences. The Crown often recognises that and brings the cases on indictment. In 1997, 11 breach of the peace cases were taken on indictment and a total of 1,378 people received custodial sentences for that offence. The High Court recently passed an eight-year sentence in a breach of the peace case which involved stalking.

Local Authorities

21. Mr John McAllion (Dundee East) (Lab): To ask the Scottish Executive what plans it has to review the criteria used for distributing Government grants to local authorities in Scotland. (S1O-101)

The Minister for Finance (Mr Jack McConnell): Major reviews of the system for distributing grants are already under way and we intend to continue them after 1 July. This week, we also intend to look carefully at the McIntosh

commission recommendations on local authority finance. We will report to the Parliament about that next Friday.

Mr McAllion: The minister will be aware that a combination of boundary changes and mismatched funding following the move to single-tier authorities, together with the flight of the new affluent middle classes across the new boundaries and, above all, concentrations of deprivation and poverty, have badly affected councils such as Dundee and Glasgow, and left them facing the dire combination of having to charge ever higher council taxes while they are forced to make cuts in council services.

Given that only 1 per cent or so of the current criteria used to allocate funds to local authorities cover factors relating to poverty and deprivation, can the minister assure us that, as part of the review, much more weight will be given to matters relating to those factors and that the plight of Glasgow and Dundee will be addressed by the Executive?

Mr McConnell: I am well aware of Mr McAllion's concern on those issues, which I have also discussed this week with Kate MacLean. They are serious issues; I have discussed them with officials and, over the summer, I intend to examine them and other issues further, partly as a result of the recommendations of the McIntosh commission.

Open Question Time

The Presiding Officer (Sir David Steel): We now move to open question time. Members who wish to ask supplementaries should be ready to press their buttons as the questions come up.

SCOTTISH EXECUTIVE

Economy

1. Mr John Swinney (North Tayside) (SNP): To ask the Scottish Executive to outline its plans for economic development and employment creation in Scotland. (S10-91)

The Minister for Enterprise and Lifelong Learning (Henry McLeish): On many of the standard indicators, the Scottish economy is performing well. Unemployment in Scotland is falling, employment is increasing and youth and long-term unemployment are both at historically low levels. Scottish manufacturers and exporters have performed resiliently in the face of difficult trading conditions. This is a tribute to the Government's very successful management of the UK economy over the past two years. Devolution and the creation of this Parliament have given us an opportunity to consolidate our economic success, which we will do on the basis of the principles and initiatives set out in "Partnership for Scotland".

Mr Swinney: I thank the minister for that reply. Will he agree that Scottish Widows is particularly important to the Scottish economy?

Henry McLeish: Yes. In the dynamic financial services sector it is vital to the Scottish economy. It is important that members of the Scottish Parliament are seen to support enterprise when jobs and headquarters are being secured. Scottish Widows' customer base is being widened from 2 million to 15 million in the United Kingdom and more than 2,200 outlets are being opened to it. The funds under management will increase from more than £30 billion to more than £80 billion, which will mean that the financial services sector in Edinburgh will deal with more than £250 billion-worth of funds under management. That will take it to the level of Frankfurt, and will probably mean that it overtakes Frankfurt as the fifth largest financial centre that deals with new unit trusts and management funding.

Members need to be aware of the issues involved. We clearly need to ensure that we invest in our financial services sector. At the end of the day this must be an issue of paramount importance to Scotland.

Today's editorial in *The Scotsman* says:

"By their response to this deal . . . MSPs . . . can exercise

their responsibility to protect the public interest while simultaneously telegraphing their desire to foster further . . . success stories."

The Royal Bank of Scotland plc, Stagecoach Holdings plc, British Energy plc and Scottish Power plc are all benchmarks of success and we should never talk them down.

Mr Swinney: In recognising that the board of Scottish Widows is now a subsidiary board of Lloyds TSB Group and that control over decision making at Scottish Widows has been lost to Scotland, does Mr McLeish propose to take any action in line with the speech that the First Minister delivered at the Scottish Council Development and Industry annual conference last March? He said:

"Government should certainly be prepared to act within its powers if we find ourselves at risk of losing the headquarters of a company that is particularly important to the Scottish economy."

Mr McLeish accepted that Scottish Widows is

"particularly important to the Scottish economy."

What has happened to Scottish Widows in the past 24 hours is exactly the same as happened to General Accident, which prompted the First Minister's remarks last March. Was the First Minister right last March or is he right today?

Henry McLeish: The deal must go through a de-mutualisation process and there are certainly regulatory authority issues to be considered. I must say, though, that we must not start this Parliament off by talking down the Scottish economy or any element of it. What is important is that the alliance between Scottish Widows and Lloyds TSB means that they will have 7 per cent of the United Kingdom market of funds under management. The headquarters will be in Edinburgh. If the customer base is extended, there will be an increase in jobs.

My right honourable friend and I—sorry, I broke into Westminster speech. The First Minister and I met chief executives and chairmen of the two companies yesterday. We sought and were given assurances. We need always to put Scotland's long-term economic interests first. We must never trivialise them and talk them down. Let us support success and let us hope that that alliance turns into a big success for Scotland.

Mr Keith Raffan (Mid Scotland and Fife) (LD): What plans has the minister for encouraging research and development, and particularly for strengthening the links between our universities and industry?

Henry McLeish: I am grateful for Keith Raffan's question because I know that he is interested in those matters.

First, the link that we have secured between lifelong learning and enterprise will mean that

there is a basis for co-operation. Secondly, I want the commercialisation of science to be a top issue in the profile of the Scottish economy in the next few years. I hope to enter discussions with not only industry and higher and further education but with the new Enterprise and Lifelong Learning Committee in the Parliament to ensure that we can make products in laboratories become products of successful Scottish companies.

Education

2. David McLetchie (Lothians) (Con): To ask the Scottish Executive what failures of educational provision by local authorities the creation of a statutory duty on them to raise standards in the proposed education bill is intended to redress. (S10-86)

The First Minister (Donald Dewar): Mr McLetchie will accept that if we do not compete successfully and do not continue to raise standards, we will get into difficulties. Our aim is to raise standards in all parts of Scottish education. The education bill will contain provisions that are intended to facilitate that process and I would like to think that even the Scottish Tory party will support it.

David McLetchie: The Conservatives invented the phrase "raising standards in schools" and we achieved it during our term of office.

I draw the First Minister's attention to the remarks made yesterday by his colleague, Mr Galbraith, in response to my friend, Bill Aitken. The Minister for Children and Education said:

"Can we please put a stop to such language as sanctions, bludgeons and attacks, and to driving wedges between us and education authorities?"—[*Official Report*, 23 June 1999; Vol 1, c 674.]

As the First Minister will recall from his days at law school—if not, I am sure the Deputy First Minister will remind him—the essence of a duty is that it is an enforceable obligation. Accordingly, will the imposition of a statutory duty to raise standards in schools be accompanied by sanctions to force councils to toe the Government line or to meet its targets? If so, how does that square with the warm words uttered by Mr Galbraith yesterday?

The First Minister: We have repeatedly made it clear that we want to work with teachers to reinforce and buttress their professionalism and to make progress on raising standards. That process is already under way.

Ronald Smith, the general secretary of the Educational Institute of Scotland said on television the other day:

"I would like to see positive obligations on local authorities and governments to support schools".

For that, he went on to say, the Government must "provide the wherewithal to make it possible".

He then talked about his desire for a national educational development plan within the framework of which new ideas could be developed.

As Mr McLetchie knows, the excellence funds—to take one example—will add £377 million to education authorities' funds over this and the next two years. From 1997-98 to the end of the comprehensive spending review period, education authorities will have additional spending power of £379 per pupil. The Government is providing the wherewithal. That provides a good basis for co-operation to work towards common aims and objectives. I invite the Conservative party to take a constructive interest in that process and to move into the 21st century with us.

David McLetchie: I notice that the First Minister did not answer the question and did not advise us whether there would be sanctions to back up the proposed statutory duty.

Moving into the 21st century, the First Minister will be aware that there were reports this morning that a number of local education authorities in England are being rapped over the knuckles by his opposite number down south for spending too much money on red tape and not enough on schools. Will the First Minister please tell us how he intends to ensure that that situation does not occur in Scotland and that additional funding is directed towards our schools and not to expanding council bureaucracy?

The First Minister: I find it quite extraordinary that having rapped me rather pompously over the knuckles on the grounds that I am making accusations against teachers and seeing darkness in their activities on all sides, Mr McLetchie gives us a question that clearly implies that he thinks that too much is being spent on bureaucracy and that funds are being maladministered.

I do not jump to that conclusion. I rely on local authorities, with whom I look forward to working through the inspectorate and the department, to ensure that, given their circumstances, the right balance is struck. The common aim that unites us all is the need to support children with needs, to allow them to realise their ability and to equip them to compete in future life. If we do that, rather than assume that something terrible is happening—as Mr McLetchie implied—we will get on a good deal better.

Brian Adam (North-East Scotland) (SNP): Does the First Minister agree that there is some danger in continually putting further duties on education authorities, rather than allowing them discretion to act locally? Does he agree that there

is little point in local authorities dealing with education if we continually restrict their ability to act locally?

The First Minister: I am not aware that we are continually restricting their ability to act locally. We have increased funding and we have taken steps to ensure that it is used in the areas for which it was intended. That does not detract from the wide sweep of discretion that applies to local authorities across the range of their education budget. I repeat again that the Government has an interest—a proper interest—in ensuring that we give children the best possible chances. I think that everyone, including everyone in education authorities, shares that view.

There is no reason why we should not work in harmony to achieve those aims, but we are not helped in that by the constant accusations from the Scottish National party—which were a such a feature of the election—that the instinct of everyone in the Labour party, if they see a teacher, is to punch them on the nose. That is not the spirit in which we approach the problems of education.

Roads Review

3. Mr Murray Tosh (South of Scotland) (Con):

To ask the Scottish Executive whether it plans to give an indicative timetable for the completion of the Scottish strategic roads review and for reporting its findings to the Parliament. (S10-93)

The Minister for Transport and the Environment (Sarah Boyack): We are taking stock of this major review and considering the role of such roads in our integrated and sustainable approach to transport. We expect to report to Parliament after the summer recess.

Mr Tosh: Does the minister accept that an efficient modern trunk road network is critical to economic development in Scotland and a key consideration in industrial location, attracting inward investment and developing indigenous industries? Does she also accept that it is therefore critical in reducing unemployment and in tackling social exclusion?

Sarah Boyack: I acknowledge the importance of the strategic trunk roads network to businesses and communities. It is important that trunk roads are used effectively and that goods can be transported around the country in good time. We need to consider ways in which to improve the effectiveness of that network. The Government has put in money, through the comprehensive spending review, to ensure that we can maintain the roads network effectively and to the proper standard, and to examine a range of measures such as taking freight off roads and encouraging it on to rail. That will ensure that we make the most

use of our strategic trunk roads network and that it works for business as well as it does for individuals.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): I welcome the fact that, for the first time, we will have a road programme that is based on an integrated transport policy rather than an uncoded and unaffordable wish list such as we had under the previous Government. Will the minister undertake to consider safety and environmental factors when making decisions about road developments?

Sarah Boyack: I am happy to agree. We need to take a broad look at the role of the roads network and how it fits into our integrated transport strategy. Safety issues, environmental issues, access issues, integration with the rest of the network and economic development are all important. The strategic roads review will consider those key things to ensure that we do not have a wish list of roads, but a sensible approach so that we can prioritise effectively for the good of the country.

