

MEETING OF THE PARLIAMENT

Wednesday 3 December 2008

Session 3

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Scottish Parliament

Wednesday 3 December 2008

[THE DEPUTY PRESIDING OFFICER *opened the meeting at 14:30*]

Time for Reflection

The Deputy Presiding Officer (Alasdair Morgan): Good afternoon. The first item this afternoon is time for reflection. I am sorry to have to inform Parliament that the Rev Kimberly Bohan has, due to the inclement weather, had to withdraw from leading time for reflection today. However, I am very glad to announce that the Rev Graham Blount, who is the Scottish churches parliamentary officer, and who I am sure is familiar to many of you, has agreed to stand in at extremely short notice. On behalf of the Presiding Officers, I thank Graham not only for stepping in today, but for all his support for the Parliament since 1999. I wish him well as he moves on to pastures new in the new year. [*Applause.*]

The Rev Graham Blount (Scottish Churches Parliamentary Office): Thank you very much, Presiding Officer. As you hinted, I landed the best job in the world 10 years ago: parliamentary officer to a Parliament that did not exist—for a few months, at any rate. As I told people at the time, it felt like being a wee boy let loose in a sweetie shop that was still being built. Ten years on, as I prepare to move on, I naturally reflect on that time. Wee boys who have been let loose in sweetie shops usually wake up feeling sick the morning after.

I will share three thoughts with you. The first is that, over 10 years of helping the churches to engage with Parliament, I have failed: I have failed signally to be a good Presbyterian because I have had a lot of fun over those 10 years, and we're no supposed to.

Secondly, I will repeat to you what I have said to several groups that I have spoken to over the past year—it is my honest view. I have a higher opinion of politicians in 2008 than I had in 1998, and of the commitment, skill and energy that you bring to the task. That is not to say—also from a good Presbyterian point of view—that you are not a bunch of miserable sinners like me, but I do admire hugely the people I have had the privilege of working with these past 10 years.

Thirdly, I will say something about promise and outcome. For the churches, this is the period of Advent, when we reflect on promise: the promise of ages past, when people looked to the coming of a Messiah—a promise that nourished and sustained a hope, which itself nourished the best

in God's people. Promises are one thing, but outcomes are another, as some of you know very well.

What is the outcome of the promise of the Messiah? The outcome is a wean in a manger—vulnerable, totally lacking in political clout, or so it seems, born in the wrong place and maybe to the wrong people, and with no prospects. I love the cartoon of the nativity play, where the wise guy in the audience leans over his neighbour and says, "He gets killed in the end, you know." That is the outcome. But it is not the end. In the Christmas outcome, faith and hope and love are bundled together in a manger—and that is an outcome.

Pre-budget Report (Scottish Government Response)

The Deputy Presiding Officer (Alasdair Morgan): The next item of business is a debate on the Scottish Government's response to the pre-budget report. I inform members that the debate is heavily subscribed, so the time limits are more than simply advisory.

14:35

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): Last week, I made a statement to Parliament outlining our initial response to the contents of the Chancellor of the Exchequer's pre-budget report, and I set out the actions that the Scottish Government is taking to steer the Scottish economy through the present economic difficulties.

Our economic recovery programme includes ambitious plans to invest in affordable housing. It also includes measures to tackle fuel poverty and improve energy efficiency, to streamline planning and regulation, to support confidence in key sectors, and to provide greater advice to businesses and households, especially better financial advice to vulnerable individuals.

What is more, the programme comes in addition to the measures that this Government has already taken to ensure that we point the Scottish economy in the correct direction, as is evidenced through the small business bonus scheme, which has given welcome assistance to small businesses throughout the country, by the council tax freeze and by the reductions in prescription charges. Those are all measures that this Government introduced to support individuals and businesses in the tough economic climate that now prevails.

For some time we as a Government have been making the case for the United Kingdom Government to deliver a package of further tax cuts and to increase public expenditure to respond to the current economic conditions. I welcome the fact that the UK Government acted last week to provide some fiscal stimulus to our economy. As I said in the chamber last week, we are pleased to see the flexibility that the UK Government has provided that will allow acceleration of capital spending. The reprofiling of the capital budget enables the Scottish Government to bring forward up to £260 million of investment in priority areas under the Barnett formula. In addition, there is the distribution of £11 million of new resources—not reprioritised resources—for Scottish public finances.