Dennis Canavan (Falkirk West): We have been waiting a long time for the roads review and, in some cases, it has been a very long time indeed. When I was first elected to the House of Commons, I remember people in the Scottish Office talking about a motorway between Haggs and Stepps. A quarter of a century later we are still waiting. They are still talking about it and they have apparently not even decided on the line of route.

The Presiding Officer: Ask a question, please.

Dennis Canavan: Will the minister give an early announcement about upgrading the A80 route to a motorway rather than constructing a new motorway through the Kelvin valley?

Sarah Boyack: It would be premature for me to announce an individual option from the strategic roads review before we have conducted that review. As I mentioned to Malcolm Chisholm, the key issues are to do with access, integration, safety and economy. We are investigating those things in the roads review. When Parliament returns in the autumn, we can consider those issues and decide on our priorities.

The Presiding Officer: That brings open question time to an end. I know that it is early days, but both questions and answers need to be a little briefer if more members are to be called.

Financial Issues

The Presiding Officer (Sir David Steel): We now move to the next item, which is a ministerial statement on financial issues. There will be no interventions during this statement because the minister will take questions at the end.

15:15

The Minister for Finance (Mr Jack McConnell): I wish to make a statement on two aspects of our financial affairs: first, the procedures for this Parliament to approve expenditure by the Executive, for our accounting to Parliament for that expenditure, for the auditing of those accounts, and for the accountability of officials undertaking the expenditure; secondly, the infrastructure required to support the tax-varying power of the Scottish Parliament.

Moving on from the debates and disagreements of the past four weeks, I am pleased to have this opportunity to address our financial affairs. As Minister for Finance, I want to develop an open and constructive dialogue with the new Parliament and its committees. We have huge financial responsibilities to spend our money wisely, to decide our priorities openly, and to account for our use of the nation's resources through this chamber to the people of Scotland.

We should seek to ensure minimum waste and maximum output, minimum duplication and maximum partnership in our financial dealings. Scottish taxpayers rightly expect the new Executive and this Parliament to spend money wisely and to try to extract more from the pot that we inherit. As Minister for Finance, I intend to do all I can to achieve that goal.

The legislative programme announced by the First Minister last week included a bill on financial procedures and auditing. Indeed, the Scotland Act 1998 requires this Parliament to legislate on those matters. However, the act does not go into great detail. It sets out a framework—no more than that. It is for this Parliament to decide on its own detailed procedures. That is, of course, right. As the First Minister said in his statement, the bill

"will go to the heart of the relationship between the Parliament and the Executive".—[*Official Report*, 16 June 1999; Vol 1, c 407.]

In that relationship, we want the Parliament to be constructive, but we also want our decisions as an Executive to be transparent and sure of Parliament's support. I am particularly keen to endorse the new political system that we are developing here in Scotland and, to emphasise that new approach, I propose that the draft bill on financial procedures and auditing arrangements be named the accountability, budgeting and audit

bill, to reflect that.

We also want the Parliament to have a world-class financial management system. We want a framework that helps to ensure that the Parliament's budget is spent to the best possible effect. We must have a system that encourages Parliament and the Executive constantly to secure the most from our financial resources. At the same time, we have to ensure that at all times the people's money is handled with the highest standards of honesty and integrity. I hope that, in time, other Parliaments will look to us when searching for the best ways in which to manage the financial affairs of government.

On this matter, we cannot afford delay. The transitional financial arrangements under which we are operating expire next March. We must have our own system in place well before then if we are going to be able to continue to spend money. Fortunately, we have a flying start. In February last year, the financial issues advisory group was established as a sub-committee of the consultative steering group. Its task was to make proposals that

"the Scottish Parliament might be invited to adopt for handling financial issues".

Over the following 12 months or so, that group of finance professionals and other experts developed ideas that address the range of financial issues to be faced by this Parliament. The group's report covers everything from setting budgets to value for money audits.

The group's recommendations were endorsed by the CSG and have been welcomed by specialists and lay people alike. I would like to add my thanks to the members of the group. Their work has been critical to the future success of this Parliament, and I am very pleased to welcome members of the group here today to view the debate on this statement.

The group's recommendations give us the chance to take financial issues away from the preserve of the specialists and to make them accessible to the Parliament and the people of Scotland. The new Scottish Executive has considered the group's report in the light of Parliament's need to set up a sound system of financial management, and this Executive warmly welcomes accountability for its stewardship of taxpayers' money. Holding the Executive to account is a basic function of any Parliament, one which goes far beyond the day-to-day knockabout of party politics, which we saw this morning. We intend to broadly accept the report and will be considering, with the Finance and Audit Committees, how best to implement the recommendations.

Before we finalise our proposals for legislation, I

will this weekend place before the Finance and Audit Committees a memorandum setting out our proposals to accept the recommendations of the financial issues advisory group, and proposals for their detailed implementation. My officials and I will be available to the committees before the recess, so that they can discuss the details with us. Among the matters that I want to draw to the committees' attention are the advantages and disadvantages of primary and secondary legislation for budget approvals and amendments, and the management of and responsibility for public audit in Scotland.

We hope that the committees will be able to give an initial response before the summer recess. That will enable the Executive to adjust its proposals, if that is necessary, before going out to wider consultation over the summer. It is our intention to introduce a bill immediately after the summer recess, with a view to seeking the approval of the Parliament by Christmas. That timetable will result in the Parliament's having sufficient time to consider the Executive's spending proposals for the year 2000-01.

Expenditure decisions on Government and public service priorities here in Scotland are a central feature of our new devolution settlement. It is vital that citizens of Scotland are aware of, and are included in, our annual deliberations on the Scottish budget. I therefore intend to invite the Parliament's committees to comment on proposals for wider public consultation at an appropriate stage in our budget decision-making timetable. Transparency and accountability do not stop at the doors of this chamber. We must integrate our deliberations into the lives of Scots, who experience the impact of our decisions in their daily lives.

I now turn to the Executive's proposals for the tax-varying power—the power to vary the basic rate of income tax in Scotland up or down, by a maximum of 3p in the pound. On 6 May, the Scottish electorate said that it did not support the use of that power, and we are determined to focus our efforts on maximising the benefits to Scotland of planned increases in spending that have already been announced.

The comprehensive spending review has delivered a very generous overall settlement for Scotland. By 2001-02, public spending in real terms on programmes for which this Parliament is responsible will be at a record high. However, we have made it clear—in the partnership agreement and subsequently—that we will not use the tax-varying power during the lifetime of this Parliament and will not impose a new income tax burden on ordinary Scots.

Against that background, we have nevertheless been considering what level of infrastructure, if

any, we should maintain to take account of the possibility that a future Scottish Executive might decide to use the tax-varying power. We have concluded that it would be financially irresponsible and politically unacceptable to abandon all the implementation work that has already been done. If we were to do that, it would mean that a new Administration would have to wait up to three years before it could implement the power—obviously, we would not want to deny the Scottish National party that opportunity should it ever succeed in forming an Administration. The period would have to be spent painstakingly—and expensively—repeating all the implementation work that has already been done, but that quickly will go out of date if it is not maintained.

In close consultation with Inland Revenue, we have devised an option that would allow the tax to be introduced in the financial year immediately following a Scottish election that was held on the normal cycle—that is to say, in the April following a May election. In practice, that is the first opportunity at which the tax-varying power could be used, as changes cannot be introduced in mid-financial year.

The option will involve Inland Revenue, and to a lesser extent the Department of Social Security, in maintaining internally a range of supporting systems, including, in the case of Inland Revenue, a database of Scottish taxpayers. Those systems can be updated and activated quite quickly if a decision is taken to use the tax-varying power. We estimate that, once all outstanding implementation costs have been incurred—those fall mainly in the current year—the option will give rise to an annual running cost of around £2 million to £2.5 million.

However, we have decided to halt all other preparations, including the appointment of the additional staff that would have been necessary in other circumstances. That is a prudent decision, which will save vital resources and avoid waste. Indeed, it means that over the lifetime of this Parliament we can expect to realise savings of around £20 million on the provision for implementing and running the tax that was previously included in forward budgets.

Our decision to pursue this option will mean that employers of Scottish taxpayers will face significantly less work and cost in preparing for the tax. A typical small employer, for example, will face no additional work or costs until the rate has been varied. Where a computerised payroll is operated, minor changes will be required to keep in step with the Inland Revenue's IT changes, but set-up costs will be less than half of those previously estimated.

In conclusion, the course that we are proposing to maintain an infrastructure for the tax-varying power is sensible and pragmatic. Our decision not

to use the power in the course of this Parliament will mean lower levels of income tax in Scotland from April 2000, a much-reduced administrative burden for the estimated 91,000 UK employers who have employees who are Scottish taxpayers, and a saving of around £20 million on the tax's implementation and operating costs over the lifetime of the Parliament.

We intend to make those resources, which are available as a direct result of our decision not to use the tax-varying power, available for the Holyrood building project. As the First Minister promised, other budgets will not be affected to meet the Holyrood contract.

I therefore commend these proposals.

The Deputy Presiding Officer (Mr George Reid): The Minister for Finance will now take questions on the issues raised in his statement. If there are sufficient questions, I will allow about 15 minutes for that, after which we will move on to the next item of business.

Andrew Wilson (Central Scotland) (SNP): I begin by formally congratulating Mr McConnell on his appointment. I and my party support the appointment of a Minister for Finance to the Scottish Parliament. That is a key role, which I hope Mr McConnell performs successfully. I commend the outstanding FIAG report. I also commend the aim of the minister's statement: for us to become a world leader in how we treat public financial management. It is right to pursue that goal and I await the substance of how the Government intends to deliver it.

The Deputy Presiding Officer: Could you please ask a question.

Andrew Wilson: I am coming to it. I am sure that we will all welcome the fact that, before the recess, Mr McConnell will appear before committees. I understand the reason for the tax decision, and in the current context I accept and support it.

Some key questions arise from the report and need to be answered. Can the minister confirm whether any aspects of the report were announced before his statement to the Parliament? In his statement, he commented that the comprehensive spending review had delivered a record high for public spending in Scotland. Does he agree, however, that, in the first three years of the Labour Administration, the Scottish budget has been cut by £1.1 billion compared to the last three years of the Conservative Administration? Will he recognise that, in the coming three years, the Barnett squeeze means that, in the relative areas of the budget, the increase will be two and a half times faster in England than in Scotland? That is according to Brian Ashcroft, not me. Does he therefore

recognise the existence of the Barnett squeeze, and what does he intend to do about it?

Mr Keith Raffan (Mid Scotland and Fife) (LD): He should ask questions relating to the statement.

Andrew Wilson: It is entirely relevant to the statement, if Keith would stop interrupting.

The minister's point of clarification on the tax structure being used to pay for the Holyrood project and the changes to it is welcome. Will he now explain how he intends to find the extra £80 million of spending announced in the partnership agreement?

Mr McConnell: I welcome Andrew Wilson's comments about the work of the Minister for Finance, and I look forward to a constructive and positive relationship with him. I hope that the first half, rather than the second half, of his questions—in the form of a statement—sets the tone for the way things might continue. It is important that we try as parties to work together in this Parliament to secure the best financial accountability. I look forward to that process unfolding.

On Mr Wilson's specific questions, no elements of my statement on the specific details of the FIAG report or any other elements of my statement were pre-announced. I cleared the press release only about half an hour ago—if that is a helpful clarification. The only element of my statement to which I referred in advance of today was not in the FIAG report: my proposal to extend consultation outwith this Parliament to the public of Scotland. I hope that Mr Wilson will appreciate the Scottish public being aware of that.

I hope that Mr Wilson will, in due course, accept that the Government's budgets in the past two years—and indeed for this year—are larger than those estimated by the previous Conservative Government, and that the budget totals in Scotland in three years' time will indeed be at a record high. I await his welcoming of that with interest and anticipation.

On the subject of the Barnett formula, I welcome the decision of the Finance Committee this week to look at the formula and decisions associated with it. Brian Ashcroft's report today states again that public expenditure in Scotland will be moving towards a record high level in three years' time—it is important to note that. When we are discussing financial matters, the Parliament should accept two principles from the outset: that we will not compare everything that we do to what is happening south of the border but have our own debates and make our own decisions in a mature and responsible way; and that we will accept that, across the United Kingdom, budgets are, and should be, determined on the basis of need and we support the continuation of that principle.

On the fourth point that Mr Wilson raised, I intend to make a statement in the autumn on the financial expenditures announced in the partnership agreement and on other supplementary estimates that will have to be dealt with at that time. I intend to deal with them as a complete package because I want our budgeting to be as sensible and as comprehensive across departments as possible.

Mr David Davidson (North-East Scotland) (Con): Excuse me, my throat is a bit sore—it is not for the want of counting the money that is going through this system. I welcome Mr McConnell's statement today, particularly what he said about the relationship with the committees, which is very important. Following my question to the Finance Committee on Monday morning about the early establishment of protocols on the relationship and information flows between him and the committee, may I assume that this will be expedited at an early date?

I agree with the philosophy of minimum waste and maximum output. When does the minister intend to apply that to the rest of government spending, both locally and through government agencies? I congratulate FIAG on its work, which is a superb start to the working of the Parliament. I am, however, a little concerned about Mr McConnell's phrase

"We intend to broadly accept the report".

Perhaps he will detail the parts he does not accept? Is the part about parliamentary controls one of them?

I welcome the comments on public consultations, but ask for a guarantee that the bill will go back to committee before it comes to this chamber. I notice that Mr McConnell made a comment about ordinary Scots. Is he saving some tax-raising powers for extraordinary Scots? He claims to be saving £20 million. Is the use of that money on the Holyrood project the best possible use of it? He could save £10 million on maintenance by scrapping the scheme, instead of leaving it hanging over Scottish taxpayers. It is refreshing to hear that he accepts the cost to business of taxation and extra bureaucracy. Will that be the first of a series of steps by which he will reduce the burden on business in Scotland that is imposed by government bureaucracy?

Mr McConnell: I repeat my earlier comments to Mr Wilson in relation to a working relationship with Mr Davidson. If we include Mr Watson, the Convener of the Finance Committee, and Mr Raffan, the back-bench finance spokesperson for the Liberal Democrats, and if we have regular informal discussions about financial matters, our meetings could be quite entertaining. I welcome Mr Davidson's comments and I hope that we can

have a constructive relationship.

I understand that a time has been set for a joint meeting of the Finance and Audit Committees and that it will take place before further public consultation over the summer. That will be followed by a statement to the Parliament after the summer on our specific proposals for a bill, which will then go into the decision-making stages in committee where it can be looked at in detail. My target for completion of that process will be the end of the year. It is important that we have completed the passing of this bill when we discuss next year's budget in Parliament in January 2000, so that the procedures that we are working with have a statutory basis.

I am very keen to expand the principles of best value to different levels of government. At the moment, we impose those on local government more than on central government. During the summer, I intend to look over the whole process of the modernising government agenda, and I will report back to this Parliament as early as possible with a way forward for the Executive to modernise systems of government and ensure best value operations in government.

I now address the issue of the tax-raising power and whether we would end all preparations to use it. Given the record of the former Conservative Government between 1992 and 1997, when there were successive tax hikes, I suspect that the comment that I made earlier about the Scottish National party being keen to have the tax-raising power available to it in the year 2003 may apply to the Conservatives too. We will keep a basic infrastructure in place. That is right because it is democratic. In 2003, the people of Scotland will have the right to choose between parties that want to raise taxes and those that do not. If they vote for parties that want to raise taxes, they have a democratic right to expect those parties to implement those plans.

The Deputy Presiding Officer: I have been indulgent in the two opening interventions. I now ask members please to keep their questions tight. There are about eight minutes remaining.

Donald Gorrie (Central Scotland) (LD): I offer Mr McConnell my best wishes in his important task. Will he give us his view on how we can ensure that the best use is made of money by the many independent organisations that use Government money—taxpayers' money—to provide their services? Such organisations include health boards, universities, local authorities, colleges, and independent voluntary organisations that provide public services. We want to enable those organisations to be independent, to develop their own policies, but we want to ensure value for money. Hitherto, I have had the feeling that public auditing has tried to ensure that money has been

wasted legally. Can Mr McConnell give us an example of a more enlightened way of getting best value from those arm's-length organisations?

Mr McConnell: There are many examples, both in central Government agencies and in local government, of best value initiatives. They are producing not only better use of resources, but better performance in public services. I would like to think that this Administration—and I take this on board as a responsibility during the summer and autumn—will examine the activities of central Government and its various agencies, in particular from a best value perspective.

The UK Government produced a white paper in March, "Modernising Government", which does not cover the devolved Administrations in Scotland and Wales. One of the issues that I intend to address in the first half of the recess, during what I hope will be a busy July for me, is that white paper. I hope that we can start afresh in Scotland, and I will consult with colleagues and other agencies on taking that agenda forward.

Mike Watson (Glasgow Cathcart) (Lab): I cannot guarantee that the Finance Committee will be entertaining under my convenership, but it will certainly be lively and I am sure that those who are involved will be inquisitive.

The minister mentioned the FIAG report, which everybody has welcomed, including myself. It is an excellent document, and I am pleased that the Executive has given it broad approval. That report raised the issue of budget approvals. Both the Audit Committee and the Finance Committee will be asked to examine primary versus secondary legislation to make those approvals. I ask the minister to clarify that that means the endorsement of some sort of amendment bills by order. Can he assure me, on behalf of the Finance Committee, that that will not preclude any kind of consideration? FIAG set out a fairly elaborate three-stage process for the approval of the budget bills themselves. Will the amendment bills, if not using the same process, at least have adequate Finance Committee consideration? Of course, the final decision will rest with the Parliament as a whole.

Mr McConnell: I can give Mr Watson a firm assurance that the final decisions will always rest with the Parliament. The most significant of a number of points that I want to raise in the Finance Committee is that, if during the year we were to go through a system of budget amendment bills as well as a main budget bill early in the year, a four-week period would be required—after those amendment bills had been agreed—in this Parliament—during which the Law Officers could refer them to the Privy Council.

Whether or not that ever happens, that four-

week delay may be something that this Parliament would not want to happen when its budget decisions are being implemented. That is a specific point that the committees might want to consider. There would be no reduction or removal of rights over financial decision making in this chamber; it would be a way of ensuring that the Parliament's financial decisions could be implemented as quickly as possible if we choose to go down that road.

The Deputy Presiding Officer: I shall take three more quick questions.

Mr Davidson: On a point of order, Mr Deputy Presiding Officer. I asked the minister to clarify whether, when he used the phrase "broadly accept the report", he meant that there were other parts of the report that were not accepted.

The Deputy Presiding Officer: That is not a point of order.

Mr Raffan: I welcome the minister's statement and his commitment to openness and a constructive dialogue with Parliament and its committees.

I have two points. First, how lengthy and complex does he expect the proposed accountability, budgeting and audit bill to be, and is he satisfied that there will be sufficient time for pre-legislative scrutiny, bearing in mind that we are working to a very tight timetable?

Secondly, I also welcome the FIAG report. In setting out the budget process, it makes clear that consideration of strategic priorities for the financial year 2001-02 cannot begin until the current financial year, 1999-2000, ends next April. That obviously means that consideration of spending for the next year, 2000-01, will be severely curtailed, as the Parliament has only just come into existence. We have already lost two months. Will Mr McConnell comment on that and say when he expects to be able to publish a preliminary draft budget for 2000-01?

Mr McConnell: I would like to answer Mr Davidson's point because the issue of broadly accepting the report is important. In my statement I specifically mentioned the two issues on which I want to consult with the committees: one is the use of primary and secondary legislation and the other is the future of public audit arrangements in Scotland. That information was in my statement and I furnished Mr Davidson with a copy in advance, so I hope that he was able to look at it.

I am happy to confirm that we will have time for adequate pre-legislative scrutiny. The FIAG report has been in the public domain for some time now and we have already had a lot of feedback on its contents. The bill will be based on that report.

I am conscious that, based on the FIAG report,

we are two months behind schedule at this stage on the budget for next year. I hope that we will be able to apply some creative effort to ensuring that Parliament is able to consider, both in committees and here in the chamber, proposals for next year's budget at the earliest possible date after the summer recess.

David McLetchie (Lothians) (Con): Will the minister confirm, notwithstanding the terms of his statement today, that the tartan tax is not dead and that what we have heard is an uncharacteristic temporary respite care for Scottish taxpayers? Will he confirm that the members of the Lib-Lab Administration believe in the tax-varying power and do not rule out its application to Scottish taxpayers in the future if we have the misfortune to return them at another election?

Mr McConnell: It must be a matter of great regret for Mr McLetchie that the Administration has taken this decision in a united and unanimous way. We are sure that we will spend the resources of this Parliament and this Executive well during the next four years.

When it comes to financial matters, there is a duty on all four main parties and on the others represented in this chamber not to make financial matters merely a political football during the next four years, but to ensure that we go into the detail of the budget, identify savings and spend resources on the priorities of the people of Scotland.

Mr Andrew Welsh (Angus) (SNP): If I heard Mr McConnell aright, he said that the memorandum on the bill would be made available to the Finance Committee and the Audit Committee by this weekend. Why not today?

Will he also tell us what time scale he envisages for the creation of Audit Scotland?

Mr McConnell: The issue of the creation of Audit Scotland is one of the matters on which I want to report in detail to the committee.

The memorandum cannot be made available today because I was not prepared to finalise its contents until I had heard feedback from members in the chamber this afternoon. This evening, I intend to finalise the memorandum on the basis of comments that have been made today, so that any new points can be taken on board. The memorandum will be circulated first thing tomorrow morning.

The Economy

The Deputy Presiding Officer (Mr George Reid): The next item of business is an Executive debate on motion S1M-68 in the name of Henry McLeish, on the economy of Scotland, and on amendments to that motion. I intend to take amendments S1M-68.1 and S1M-68.2. I draw members' attention to a typographical error in Mr David Davidson's amendment as printed in the revised daily business list. The second line should read:

"not to increase the tax and regulatory burden".

15:45

The Minister for Enterprise and Lifelong Learning (Henry McLeish): I will set out the key principles of our approach to the economy and to economic development. We will create a modern, knowledge-based economy in which enterprise can flourish. An enterprise economy is the key to generating wealth, sustaining high employment and ensuring good-quality public services. To grow new jobs and new skills, the new Scotland requires stability, investment in education, the development of new technologies, greater innovation and a business tax environment that is supportive of business development and growth. As the motion notes, we will build on Scotland's economic success by investing in jobs and skills, promoting a stable and competitive environment for enterprise, and encouraging the growth of new businesses. We intend to do that by working in partnership with business, trade unions and the rest of Britain. The new Scotland will be built within a strengthened United Kingdom.

It is important to say at this point, in an overture to Mr Swinney, that we want to work with the Enterprise and Lifelong Learning Committee. Business will look to the committee, and I want to work closely with it in the spirit of the new politics. There will be an important role for the committee in work on the Scottish economy and on higher and further education.