The Scottish Government intends to use the flexibility in the capital budget to the maximum. I said last week that we would soon report to Parliament on our detailed proposals for allocating the Scottish consequentials from the pre-budget report, and I intend to set out some of that information today. However, I will do so with the caveat that we have requested from Her Majesty's Treasury consent to the strategic direction of our proposals in utilising the full facility to the maximum. I await confirmation from the Treasury of its agreement to that approach.

I am in a position today to allocate the sums for 2008-09, and I will make further announcements in the weeks to come on the figures for 2009-10. In addition to what I announce today, further resources will be deployed in health, rural affairs and the environment for the next financial year.

A substantial share of the accelerated money will go to local government. Councils are clear that they want to accelerate capital expenditure. Between them, they will be able to bring forward a substantial programme of capital investment, most of which will be for 2009-10. I plan on around £100 million of accelerated local authority expenditure over the two years, including £10 million this year, being spent by councils on a range of capital projects.

Councils will take decisions that will be based on their local priorities. Equally, in agreeing to provide the flexibility to accelerate spend, I have, on behalf of the Scottish Government, made clear the sort of projects that I believe will be needed to boost economic recovery. An important element of that package will be new schools accommodation. We will work towards an agreement in which a specific package of projects across Scotland is identified jointly by local government in discussion with the Scottish Government. Full details will be agreed with local government and announced as soon as possible.

I am also pleased to announce today an additional £10 million in this financial year for additional spend on the affordable housing investment programme. We will target the additional support on the areas and individuals that are most in need, bringing additional units into Scotland's stock of affordable housing. Accelerated additional capital will be available next year for both housing and fuel poverty. We will announce precise allocations in due course, but we will continue the ground-breaking work with the energy assistance package and the accelerated housing investment programme.

Some £4.5 million will be spent on roads projects in the current financial year of 2008-09. That will expand the overall resources that are available to the programmes and it will enable development to start on some key road

improvements, including the Fochabers bypass and improvements to three key sections of the A9. We will accelerate more money into 2009-10 to continue that programme.

We will also provide capital resources to the Borders railway project to accelerate a package of advance works in this financial year. The money will go into development and preparatory works to facilitate construction and diversion of key utility services along the railway's route.

We are accelerating £7.5 million this year and additional funds next year for further and higher education, through the Scottish Further and Higher Education Funding Council. That will fund building improvements, including the achievement of modern energy efficiency standards. The economic benefits will be spread across Scotland through refurbishment and other projects that are likely to be attractive to local firms. An example of what is envisaged is a project at the University of Abertay Dundee, where work will be brought forward to improve the energy efficiency of key buildings within the university estate.

Scottish Enterprise has an important role in working collaboratively with industry and the rest of the public sector to help to address the challenges facing Scotland's businesses, particularly in helping them to cope with the rapidly changing economic environment. Therefore, we have agreed to accelerate £5 million this year and a further substantial sum next year to bring forward a range of projects. I am pleased to announce that the extra spend this year will include developments at the Scottish exhibition and conference centre in Glasgow. I will announce further details of the 2009-10 accelerated spend later this financial year.

By bringing forward £260 million of capital spend over the next 15 months, this Government will provide a direct stimulus to construction and other sectors at this time of uncertainty. By investing the additional £260 million, we will directly support 2,600 jobs in the Scottish economy. Of those, 1,600 will be directly employed in construction, 600 will be in manufacturing and nearly 300 will be employed in related finance and business sectors. In addition, we estimate that a further 1,200 jobs will be supported across a broad range of sectors so that, in all, the investment that I have announced today will support 4,000 jobs in the Scottish economy. We believe that that will provide a much-needed shot in the arm both to our construction sector and to the wider Scottish economy, just when that assistance is most required.