Mr John Swinney (North Tayside) (SNP): I am grateful to the minister for his comments about the Enterprise and Lifelong Learning Committee, which got off to a good start at its first meeting yesterday. In my capacity as convener of that committee, I want to ensure that the work of all the parties represented on it is effective, and that the minister has the opportunity to engage in dialogue. In particular, I want to ensure that we have the opportunity to involve people from the business community, and people with expertise in lifelong learning and enterprise. I welcome the opportunity that the minister has given me to put that on the record.

Henry McLeish: I welcome those comments and embrace their implications. I am sure that members of all parties will welcome what Mr Swinney said. It is vital that the positive message of partnership goes out to the business community.

It is important to build on the strong, stable macro-economic policy that has been delivered for Scotland at the UK level—Scotland and Britain will be all the stronger for that. Since 1997, Labour's overriding economic purpose has been to secure long-term economic stability, with low inflation and sound public finances, so that families and businesses can plan for the future. Our ambitions have become achievements. Inflation is now low and stable—in May it was at its lowest for nearly five years. Interest rates are at their lowest since 1997, and mortgage rates are at their lowest since 1966.

Public finances are under control, and massive extra funding for key areas has been delivered. In Scotland, we will be spending an additional £1.8 billion—that is £1,800 million—on health and £1.3 billion on education. The capital modernisation fund, announced in Gordon Brown's budget this year, provides an extra £165 million for Scotland. That is about investment, jobs and national prosperity. In Scotland we have many strengths on which to build a prominent position in key sectors.

Phil Gallie (South of Scotland) (Con): Earlier today, the minister commented on a number of Scottish companies that are adding greatly to Scotland's prosperity. To some extent, he boasted of them. Does he agree that most of those companies were previously trapped as nationalised companies, and that he opposed their privatisation? Those companies are now offering much to the Scottish economy and to the figures that he is using in his boasts about Scotland's current economy.

Henry McLeish: With the greatest respect, I shall not give a ringing endorsement to 20 years of near-economic failure under the Conservative party. Suffice it to say, the politics of the past are less important than the prospects for the future.

In my comments on Scottish Widows, Lloyds TSB and other companies, I was illustrating that when the nation is successful, we should pride ourselves on that success, and that—as Mr Swinney suggested—we should work with all concerned to ensure further success. Scotland has many strengths on which to build a prominent position.

Fiona Hyslop (Lothians) (SNP): As someone who represents the Lothians, I listened with great interest to what Mr McLeish said about Lloyds TSB and Scottish Widows. It would be helpful for the staff employed by those companies—many of

whom live in my constituency—if he could tell us whether there has been any guarantee of long-term employment, particularly from Lloyds TSB, which has said that it is still hungry for further takeovers.

Henry McLeish: I am grateful to Fiona Hyslop for making that point. The headquarters and brand name are crucial, but jobs are critical as an integral feature of the Scottish economy. In the discussions that the First Minister and I had with the chief executives and chairmen of the two companies, that point was put to them and we were reassured that the matter that she mentioned was being confirmed. The Parliament, the Executive and political parties will be ever watchful of what is happening in the Scottish economy, whether internally or in link-ups such as that.

We want to build on the strength represented by our prominent position in key sectors such as oil and gas, electronics, whisky, tourism and financial services. There are opportunities for further growth and success in new industries and the emerging technologies. Scotland has been successful in attracting inward investment. Since 1 April, J P Morgan, Morgan Stanley Dean Witter, BPS Teleperformance, One 2 One, Quintiles Scotland Ltd, Absolute Quality, NFU Mutual Direct and Level 1 Communications have announced plans to create new jobs in Scotland totalling more than 2,500.

Unemployment in Scotland is falling and is low by historical and international standards. Employment has risen by 7,000 over the past quarter. Unemployment is 5.5 per cent—its lowest since 1977.

Tricia Marwick (Mid Scotland and Fife) (SNP): Mr McLeish will know that yesterday Scottish Power announced the closure of Methil power station in his constituency, which will cost 70 jobs. He will also know that the Methil and Levenmouth area is one of the country's unemployment black spots. Unemployment is not falling in the Levenmouth area—in fact, it has been increasing over the past two years. Can Mr McLeish assure the people of Methil and Levenmouth that in the short and the long term he will work to secure jobs for them?

Henry McLeish: I was tempted to decline the intervention and perhaps I should have done so.

I take Tricia Marwick's point—in certain parts of Scotland there is still high unemployment that needs to be tackled, and that will be done. On the local issue that she mentioned, Methil power station has served Scottish Power well over many years. Economic circumstances have changed and raw material for the plant is in short supply, but the 72 employees are being offered the possibility of enhanced voluntary redundancy or

transferral to other Scottish Power plants. I understand that there is a close working relationship between Scottish Power and the work force. I hope that the resulting discussions will satisfy all concerned. In the longer term, all of us—including the local list and constituency members—will need to work hard to ensure that, while unemployment is low throughout the country, it is lower still. The dignity of work should not elude our constituents.

The new deal continues to provide support for the long-term unemployed and for young Scots to improve their skills and experience and help them find work. Unemployment in the new deal groups has fallen over the past two years. Youth unemployment has been cut by 54 per cent since May 1997 and long-term unemployment has fallen by 49 per cent. Scottish manufacturers and exporters have performed resiliently in the face of tough global trading conditions. Output in the manufacturing sector in Scotland increased by 2.1 per cent in 1998, compared with an increase of 0.3 per cent in the UK as a whole. The level of Scottish manufactured exports increased by 6.7 per cent in real terms in 1998, despite difficult global and European conditions.

We know that much remains to be done in putting Scotland to work and keeping Scots in work. There have been job losses and closures. The global downturn has slowed industrial activity in all the major European countries and we cannot expect to be immune from that. However, there have also been more hopeful signs, most recently in the April Confederation of British Industry survey for Scotland, which said that manufacturing output and orders are expected to be back on a growth path over the next quarter.

I am also encouraged by the Fraser of Allander Institute's quarterly economic commentary, released this morning, which suggests that there will be an earlier upturn—driven by the electronics sector—in manufacturing output in Scotland than in the UK.

Growth across the economy as a whole will be lower this year than last, but global turbulence has eased and interest rates have fallen. The latest independent forecasts suggest that growth will accelerate from 2000, in line with the UK.

However, we now need to look forward. In terms of manufacturing strategy, there is no point in simply standing back and hoping for better times. We know that manufacturing industry will continue to face aggressive global competition, and I am determined that we should look with renewed vigour at how we support our manufacturers and at the opportunities for us to extend that support. Therefore, in consultation with manufacturing industry and the Scottish Trades Union Congress, I want to develop a strategy for the manufacturing

sector in Scotland. Currently, about 300,000 people are employed in manufacturing and about 1.7 or 1.8 million in services; both sectors are crucial to the future of the Scottish economy.

The group that is considering the manufacturing strategy will build on the work of the pathfinder group, take into account the Department of Trade and Industry's activity and complement our support for the service sector. I plan to make real progress on that over the summer. We will progress the pioneering work of the pathfinder group to ensure that its voice and the ideas of businesses are heard. Through the Enterprise and Lifelong Learning Committee, every party in the Parliament will also be heard.

Mr Murray Tosh (South of Scotland) (Con): If the minister is committed to listening to industry, will he listen to what many manufacturing industries are saying about the potential impact of high energy taxes? A number of critical industries in Scotland are fearful about how those taxes will affect their prospects. Will he offer them any comfort?

Henry McLeish: That was a constructive intervention about a matter that is of considerable importance to industry. I know that representations are being made to the Chancellor of the Exchequer by a wide variety of bodies, and I reassure the honourable gentleman—I have fallen back into Westminster habits for the second time today—that those concerns will be voiced to the people who need to listen.

Education and lifelong learning are crucial and, since 1997, we have put them at the heart of enterprise policy. Skills policies bridge education and employment. We are improving jobs skills and training skills, both of which are central to growing jobs, boosting competitiveness and building social inclusion. Our plans for lifelong learning will allow working people to balance the responsibilities of family life and employment with the need constantly to upgrade skills. The mere fact that we have linked enterprise and lifelong learning is a powerful message to all concerned that we take the matter very seriously. The link has not happened at Westminster and very few countries in Europe have linked the two subjects. Again, I like to think that Scotland is leading on the issue.

There is much to be said about job skills and training skills, but suffice it to say today that we must focus on ensuring that people receive a basic grounding before they enter the labour market and that the necessary frameworks for education and qualifications are in place. We must also play a role in addressing market failures, by providing support or a co-ordinating role in seeking solutions.

We have a plethora of publicly financed training

programmes, which are often very successful. One area in which we have not made as much progress is employer-based training; that is highlighted by what is happening in Japan, Germany and the States. We need to have a boost for such training in the workplace and we hope that the infrastructure that we have established will help. The Enterprise and Lifelong Learning Committee will want to consider how we can encourage the work force to demand skills training and employers to respond positively.

Most of these measures are set out in "Skills for Scotland". The Scottish university for industry and individual learning accounts will help, because they will have a major impact on learning and skills development. The Scottish university for industry will help individuals and businesses to identify the learning that they want and enable them to access it, where and when they need it. The individual learning account is about self-ownership of skills in education. From the earliest possible age after leaving school, why should not people want to acquire, develop, own and renew skills and knowledge? As people's careers develop and their adaptability becomes paramount, that will become a crucial issue. Individual learning accounts are the first step in making that process a reality.

The knowledge economy is also crucial. A knowledge-driven economy is one in which the generation and exploitation of knowledge rather than physical assets plays the predominant part in the creation of wealth. The concept is not simply about pushing back the frontiers of knowledge; it is about the more effective use of all types of knowledge in all types of economic activity—not just in those that are sometimes classified as high-tech or knowledge-intensive.

A wide programme of work is under way in Scotland and the rest of the UK following the publication of the white paper, "Our Competitive Future: Building the Knowledge-Driven Economy". I want to acknowledge and take forward the tremendous work of Gus Macdonald and his task force. We should establish a group involving all sectors of business, to ensure that we advance the knowledge economy as quickly as possible. There are various initiatives in that area, but I do not have enough time to outline them today.

The knowledge economy is about knowledge, understanding, competencies and skills. We have to acknowledge that, in a fiercely competitive world, people can provide factories, finance and a one-door approach, but it is the development of human capital—the knowledge economy—that will make the difference. I hope that the Parliament will sign up for that idea. I am sure that the Enterprise and Lifelong Learning Committee will want to take it further.

I am conscious of the time, as are you, Mr

Reid—I see you nodding constructively in my direction.

There is a raft of policies that we will discuss further with the committee on encouraging the growth of new businesses, which want a stable environment.

Tourism is crucial to our objectives. I can announce today that I have asked the Scottish Tourist Board to prepare a new strategy to replace the original strategy that was published in 1994. Tourism will be an important issue to which everyone can contribute. It is worth around £2.5 billion, even though it has had two difficult years, and we have not been able to extend the season. We are losing visitors from within the UK and there has been a diminution of the number from abroad, but tourism has a great future. We need a strategy that combines the customer-is-right approach to customer care with aggressive and positive marketing abroad.

Rural areas will also play a key part in our economic strategy. This Parliament is a reflection of the new politics in Scotland. We have already had a constructive debate on Mr Mundell's motion on Dumfries and Galloway. We are working in the Borders and in the Highlands. I say to all MSPs—both list and constituency—that we want to ensure that this Parliament and its economic approach are for the whole of Scotland, not just for the central belt.

In conclusion—thank you for your tolerance, Mr Reid—the question is also about social inclusion. We still live in an era in which social inclusion is fundamentally about the self-worth of having a job; it is about being able to structure one's life, and have an independent life, an income and a quality of social life. If we accept that social inclusion underpins everything that we do, we will be well on the way to grasping a collective ideal on which we have prided ourselves in Scotland for more than a century. We now have a great opportunity to achieve that as well as to implement policies for a prosperous economic future.