The measures that are announced in the package today are designed to support development of the Scottish economy and to complement measures that the Chancellor of the

Exchequer announced last week that focused on providing assistance to small businesses. In addition to those initiatives, I am pleased to be able to welcome the steps that have been taken by Lloyds TSB and HBOS to reduce the interest rates burden on small businesses. I also welcome the Royal Bank of Scotland's announcement last week that it will guarantee overdraft rates and contracts for its business customers for at least a year. This Government has been actively making representations to the banks for some time to provide greater assistance for our small businesses. We take some reassurance now that the banks are acting to give our small businesses a better deal in these tough times. I encourage the United Kingdom Government—which, obviously, now exercises significant influence over the banking sector—to ensure that the investments that have been made on behalf of taxpayers fully deliver a banking environment that allows the small business sector to prosper in this difficult climate.

Despite the positive moves by banks, many small businesses are still being crippled by a corporation tax burden that means that they pay more now than they did two years ago. The tax rises that the UK Government has imposed over the past two years are stifling many of our small and medium-sized companies. The chancellor's announcement last week did nothing to ease that financial burden. Although the steps that the chancellor took on VAT were welcome, they have not demonstrated over the past few days that they contained the magic bullet that was expected to boost consumer spending.

The Scottish Government would have preferred that the chancellor had delivered greater targeted action on VAT to boost the housing sector and to assist people who are struggling with fuel bills. We would have preferred to see action on fuel poverty that included suspension of fuel VAT for the cold winter months, an extra £100 to help each pensioner household to make ends meet, and a cut of VAT on all energy efficiency projects and products. The chancellor had the opportunity to deliver that type of support, but he chose not to take it.

The other area of the pre-budget report that I want to cover is a significant issue, with which we will have to wrestle in the financial years 2010-11 and 2011-12, and which will be a consequence of the UK Government's decision to top-slice up to £500 million from Scotland's budget. That will be the biggest cut in the budget for Scotland's schools, hospitals and other vital public services since the early 1990s, and it will be the first real-terms cut in Scottish spending for almost two decades. Last week, the leader of the Opposition in this Parliament described that as mere "belt tightening". I find that complacency astounding.

Members will be well aware of the rhetoric that the leader of the Opposition and his party have employed over the 2 per cent efficiency savings that form part of this Government's plans—2 per cent efficiency savings that are being retained and reinvested in Scottish public services, unlike the top-slicing of our budget by the Treasury.

Mr Kerr warned the Labour conference earlier this year that the Scottish National Party budget was

“taking away from the disabled, the homeless and the vulnerable; the youngest, the oldest and the poorest. This is a bad Budget for Scotland's neediest communities and households, who will suffer from cuts in services.”

That was the accusation then. Now the people of Scotland are facing a truly awful pre-budget report as a consequence of a £1 billion cut in public expenditure—£500 million will be cut from the Scottish budget in each of those financial years.

Andy Kerr (East Kilbride) (Lab): The elderly, the unemployed and the pensioners that you talked about will be quite relieved that the UK Government took decisive action to save the financial services in sector in Scotland, and gave the Government the money to accelerate capital investment. Of course, that needs to be paid for.

John Swinney: Of course I welcomed that, but the consequence will be a £1 billion cut in Scottish public spending, courtesy of the Labour Government in the UK.

All this is taking place at a time when Scotland is contributing significantly to the UK with more than £55 billion in North Sea oil and gas revenues predicted for the next six years—£14 billion more than in the previous six-year period.

The Government is concerned about the significant cuts in public expenditure that will happen as a consequence of the pre-budget report. We will do everything in our power to change the UK Government's mind on that point but, in the meantime, we will use every single resource and power that we have to maximise the beneficial impact that we can make on the Scottish economy, which remains our absolute priority.

14:48

Andy Kerr (East Kilbride) (Lab): Mr Swinney says that he will accept all the decisive measures that the UK Government has taken, but he is not prepared to play his part in sharing the burden of those investments that are being made now to save Scottish jobs and businesses.

I welcome some of what the minister had to say in relation to the result of the frantic Friday phone calls around the public sector in Scotland, when he asked councils and other public sector organisations what projects they could bring

forward. As he said, the spending will be a shot in the arm, but as many in Parliament and beyond have been saying, a real shot in the arm would be provided by accelerating infrastructure investment even more by taking away the fallacy that is the Scottish Futures Trust, by delivering through more traditional procurement routes—including public-private partnerships—and by listening to the unanimous voices outside the chamber on local income tax. That would be a shot in the arm for the Scottish economy that would make a real difference.