I move,

That the Parliament notes that unemployment in Scotland is falling and is low by historical and international standards, and that employment is increasing, and looks forward to the Executive building on Scotland's economic success by investing in jobs and skills, promoting a stable and competitive environment for enterprise and encouraging the growth of new businesses.

The Deputy Presiding Officer: I call Mr John Swinney to speak on and move amendment S1M-68.1.

16:03

Mr John Swinney (North Tayside) (SNP): I am grateful to Mr McLeish for allowing me to make an

intervention during his speech, as it let me place on record the involvement of the Enterprise and Lifelong Learning Committee. For the remainder of my speech, I will speak in my capacity as Mr McLeish's shadow.

There is a whiff of complacency in the text of Mr McLeish's motion. In his 1996 budget speech, Kenneth Clarke boasted about falling unemployment figures and said that they were an indication of the Conservative Government's success. He was challenged by the then Leader of the Opposition—the current Prime Minister—who made various criticisms of what the Government had said which were based on other economic indicators. I find myself in much the same position.

There has undoubtedly been a fall in unemployment. However, if Mr McLeish were to get out of his ministerial car in the Shettleston area of Glasgow, he would find male unemployment at 16.7 per cent. That situation is disguised by the motion that we are debating today. Unemployment in Scotland has fallen, but only to the levels that we had at the tail end of 1997. In 1998, unemployment rose, relatively speaking, because of a number of factors. We must acknowledge the difficulties that that has created for people. We are not yet back to the level of employment that we had a year ago. The Government must present Parliament with more comprehensive measures to deal with unemployment.

I should like to highlight other economic indicators. The number of new businesses created and operated in Scotland declined in 1998 from the figure in 1997. We await the performance of that indicator with interest because the number of business failures in 1998-99—more than 16 per cent—was worrying. The stability of the business sector has to be addressed by Government policy.

Many reports, such as the Fraser of Allander Institute report that was published today and to which the minister referred, comment on the Scottish economy. The Royal Bank of Scotland, in its June monthly assessment of the Scottish economy, said that it expected the Scottish economy to grow more slowly than that of the rest of the United Kingdom. Although I accept that it is important for this Parliament to conduct this debate on its own measures, we must look at the performance of the Scottish economy in relation to other economic units and determine how we can differentiate the economic performance of Scotland from that of other units to intensify the rate of growth of the Scottish economy. None of us can be proud of the rate of growth that we have experienced until now.

In recent years, particularly since the general election, one of the most compelling factors in the economic performance of Scotland has been high

interest rates. They have come down recently, which has made a major difference, but they were an enormous burden throughout 1997 and 1998 and undermined the competitiveness of many companies.

The Scottish Council Development and Industry said that

"the high level of the Sterling exchange rate is damaging the Scottish economy's manufacturing base."

We ignore the strength of sterling at our peril.

Phil Gallie: Having heard Mr McLeish's words about the wonderful performance of the Chancellor of the Exchequer, does Mr Swinney agree that one of the greatest problems that the economy faces—and the fundamental cross that Scotland has to bear—is the strength of the pound, which was brought about by the fact that, in 1997, the chancellor increased interest rates totally unnecessarily?

Mr Swinney: The chancellor has not increased interest rates; he has passed the responsibility to the Bank of England monetary policy committee. As a result of that decision, economic measures were applied in Scotland although there was no discernible reason why they should have been. The Scottish Council Development and Industry paper said that there was no reason to believe that there was an inflationary threat to the Scottish economy, which would have suggested that any action to increase interest rates was inappropriate.

A factor that will affect many of the rural areas to which Mr McLeish referred is petrol duty. It will have an impact on the competitiveness of individuals and companies in the rural economy.

There is a great deal on the agenda about economic development and enterprise in Scotland. The minister referred to the "Pathfinders to the Parliament" report, which was presided over by Lord Macdonald. The report contains a vast number of suggestions that I hope will be taken seriously by the Executive. There are a few thorny suggestions that I am sure the Executive will find rather uncomfortable and which I doubt it will take forward. They are good suggestions, and I am sure that my colleagues will refer to them in the debate.

It would be difficult to disagree with Scottish Enterprise's strategy, but it is important that we press the enterprise networks much harder than before, to guarantee that they deliver the performance that the public expect but about which the public are not confident.

The amendment in my name refers to four areas that we must consider more closely. I want to touch on those issues briefly, although I see that you are giving me a look, Mr Reid, which says that it is time that I was sitting down.

We heard very little from the minister about the small business sector. Anyone who examines the performance and composition of the Scottish economy cannot fail to realise the implicit importance of delivering for the small business sector. I want the Government to produce a positive strategy to relieve the business rates burden on smaller companies, a measure that will give a competitive advantage to companies in Scotland. As part of that, we must recognise that a large proportion of the tourism industry is driven by the small business sector. I welcome the minister's announcement of a refocused strategy for the tourist board, but it is important that we examine the structures for the delivery of tourism support in Scotland, because they have not served us as effectively as they could.

David McLetchie (Lothians) (Con): I am impressed by the scope of Mr Swinney's remarks, his fine words and the language of the amendment. How does he think that that squares with the tone of this morning's debate, which was a long diatribe by SNP members against privatisation and revealed their deep-seated hostility to business in the private sector? Is it not the case that the Scottish National party speaks with forked tongue on such matters?

Mr Swinney: I am happy to endorse everything that my colleagues said this morning. They were talking about the sell-off of public services and I have never advocated—and never will advocate—the selling-off of public services carried out by the previous Government and by this Administration.

It is important that we deliver competitive conditions for Scottish companies. We have a long track record; my colleague, Mr Ewing—who I hope will speak later on—has fought many valuable battles for the small business sector in Scotland and has delivered real progress.

We are tripping over economic development agencies in Scotland. I hope that the minister will tell us the attitude that the Government is taking towards refocusing and refining the number of agencies that are cluttering the delivery of economic development services in Scotland. We want to advance the arguments that we made in the election campaign for the drawing together of tourism, inward investment, export development and support for indigenous companies into a sharply focused economic development agency that addresses the needs of companies in Scotland.

We recognise the Government's commitment to tackling the problem of youth unemployment, but it is time that it started to come up with evidence of the long-term structural change that is being delivered by the new deal. It is difficult to find any evidence of that in the Scottish economy or to find companies that can say what pattern has been

delivered.

Finally, on the issue of competitive advantage, we must examine all our measures carefully. That is why I encourage the Government to look at tackling the issue of higher business rates for smaller companies. That would give our small companies a competitive advantage.

Like everyone else in the chamber, we have high aspirations and ambitions for the Scottish economy and we want to promote ideas and initiatives to achieve them. However, members must recognise that there are some problems in the Scottish economy—problems that are not stressed in the Government motion—which must be addressed by the Parliament.

I move, as an amendment to motion S1M-68, leave out from “is falling” to end and insert—

“remains a grave and ongoing economic and social problem which is not addressed by a partial representation of statistics; and calls on the Executive to develop an economic strategy that has long term sustainable growth in the economy and jobs as its focus and addresses the need to—

(a) recognise small businesses as the engine of growth in the economy and the labour market and tackles the need to improve entrepreneurship and business start-up, survival and expansion with particular emphasis on reducing business rates;

(b) develop cohesive economic development structures through greater synergy between agencies involved in economic development, inward investment, exporting and tourism and to gain maximum benefit from Scotland's external representation;

(c) produce compelling evidence that the New Deal is delivering long-term structural change in the labour market that will be sustained when the New Deal programme has concluded, and

(d) generate competitive advantage for companies in Scotland.”

The Deputy Presiding Officer: I call Mr David Davidson to speak on and move amendment S1M-68.2.

16:14

Mr David Davidson (North-East Scotland) (Con): The reason for the amendment is that we are unconvinced that the nationalists have gained the confidence of our business community. We have a long way to go. After the performance this morning, I am sure that many members of the business community will be worried about the sincerity of this afternoon's words—nice as they might have been. However, that is not to say that we do not agree with many of Mr Swinney's points.

The motion in the name of Mr McLeish is nothing more than a selective use of statistics. As we heard today, there is growing evidence of economic downturn and job losses. The other day,

Mr McLeish very kindly offered to visit the region of my colleague, Mr Mundell, to see how it is suffering. The minister had better start clearing his diary because he will be getting an awful lot of invitations in the next few weeks. Has he noticed the thousands of job losses in the north-east in the oil-related industries? Confidence in those industries is wobbly. If there is no further investment, what measures will the minister take to give support or confidence?

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): As someone who was born and brought up in a shipbuilding community and saw the shipbuilding industry destroyed by representatives of the Conservative party—just as it destroyed the steel industry—I find that hard to take. Enough is enough. I do not want any lectures from David Davidson on jobs.

Mr Davidson: Interestingly, since problems have arisen because of the lack of control from the Westminster Labour Government, the oil industry has really started to suffer locally. A year ago, I formally asked the industry minister Lord Macdonald to come and look at the north-east for himself. I asked him to set up a task force to look at the knock-on effects across the economy in addition to the oil task force that was already in place. The response that I got left me cold. We have to move on.

Business confidence is low, and we must give business the confidence that it needs to invest, as the economy of Scotland cannot grow without that investment. The minister talked of promoting a competitive environment for enterprise and for the growth of new business, but there was no mention of support measures for indigenous business. He talked very briefly about small business—90 per cent of our businesses are very small—but what does he have to offer them in practical terms? Does he really understand their needs?

Our rural economy is on its knees. Despite that, at the Royal Highland Show at Ingliston, a proud industry with the highest production standards in Europe is today flying the flag for Scotland. The motion gives no support to that industry, which shares the bureaucratic burden imposed on business. Farmers should be ploughing the soil, not ploughing through paperwork, but what is the minister offering our rural areas for the future?

There is talk today of a tourism strategy, which I welcome. I hope that part of that strategy will be to look closely and in detail at the structure of tourism support systems, including the involvement of local authorities.

This evening I will be attending a Scottish Young Farmers Club function. What message do I take to the young farmers from the minister's statement to give them hope for their future?

On the subject of the future and our young people, what is being proposed to ensure that our children leave school with the basic skills of reading and writing? Day after day, we hear that the low skills level with which pupils leave our schools amazes people in industry and business. I hope that the minister, and his colleague the Minister for Children and Education, will give us an assurance that that problem will soon be tackled seriously. If children do not have the basic skills, they cannot be employed and they cannot enter training courses. We have not heard many statistics about that from the ministerial team. We must quantify our skills needs and resource them accordingly and I welcome a review of workplace training. Before the election, all the parties had fine words, but we now need an action plan. Today, we have had the minister's vision, but we need a practical strategy for developing and supporting the skills base of our industry.

We must also examine locally available training that is appropriate to the needs of our young people, which is not necessarily what we have at present. Does the minister agree that the new deal is almost past its sell-by date? I share Mr Swinney's views on that point. The new deal needs a drastic review, as it has failed the young people of Scotland. We have a common interest in holding an investigation into that in the near future; I hope that such an investigation will come through the Parliament's committees shortly. Our high streets are full of empty shop premises, yet we hear rumours that local authorities—

Mr Keith Raffan (Mid Scotland and Fife) (LD) rose—

Mr Davidson: I will give way in a moment, Mr Raffan—my throat is giving out anyway.

We hear rumours that our local authorities are to be given power to adjust business rates. That will guarantee that our high streets will become deserts of charity shops, doing nothing for anyone.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP) rose—

Mr Davidson: Mr Raffan asked first, and so I will be decent.

Mr Raffan: I am interested by the interventionist tone of Mr Davidson's speech. Is he aware that Mr Lilley was sacked last week for precisely such a speech?

Mr Davidson: I am sorry, but I am not responsible for Mr Lilley's actions and I am not at Westminster.

Fergus Ewing: On the topic of business rates, does Mr Davidson accept the evidence of the Scottish Council Development and Industry that, while the Conservative party was in power, the total surcharge that Scottish businesses paid,

according to Craig Campbell, was £1.2 billion? That was when the uniform business rate was in force and so it had nothing to do with local authorities of other hues. The uniform business rate amounted to a 20 per cent tax on every business in Scotland. That was not a tartan tax for each of those five years, but a London levy of 20 per cent on every Scottish business and small shop that Mr Davidson is now purporting to defend.

Mr Davidson: If Mr Ewing had been listening to us during the election campaign, he would have heard us talk about what Mr Swinney has just been discussing. In our manifesto, we said that we were investigating schemes to relieve the rates burden on small businesses and to encourage them—and small industrial units—to move back in to and reinvigorate our town centres. We have moved on a bit from Mr Ewing's history lesson.

Phil Gallie: Does Mr Davidson recall that it took a fair number of years for the Conservative Government to achieve a uniform business rate in Scotland? Is he aware that other members in the chamber would undoubtedly give councils the right to impose additional taxes, which would destroy that Government's achievement of the removal of the burden to which he referred?

The Deputy Presiding Officer: In replying to that point, Mr Davidson should remember that many other members are still waiting to speak in what is a relatively short debate.

Mr Davidson: Thank you, Deputy Presiding Officer, but I have allowed other people to intervene.

We have to make sure that this Parliament understands that business is not a cash cow that can be milked by the Treasury or by local authorities. I am pleased to note that, in the partnership agreement, the Liberal Democrats' wonderful tax-raising plans for small business—from turnover tax to payroll tax—have at last died.

If we are to build an economy for the future, we must start with the building blocks of education and training—an aim that we share with the minister. I am sure that we can work together through the committees to resolve that situation. I agree with him that we must urgently sort out the muddle and overlap in the support systems for business in Scotland. We cannot allow the current waste to continue. I hope that Mr McConnell's statement about overlap and waste is a recognition by the Executive that the issue should be dealt with in one of the first pieces of legislation to go before Parliament this year.

I shall not go back over our infrastructure requirements. It is a pity that the Labour Government at Westminster did not carry out the roads infrastructure programme that the previous

Conservative Government had put in place and allowed resources for. I ask the Executive to consider that proposal again. It is important to examine the infrastructure—particularly for industry—in areas other than the central belt. I was refreshed by Mr McLeish's comments, but he and his colleagues need to come to this chamber and to the committees with clear, practical and pragmatic proposals, not just visionary statements.

I move, as an amendment to motion S1M-68, in the name of Henry McLeish, leave out from first "in" to end and insert—

"is increasing in parts of Scotland, and calls upon the Scottish Executive not to increase the tax regulatory burden on business in the interest of expanding employment".

The Deputy Presiding Officer: I would say to members that the opening statements were perhaps full of detail, but a little longer than desirable. I intend to restrict remaining speeches to three minutes each.

16:23

Mr Duncan Hamilton (Highlands and Islands) (SNP): Surely one of the interesting aspects of this morning's debate was the repeated insistence that the SNP was short on specifics. However, this debate demonstrates the interesting comparison between the woolly and wan comments in Mr McLeish's motion and the specific, dynamic proposals in the SNP's amendment. We have detailed four key areas where we believe the Scottish economy can grow faster and further.

In the three minutes that I have kindly been given, I will consider two of those key areas. Although I recognise the global context rightly set out by Mr McLeish, I think that it is right for this Parliament to pay tribute to the role of small business as the driver of growth in the Scottish economy. Perhaps small business is also the way in which we can insulate ourselves against the kind of global economic downturn that we have seen.

It is a continuing fact of economics that most goods and services are produced and consumed locally, so it would seem reasonable to promote indigenous industry. We should bear in mind the fact that, because about 99 per cent of Scottish businesses employ fewer than 50 people, most of Scottish business is small business. If we promote that sector, we insulate our economy against global downturns.

There has been much talk about how to promote the small business sector and I think that we are all clear on the need to reduce the rates burden on it. That is certainly the SNP's standpoint.

Another important aspect, over which this Parliament perhaps does not have immediate

control, is how we can make a cultural change in banking in Scotland, which has thus far been risk averse. Banks have been determined not to take any risk with small companies. That is in stark contrast to some of our—shall we say—international cousins. We should consider the example of America, where a business that starts up and fails does not get the same damning indictment as it would in this country. The belief in America is that people who have tried and failed know more about business, and their credit rating is not affected as it would be here. Perhaps we need to have a more imaginative banking structure and a more imaginative attitude. I hope that the banking sector in Scotland will become partners in the creation of the growth that we all want.

Mr Swinney referred to the downturn in new businesses in Scotland over the past year. According to the most recent statistics, that downturn has been about 8.4 per cent. That suggests that we have our work cut out. I want to put my weight behind encouraging growth in indigenous small business sector.

The other area that I will consider—very briefly Mr Reid, as I see your knowing nod—is that of inward investment, to which lip service is often paid. During the global downturn, inward investment was one of the few areas of the market that continued to grow year on year. The foreign direct investment market and inward investment in Scotland have been important for many years. I think that the entire chamber will join me in praising the work of Locate in Scotland. However, we can do a great deal more. The issue now is the quality of jobs that inward investment provides. We do not want to see the high-tech, low-skill jobs that we have seen so often. We want to embed high-quality jobs and learning in the economy through marketing and management and through keeping Scottish graduates in Scotland—or at least giving them the option to stay. Although we have done well on inward investment, we must do better still.

The Deputy Presiding Officer: End now please.

Mr Hamilton: Nicely put. This Parliament has a role in removing the barriers to growth, which will happen. Let me finish—

The Deputy Presiding Officer: I said end now please.

Mr Hamilton: Let me just finish on this point. If this Parliament has a—

The Deputy Presiding Officer: End now please.

Mr Hamilton: Okay, Mr Reid, I will. [Applause.]

16:27

George Lyon (Argyll and Bute) (LD): That is amazing: I get a round of applause without saying anything.

I will be brief, especially as I have only two and a half minutes. I suggest to Mr Davidson, who was concerned about what he should say to the young farmers when he goes to their function tonight, that an apology should be the first item on his agenda. We all know that the Conservative Government's handling of the BSE crisis created the tremendous downturn in the fortunes of much of rural Scotland. Conservative members seem to have complete amnesia about everything that occurred before May 1997. It is a pity that Dr Simpson is not here to help them out with that.

Miss Annabel Goldie (West of Scotland) (Con): Will Mr Lyon give way?

George Lyon: Yes, but remember that I have only three minutes.

Miss Goldie: Will Mr Lyon exercise his influence in the coalition pact to emphasise the urgent need for the immediate lifting of the beef-on-the-bone ban?

George Lyon: Our position on the beef-on-the-bone ban is clear. We are committed to having it lifted. There was no time scale on that in our manifesto.

I welcome the fact that the minister reinforced the importance we attach to the extra spending on public services. We must also realise that we have to generate the wealth, as that is what allows us to deliver good public services. As he rightly said, there are tremendous opportunities for the Scottish Parliament to exploit Scotland's industrial and entrepreneurial strengths, but I suggest that we are rather narrowly focused at the moment. We need to widen the range of industries in Scotland.

The appointment of a Minister for Enterprise and Lifelong Learning is a symbol of joined-up government. It is essential that this new ministry brings business and higher education closer together. It is vital that we equip our work force, which will be our strength in the future, with the appropriate skills for business to exploit the knowledge economy. We must ensure that Scotland is a leading player in that economy.

I welcome the partnership agreement's proposals for the new business growth fund to help small businesses. Creating 100,000 jobs is an ambitious target, but given the track record of 9,000 jobs last year, it is not out of reach. However, it is important to sustain those businesses; it is all very well having business start-ups, but the businesses must last. If they fail within the first year, it will have been a fruitless exercise. I hope that measures will be taken to

sustain jobs.

Not all sectors of the Scottish economy are booming. We have a downturn in the manufacturing sector, which, because of the strength of sterling, is suffering from the blow of cheap imports. I hope that the new Government will make strong and clear representations to the Westminster Government that, when the Bank of England monetary policy committee takes decisions on interest rates, we need those rates to come down.

16:31

Miss Annabel Goldie (West of Scotland) (Con): I applaud the spirit of the motion, but I have to express some cynicism about its substance. To propose, as the Government does, motorway toll taxes, city entry charges and employee parking taxes is a curious way of promoting skills, of promoting a stable and competitive environment for enterprise and of encouraging the growth of new business. That all comes on top of the already crushing weight of tax increases that the Labour Chancellor of the Exchequer, Gordon Brown, has imposed by way of fuel taxes. As Scottish products have to be distributed over large distances, the increases in fuel taxes and the recently announced penalties for using Scotland's roads will further threaten the health of the Scottish economy. That seems to strike at the heart of the motion. The health warning is clear: Labour taxes will seriously damage job prospects.

It is extraordinary that the minister did not allude to the Manpower Employment Services report that was published this week. Its quarterly survey of employment prospects indicated that Scotland was unlikely to prosper as much as England. It seems that business is scared by the arsenal of stealth taxes that Scottish Labour intends to unleash on the Scottish business community. That relentless pounding will presumably intensify when Labour creates the minefield of permitting local councils to reintroduce a variable business rate. I applaud Mr Hamilton's contribution but, perhaps unlike him, I know the pain of such measures because I have been in small business. I am deeply concerned about the implications of the Government's proposals for that sector.

Labour is incapable of understanding the basic law of economics that taxes destroy business and kill jobs. Whenever the electorate are told about new or increased taxes, someone, somewhere, as sure as night follows day, is losing a job as a consequence.

I have not yet mentioned the crippling cost to Scottish business that has been created by Labour's high-value pound. I submit that our business sector is much more fragile than the tone

of the motion would suggest. Any further taxes would badly affect the demand for products and services and could well push business over the edge, taking jobs with it.

In its motion, the Government has the temerity to mention skills. I share Mr Swinney's concerns about the new deal. Quite simply, I do not think that it is working; it might be better classed as no deal at all. A system that fails more than 60 per cent of its participants does not seem to me to be a good model for the reintegration of people who have been without jobs. The Labour party hypocritically trumpets loudly its stolen slogan, "Scottish solutions for Scottish problems". Why then did it mess up a good and improving series of skills development programmes that was made in Scotland, by Scots and for Scots, by forcing on Scotland an English programme—the new deal? As we now know, Scottish skills experts urged the Labour party not to do so.

Looking at this motion, I feel that this Government is no friend of Scottish business and enterprise; it may masquerade as such, but it is posturing. Deeds mean a lot more. Judged on its legislative programme, this Government is a "spend" Government. It is neglecting the enterprise base—the very base on which we rely to produce the generated taxation and Exchequer funding that we need before we can consider what we can spend within that allocation.

I oppose the motion and I welcome the amendment of my colleague Mr Davidson.

16:34

Dr Elaine Murray (Dumfries) (Lab): As a mere female I am humbled by being able to take part in the same debate as the redoubtable Mr Hamilton. After hearing Nicola Sturgeon's comments about her abilities this morning, I can say only that at least the younger members of the SNP do not seem to be reluctant to blow their own trumpets.