The minister has the audacity to talk about the SNP's hopeless and hapless six-point plan. It gave no confidence to the Scottish building industry, Scottish consumers or, indeed, Scottish society that the SNP has any grip whatever on how to deal with the economic situation in which we find ourselves.

Now that Mr Brown and Alistair Darling have defined the character of the world-wide rescue effort, other nations are catching up. Unlike the SNP, the Brown Government has shown that it is willing to think clearly about the financial crisis and to act quickly on its conclusions. The combination of clarity and decisiveness has not been matched by any other western Government. It is the British Government that went straight to the heart of the problem and addressed it with stunning speed. The major economies in continental Europe, in effect, declared themselves ready to follow the lead of the UK Labour Government.

“Luckily for the world economy, however, Gordon Brown and his officials are making sense. And they may have shown us the way through this crisis.”

I hear some scoffing and laughter, but those are the words of Paul Krugman, winner of the Nobel prize for economics, who wrote recently in the *New York Times* about how—in contrast with the Scottish Government and the Opposition at Westminster—the Labour Government is using not just the PBR but other measures to resolve the economic crisis.

Gavin Brown (Lothians) (Con): How well has the pound done since the pre-budget report?

Andy Kerr: With due respect, I ask how well have the chancellor and the Prime Minister done in having every major nation in the world follow the economic model that they have used. What have the Tories done? The shadow chancellor has made the wrong call on every big, strategic decision that has been required during the economic crisis. The UK economy is better shaped and will recover more quickly because of the long-term investments that have been made, in contrast with the short-term nature of the SNP Government here in Scotland. As I said, I pray in aid no less a person than Paul Krugman.

Of course, Sir John Kay, who is a member of Mr Salmond's Council of Economic Advisers, has also had things to say about the economic situation. He dealt the First Minister an embarrassing blow when he said that an independent Scottish economy would be "awful" in the current financial climate. He went on to say that Gordon Brown deserves credit for his handling of the financial crisis, and that he is not interested in "flag-waving, embassies and armies". That is the difference in approach.

The Cabinet Secretary for Finance and Sustainable Growth mentioned North Sea oil in his speech. John Kay also commented on that: he questioned the SNP's reliance on North Sea oil, which has long been the key component of its economic plan for independence, and he expressed concern about falling fuel prices.

These are difficult economic times and in exceptional times, exceptional action is required. That is what the UK Government has taken, and that is why I welcome the PBR. The UK Government is taking action to help families and businesses through the tough times that the global economic crunch has created. It is putting money into the hands of businesses and families throughout Scotland to ensure that we come out of the crunch sooner and stronger. The SNP wants to have its cake and eat it.

I believe that every Scot out there in the real world understands that action is being taken, including the £37 billion action to ensure stability in the financial services sector in Scotland, action to bring forward capital investment, and action to invest in and support our small businesses. There is indeed a recovery plan, and the public sector must ensure that it plays its part in ensuring that matters are properly paid for. As we come out of the credit crunch, there will be an impact in relation to other aspects of the PBR. I certainly understand, and I think that the Scottish people understand, that that will have to be paid for.

While the credit crunch is hitting the economy and public finances, the Tories have singularly failed to address the issues. They have turned their backs on the need to help families and businesses. As I said, they have got things spectacularly wrong on the key choices that are to be made during the economic crisis; for example, they opposed the urgent boost to the economy that Labour brought forward.

John Swinney: In the light of Mr Kerr's enthusiastic support for public spending cuts in 2010-11, will he tell Parliament what approach the Labour Party will take to the formulation of the budget for 2010-11? Will it be co-operative, given the difficult issues that the Government will face at that time?

Andy Kerr: In talking about "enthusiastic support", John Swinney puts words in my mouth. With due respect, what I said was that, if you want to save Scottish financial institutions to the tune of £37 billion, to invest £20 billion in the UK economy, and to support businesses and families throughout Scotland, funds will, as we recognise, be required to pay for that as the economy begins to recover.

The other thing that is hugely ironic is that whatever happens under the SNP is described as a genuine efficiency whereas whatever happens under the Westminster Government is described as cuts. There is no logic to your argument in that regard, given that 2,000 jobs have recently been cut in the public sector and in local government. Your definition of efficiency is another person's definition of cuts.