I am pleased to be able to speak in this debate on unemployment, and to note that in May this year the seasonally adjusted rate of claimant count unemployment has fallen to 5.5 per cent—although that is admittedly a small decrease over the year. I was also pleased to observe in a Scottish Parliament information centre publication on unemployment in Scotland in May 1999 that the figures for my constituency—which was referred to as Mr Mundell's region—bear out the statement I made last week on the economy of Dumfries and Galloway. I said that Dumfries is not an unemployment black spot. It has an unemployment rate of 5.4 per cent and is ranked 36th out of 73 constituencies in terms of unemployment.

I was a wee bit confused about how Galloway

and Upper Nithsdale—Mr Morgan's constituency—has an unemployment rate of 5.7 per cent, but is ranked 40th out of 73. As a former scientist, I thought that I understood numbers, but perhaps I do not. The unemployment rate in Dumfries has fallen by more than a quarter since 1996.

I am much more concerned—and this is a matter for concern—to observe that the unemployment rate in my constituency suffered the fourth worst change over the past couple of months due to a couple of high-profile manufacturing jobs losses. Unemployment in the constituency has increased in the past year. That is why I particularly welcome the wording of the motion: it does not congratulate the Government and it is not self-satisfied.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): Does Elaine agree that although the employment figures in the south-west of Scotland are bad, they actually mask a worse situation? Many people have emigrated from the area because they cannot get jobs.

Dr Murray: The training count and unemployment rates are ways of monitoring unemployment, but they do not always represent the entire situation. Female unemployment always appears to be less than the male rate because to many women who are seeking work there is no financial benefit in making a claim for benefits. Interpretation of unemployment figures must be done carefully, but the figures can represent a trend as long as the parameters remain the same. The trend at the moment is downwards.

The motion says that things must get better and that we must build on successes to make things better. There must be determination to build on economic success, to invest in jobs and skills and especially to provide a stable environment for enterprise and encourage the growth of new businesses. My colleagues and I can take that back to our constituents as a message of hope. We need to give that message of hope and we need to articulate the intention to not only bring jobs to our constituencies, but to ensure that employment is here to stay. Would you like me to wrap up, Mr Deputy Presiding Officer?

The Deputy Presiding Officer: You may have about 30 seconds.

Dr Murray: We must equip our people with the skills that they will need to compete in the job markets of the next century. We must, in other words, invest in education and training and ensure that the local and national economy is stable and that jobs will continue to be available for the existing work force and their children.

The Deputy Presiding Officer: Wind up quickly, please.

Dr Murray: I agree with Mr Swinney: we need to require organisations that are funded for the purpose of, and charged with the creation of, training and employment to demonstrate that they are doing their job. Glossy brochures and strategy documents produced in attractive offices are all very well, but what matters to those of our constituents who are out of work or who fear that they may become unemployed is that real jobs that pay decent wages come to their areas. Employment must be here to stay. I am glad to welcome the fall in unemployment in Scotland and I hope to see it reflected in my constituency in the near future.

16:39

Robin Harper (Lothians) (Green): I applaud what I have heard from Mr McLeish and the emphasis on supporting small businesses that we have heard from the SNP. One thing has been of great concern to me for a considerable time. Would either party—or both parties—give consideration to insuring vulnerable areas of historically low employment against the cruel blows that are dealt to them when inward investment turns without warning to disinvestment? This happens with little loss to the multinationals concerned, but it has catastrophic effects on local economies.

16:40

Ms Irene Oldfather (Cunninghame South) (Lab): I appreciate your letting me in, Deputy Presiding Officer, as I have waited for a few days to get into a debate. I am pleased to be able to speak about the Scottish economy and, in particular, to welcome the good news set out in the minister's speech.

People in my constituency also will welcome the statement, as Cunninghame South is an area that suffered a haemorrhaging of jobs during the 18 years of the previous Government. Consequently, it has the fourth highest unemployment rate in Scotland. We now have a Government which, for the first time in a long while, is listening and is prepared to tackle the scourge, the wastefulness and the human tragedy of unemployment in areas such as Cunninghame South.

I welcome the fact that, through low inflation and sound public finances, the Government is setting the climate to deliver for business and for investment. The new deal for jobs has provided almost 29,000 jobs for young people and has given them skills and experience. The apprenticeship scheme recognises once again the importance of skilled workers. We also have a new ministry for enterprise. I was pleased to welcome the minister to my constituency on one of his first engagements to open a new project by USI. The

investment will create 700 jobs over the next three years.

While we must hold on to our manufacturing industry, which is important and makes up so much of our exports, we must edge into the highly skilled and innovation markets. Our education system will play an integral part in regenerating the Scottish economy. The investment that we make in our schools today will pay dividends in our work force tomorrow. I believe, like the great social reformers, that employment opportunity for all is not only a worthy goal in itself, but the route out of the poverty that divides our communities.

The Deputy Presiding Officer: I am sorry to interrupt, but if you end there we will be able to get the two concluding speeches in.

Ms Oldfather: A sound economy will allow us to achieve that route out of poverty for our people.

16:42

Mr Murray Tosh (South of Scotland) (Con): I am sorry that Henry McLeish is not here to hear me say that I welcome much of what he said this afternoon, including the tone in which he addressed the debate. I will make some points about some of the content, but I thought that his vision statement was fair and positive.

The picture that the minister painted of an improving economy, however, rattles back a little further than the past two years. This Government came in against a background of falling unemployment and inflation, as all members will be aware.

The new ingredients that this Government introduced, which hardly anyone in this chamber welcomed, are the way in which interest rates are treated and the way in which the pound has been allowed to escalate, putting many of our industries and communities in a highly uncompetitive position. The Westminster Government has been unable to put that right and, although it may be outwith the powers of the people in this chamber, it remains one of the most important priorities for our pressured economy.

The Conservatives were accused earlier of selective—indeed total—amnesia. I recollect three things in which the Conservative Government was involved. One was the agreement at Rio to cut emissions to combat global warming. We are now reaching the stage at which those agreements are starting to hit hard. Earlier, I mentioned the impact of the energy tax. It is causing real concern for many of our important industries.

The minister undertook to listen to industry—I hope that that means that he will do more than listen. There is also the question of high fuel taxes in general and the burdens being put on road

haulage. We have come to the point at which that is crippling for many companies and many regions.

The second thing that the previous Government was involved in was roads, into which the Conservatives put a lot of money. We thought that roads were important and that many of our problems stemmed from our relative isolation and the fragility of much of our manufacturing industry. We still earn an awful lot from moving goods. We developed a roads programme which, on the M74, was heavy. A rolling programme was to follow.

Robin Harper *rose—*

Mr Tosh: Yesterday, Sarah Boyack acknowledged that that programme had virtually been axed and that it is unlikely that the new Scottish Government will restore much of it. This Parliament must take the issue of roads seriously if it wants to do something about the more isolated economies.

The third important thing that the Conservative Government did was to address the entire structure of enterprise. For examples, members can look at Scottish Enterprise and Locate in Scotland. We tried to streamline the process of attracting inward investment. Scottish Enterprise faces a decline in its budget and spending allocations. It believes that it could spend more and that, if it were given the resources, it could generate employment. Surely we must use the enterprise agencies to breathe life into some of the areas of our country where the enterprise structure is weak. We must examine that again and consider the boundaries between local government and the enterprise agencies, what more we can do to promote the economies of peripheral areas and the issues of energy and roads. Subject to those criticisms, I accept much of the message in the minister's speech, but we have a lot of practical work to do to flesh it out.

16:46

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): There are 1,629 unemployed people in my constituency. That is about eight or nine times the number of people here today. People come in units of one; the task that we face is what can we do to make a difference for the better. So far, we have heard only one proposal in the Government's programme that will make a difference—a difference for the worse—and that is the toll tax.

I was encouraged by the minister's positive tone earlier on, but I wonder whether he will take the advice of the pathfinder document to which he referred, particularly the section that the retail sector submitted. It states:

"Road pricing: the sector does not relish the idea of a road toll tax imposition that has the net effect of forcing lorries off motorways onto rural roads and through towns in order to save transport costs."

That is an excellent proposal. I recommend that the minister takes it up, as I believe he suggested, and that he now follows the advice to ditch the toll tax.

SNP members want to make—and have made—some constructive suggestions. It is much easier for a Government to do harm than good, easier for it to create unemployment and make things worse than magic new employment out of the air. I will mention, briefly, five barriers to increasing economic success in Scotland.

On the burden of business rates, will the minister involve the Federation of Small Businesses and all other small businesses organisations in the revaluation process rather than leave contact with them until after the result has been completed? If he does not involve them, I believe that we will get the wrong results, as we did last time. I hope that he will consider banding, net asset value, transitional relief or a combination of those measures.

Will the Executive lift the weight of bureaucracy? In the Highlands, it is virtually impossible to have development off any trunk routes because of the design restrictions that are imposed by the Scottish Office. Will the minister make a specific commitment to review that? I could mention many constituency cases had I the time to do so.

On late payment, will we explore the possibility of reducing the subby-bashing problem by mandating payment directly from the client to the sub-contractor so that the sub-contractor does not face sequestration or liquidation? It is an option that is perfectly possible, so let us consider it. I hope that the ministerial team will.

On access to capital, will the minister restore the small business development loan scheme that mysteriously disappeared without any proper explanation or announcement from Westminster about why it should end?

Finally, will the minister give the electronic sector the value of fifth freedoms, which Alex Salmond mentioned earlier in the Parliament's deliberations?

Many of the more serious problems that affect the Scottish economy are within Westminster's power. Does any member think that the highest fuel tax in Europe is anything but an unbearable burden? I believe that that burden is forcing many hauliers out of business.

Mr Tosh mentioned the energy tax. Arjo Wiggins has written to me stating that the paper sector in Britain will have used up two thirds of its profits to

pay for the energy tax. That is bound to lead to job losses. Nothing has happened for more than 18 months, although Mr McLeish mentioned that consultation was going on. This is a vital matter for my constituency, for the Highlands and for Scotland.

While the SNP welcomes—and will always welcome—the taste of home rule and national self-determination that we have today, we do not have home rule in Scotland; we have home rule and away rule, and it is the away team that is the problem, so what will be done about it?

The Presiding Officer: I now call Nicol Stephen to wind up the debate.

16:50

The Deputy Minister for Enterprise and Lifelong Learning (Nicol Stephen): In the main, we have had a good and constructive forward-looking debate this afternoon. The role of Government and politicians in our economy and in supporting enterprise and business will always be controversial, and one that is rightly debated, but all of us in the chamber will agree that there is a role to play and that we want it to be positive.

I welcome John Swinney's constructive comments. I wish him well as the Convener of the Enterprise and Lifelong Learning Committee and look forward to working closely with him and other members of the committee. I welcome his support for the "Pathfinders to the Parliament" report, which makes many detailed and constructive suggestions, and for the Scottish Enterprise strategy. He asked about the need for refining and refocusing the work of the economic development agencies in Scotland. We do not see the need for major upheaval, but his suggestion of refining and refocusing should happen. The roles of tourism, inward investment, business support and other aspects of the agencies should always be looked at constructively.

Mr Swinney spoke about competitive advantage and particularly about small businesses and rating, which was commented on by other members. As was stated earlier this afternoon, that issue will be addressed in the autumn. I say to Annabel Goldie that I understand the situation of small businesses, having been a small businessperson. We are conscious of the pressures on small businesses and we are meeting representatives of the small business sector later this week. However, I do not necessarily agree with Duncan Hamilton that we can isolate the small business sector and look only at internal demand. We are part of a global economy and our global position is critical.

David Davidson made many constructive comments about the importance of education and the need for an action plan to develop a strategy

for Scotland's skill base. We agree with him.

With regard to the oil industry, there are problems, but they are not nearly as severe as the problems that existed in the mid-1980s. At that time, I led an all-party delegation to Westminster to lobby the Conservative Government on the great problems facing the industry. We got short shrift and the plight was greater than it is now.

Mr Swinney: Nicol Stephen talks about competitiveness. As a member of the Administration, does he believe that the current value of sterling is too high or too low, and what does he think that the level does to the competitiveness of Scottish companies?

Nicol Stephen: The value of sterling is affected greatly by interest rates, which are now a matter for the Bank of England. Mr Swinney will know that on many reserved and economic matters the Liberal Democrats will continue to have debates, and sometimes disagreements, with the Labour party, but in relation to the issues that are being discussed by his committee and by all of us in this Parliament, we want to continue to be forward-looking and constructive.

The value of the pound creates some severe problems for the manufacturing sector throughout the United Kingdom. That causes me some concern, but having a strong currency is a good thing for a country. We do not want our currency to be falling. The decline of a currency also attracts considerable attention.

Alex Neil (Central Scotland) (SNP) rose—

Nicol Stephen: I want to move on.

I mentioned Duncan Hamilton's speech and George Lyon answered the rest of David Davidson's points very adequately. Some of Annabel Goldie's remarks had a disappointing tone to them and exhibited considerable cynicism about the motion.

The state of transport is of great concern to industry. A crushing cost arises from chaos and congestion on our roads, and many business groups support the initiatives that the Government is suggesting. Elaine Murray introduced a note of realism when she referred to the particular problems in her constituency.

Before I move on to my main remarks, I want to reply to Robin Harper's point about inward investment leading to disinvestment. That is a danger, but does it mean that we should oppose inward investment? Of course not—we want to encourage more inward investment.

In response to Murray Tosh's remarks, I understand that at no stage has Locate in Scotland turned away a project for budgetary reasons.

Ms Sandra White (Glasgow) (SNP): Will Nicol Stephen give way?

Nicol Stephen: I will give way briefly, but after that I must move on.

Ms White: Nicol Stephen mentioned inward investment and global companies. Does he agree with me—and, I presume, all other members in this chamber—that we do not need companies such as Via Systems, which take our money and run away? Would it not be better to invest our money in indigenous industries?

Nicol Stephen: We need both inward investment and the growth of indigenous companies. Indeed, inward investment encourages and leads to the growth of indigenous small companies. However, I agree that we need the right sort of inward investment.

In the area of enterprise perhaps more than in any other, working together in partnership—not only across the political parties, but in close association with business and industry—is crucial. We can achieve a great deal for Scotland and Scotland's economy if we take that approach. If we get it right, we will develop a strong relationship with business in Scotland, similar to that which is found in places such as Catalonia and Bavaria, where industry values and fiercely defends its local democratic institutions.

There will always be areas that are outside our control. As has been mentioned, many economic measures are reserved to Westminster, but many more matters are now decided on a European and a global level that individual Governments often find difficult to understand, far less control. However, the Scottish Parliament and our new Government in Scotland can still do a huge amount. The challenge to us is to get it right—to use the considerable powers that will now be available to us to help business and to give Scotland a real competitive advantage.

If we are to thrive as a nation in the next century, it will be through our knowledge, our skills and our creativity. Scotland has no ambition to compete with low-skill, low-margin, low-value, high-volume ventures. One of my great hopes is that through the development of the Scottish Parliament we will become more international in our outlook. If we want to be world class, we must benchmark with the best, wherever they may be.

That is why a foundation of excellence in education is so crucial to our economic future. Traditionally, our schools and universities have had a world-class reputation, but reputation on its own is not enough: we must constantly compete if we are to be at the leading edge. We cannot be complacent. The new technologies—the digital revolution, the internet and biotechnology—are transforming our lives. Scotland already leads the

field in some of those crucial areas. Dolly the sheep, for example, is a global, not a national, icon.

However, we must do more. It is vital that we commercialise our research skills. That is why initiatives such as project Alba are so important and why, as Sam Galbraith said, the work of the knowledge economy task force must be given real momentum over the coming years.

We must not simply encourage our young people, our universities and people in business and industry to be more innovative, more creative and more entrepreneurial. If we want to help our new businesses to become world class, all of us in this Parliament must be more innovative, creative and entrepreneurial. Together, we can play our part in creating a world-class business environment fit for the 21st century.

Mr Presiding Officer, this has been a short debate, but it is only our first debate on the Scottish economy. Our handling of this issue—the development of our economy and our progress in improving competitiveness and internationalism—will be central to the success of many of this Parliament's other core policies. It will also help define the success of the Parliament itself.

Decision Time

17:00

The Presiding Officer (Sir David Steel): I remind members that they cannot vote unless their cards are in the console. In light of yesterday's experience, I will not put the questions too quickly. Will members note, however, that the vote does not count before the "vote now" light on the console is on. The vote of anyone who presses the button prematurely will not be recorded.

There are five questions to be put as a result of today's business. The first question is, that amendment S1M-67.1, in the name of Mr Jack McConnell, which proposes an amendment to motion S1M-67, in the name of Mr Alex Salmond, on the privatisation of public services, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division. Those who support Jack McConnell's amendment should press the yes button, or the others accordingly.

FOR

Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Davidson, Mr David (North-East Scotland) (Con)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gallie, Phil (South of Scotland) (Con)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)

Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Mackay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLeish, Henry (Central Fife) (Lab)
 McLetchie, David (Lothians) (Con)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Mundell, David (South of Scotland) (Con)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Iain (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)
 Young, John (West of Scotland) (Con)

AGAINST

Adam, Brian (North-East Scotland) (SNP)
 Campbell, Colin (West of Scotland) (SNP)
 Canavan, Dennis (Falkirk West)
 Crawford, Bruce JP (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Harper, Robin (Lothians) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)

Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Mr Alex (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Ullrich, Kay (West of Scotland) (SNP)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)

The Presiding Officer: The voting on that amendment is as follows: For 84, Against 36, Abstentions 0.

Amendment agreed to.

The Presiding Officer: The second question is, that motion S1M-67, as amended, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division. Those who wish to support the motion vote yes, and the others accordingly.

FOR

Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Davidson, Mr David (North-East Scotland) (Con)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gallie, Phil (South of Scotland) (Con)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)

Mackay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLeish, Henry (Central Fife) (Lab)
 McLetchie, David (Lothians) (Con)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Mundell, David (South of Scotland) (Con)
 Munro, Mr John (Ross, Skye and Inverness West) (LD)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Iain (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)
 Young, John (West of Scotland) (Con)

AGAINST

Adam, Brian (North-East Scotland) (SNP)
 Campbell, Colin (West of Scotland) (SNP)
 Canavan, Dennis (Falkirk West)
 Crawford, Bruce JP (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Harper, Robin (Lothians) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)

Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Mr Alex (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Ullrich, Kay (West of Scotland) (SNP)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)

The Presiding Officer: The result of that vote is as follows: For 84, Against 36, Abstentions 0.

Motion, as amended, agreed to.

That the Parliament supports the provision of high quality health, education, transport and other public services; agrees that public/private partnerships will continue to be one of the ways used to increase innovation and investment in public services where this approach represents best value; calls on the Executive to continue to work to improve the operation of public/private partnerships and seek opportunities for new types of partnership and flexible contracts which will allow assets, when appropriate, to revert to public ownership, and recognises its use in delivering high quality public services while protecting the interests of the community as indicated in the *Partnership for Scotland*.

The Presiding Officer: The third question is, that amendment S1M-68.1, in the name of Mr John Swinney, which proposes an amendment to motion S1M-68, in the name of Henry McLeish, on the economy of Scotland, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division. Those who want to vote in support of Mr Swinney's amendment should vote yes.

FOR

Adam, Brian (North-East Scotland) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Campbell, Colin (West of Scotland) (SNP)
 Crawford, Bruce JP (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Gallie, Phil (South of Scotland) (Con)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)

McLeod, Fiona (West of Scotland) (SNP)
 McLetchie, David (Lothians) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Mundell, David (South of Scotland) (Con)
 Munro, Mr John (Ross, Skye and Inverness West) (LD)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Mr Alex (Banff and Buchan) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Tosh, Mr Murray (South of Scotland) (Con)
 Ullrich, Kay (West of Scotland) (SNP)
 Wallace, Ben (North-East Scotland) (Con)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)
 Young, John (West of Scotland) (Con)

AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Canavan, Dennis (Falkirk West)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Davidson, Mr David (North-East Scotland) (Con)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Mackay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McLeish, Henry (Central Fife) (Lab)

McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Ian (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

ABSTENTION

Harper, Robin (Lothians) (Green)

The Presiding Officer: The result of that vote is as follows: For 49, Against 71, Abstentions 1.

Amendment disagreed to.

The Presiding Officer: The fourth question is, that amendment S1M-68.2, in the name of Mr David Davidson, which proposes an amendment to motion S1M-68, in the name of Henry McLeish, on the economy of Scotland, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division. Members should vote yes to agree to Mr Davidson's amendment.

Bruce Crawford (Mid Scotland and Fife) (SNP): On a point of order, Mr Presiding Officer. You said that members should vote yes in favour of the amendment but did not give us other options—I presume that the other options are still available to us. [*Laughter.*]

The Presiding Officer: Stop the voting. I will take the vote again. However, I hope that by this time it is not necessary for me to say that in order to vote yes the members must press the yes button, to vote no they must press the no button, and to abstain they must press the abstain button. Can we take that as read from now on? I will simply indicate the start of the voting.

I will put the question again.

The question is, that amendment S1M-68.2, in the name of Mr David Davidson, be agreed to.

Those who want to vote yes should do so now.

FOR

Aitken, Bill (Glasgow) (Con)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLetchie, David (Lothians) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Mundell, David (South of Scotland) (Con)
 Scanlon, Mary (Highlands and Islands) (Con)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Young, John (West of Scotland) (Con)

AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Canavan, Dennis (Falkirk West)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harper, Robin (Lothians) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Mackay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McLeish, Henry (Central Fife) (Lab)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Munro, Mr John (Ross, Skye and Inverness West) (LD)

Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Ian (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

ABSTENTIONS

Adam, Brian (North-East Scotland) (SNP)
 Campbell, Colin (West of Scotland) (SNP)
 Crawford, Bruce JP (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Mr Alex (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Ullrich, Kay (West of Scotland) (SNP)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)

The Presiding Officer: The result of the division is as follows: For 14, Against 73, Abstentions 34.

Amendment disagreed to.

The Presiding Officer: The fifth and final question is, that motion S1M-68, in the name of Mr Henry McLeish, be agreed to. Are we all agreed?

Members: Yes.

Members: No.

The Presiding Officer: I hear an occasional very feeble no on the left. There will be a division.

The question is, that motion S1M-68, in the name of Henry McLeish, be agreed to. Members should vote yes to agree to the motion now.

FOR

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harper, Robin (Lothians) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Mackay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McLeish, Henry (Central Fife) (Lab)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)

Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Ian (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

AGAINST

Aitken, Bill (Glasgow) (Con)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLetchie, David (Lothians) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Mundell, David (South of Scotland) (Con)
 Scanlon, Mary (Highlands and Islands) (Con)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)

ABSTENTIONS

Munro, Mr John (Ross, Skye and Inverness West) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)

The Presiding Officer: The result of the division is as follows: For 70, Against 13, Abstentions 2.

Motion agreed to.

That the Parliament notes that unemployment in Scotland is falling and is low by historical and international standards, and that employment is increasing, and looks forward to the Executive building on Scotland's economic success by investing in jobs and skills, promoting a stable and competitive environment for enterprise and encouraging the growth of new businesses.

Meeting closed at 17:08.

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