I return to the point. The investment in the UK economy and the support measures that are being taken are acknowledged by the International Monetary Fund and the international banking sector as the right ones. Unlike the Conservative and Unionist Party, the governor of the Bank of England, the Confederation of British Industry and the Institute of Directors support the measures that are being taken by the chancellor. The Conservatives also opposed action on VAT and action to protect people with savings in Northern Rock and Bradford and Bingley. They opposed the UK Government on rescuing the banks. We cannot make investments such as the £20 billion fiscal package and take measures such as the reduction in VAT—money that will go into people's pockets—without ensuring that the public fiscal balances come back into line in future years. That is exactly what the pre-budget report seeks to do.

Mr Swinney mentioned small business. I, too, welcome the £1 billion guarantee facility to support bank lending to small and medium-sized enterprises and the separate £1 billion guarantee to support bank lending to small exporters. Those are essential aids and assistance to the Scottish economy. I also welcome the additional money for individuals—for the people of Scotland. I welcome the £60 for every pensioner—£120 for a couple—which will benefit 1 million Scots. The state pension will rise in line with prices by £4.55 and the pension credit will rise in April 2009 by £5.95—the biggest rise since 2003. The cabinet secretary mentioned winter fuel payments. Households with someone over 60 will receive £250 this winter, and those with someone over 80 will receive £400.

Those measures are being taken as a result of the pre-budget report and the need to invest not just in the business of Scotland but in the people of Scotland. I welcome the fact that 800,000 children will benefit from a £25 increase in child tax credit and 600,000 Scottish families will benefit

from increased child benefit levels. Real, mature and aware Governments take tough decisions on investment. However, what the cabinet secretary has failed to recognise is that the public sector is also required to respond to these challenging times. The SNP's lightweight strategy so far is not supported by the Scottish people, who understand that to take such measures requires the Government to realign the public resources in future years. I argue that the UK Government's strategy is the right one for Scotland.

Let us not forget that in 2010-11, the SNP Government will be in receipt of double the resources that were available to Donald Dewar in the first session of Parliament. This Government has historic access to the end-year flexibility that is provided by the Treasury. However, as we know from the report from the centre for public policy for regions, it has blown the lot. There is very little in savings and reserves, and nothing for a rainy day. It has all been spent on short-term giveaways, with no thought for the future. That is the kind of challenge that mature Governments face and reflect on. The SNP Government has failed to respond to that challenge.

On the six-point plan, never has there been such a failure to address the economic crisis that is faced by the nation. The bringing forward of £100 million for social housing—of which £18 million has been spent, and the majority of which is for land acquisition—will not create a single job. It is the actions of the UK Government that have allowed the finance secretary to provide, at last, more clarity on what investments have been made in Scotland. I look forward to further clarity on investments to benefit not just the infrastructure but the people of Scotland—investment in employment. People will get to use their skills in hospitals as a result of the investment that is being made by the UK Government in Scotland.

14:59

Derek Brownlee (South of Scotland) (Con): While we are on the subject of the record of the UK Government, I point out that, since this debate began, the national debt has increased by £2.5 million. The Cabinet Secretary for Finance and Sustainable Growth said that he wanted to change the UK Government's mind; it would be rather more effective simply to change the UK Government.

If Andy Kerr wants to stop the Scottish Futures Trust, he has the perfect opportunity this afternoon, when he can vote against the amendment order that gives the funding for the first phase of the trust. Notably, his colleagues did not vote against it in committee, but if Andy Kerr wants to stop the trust in its tracks, that is his

vehicle. The test will be what Mr Kerr does, not what he says.

Earlier this week, Lord Mandelson was busy praising the Prime Minister as a latter-day Moses. I am no biblical scholar, but I do not think that Moses ever wrecked the British economy. That task is left to Labour Chancellors of the Exchequer, and it is the one thing that they do well. We see that in the fine print of the pre-budget report. National debt will double, taxes will increase and unemployment will go up—and we are told that it is everybody's fault but Gordon Brown's.

Andy Kerr: Does the member agree that the International Monetary Fund, the governor of the Bank of England, the CBI and the Institute of Directors supported the measures taken by the UK Government? They knew that investment was required to sustain and grow our economy. Why is the member's view different?

Derek Brownlee: After 16 years of uninterrupted economic growth, the national debt is now going to double. Of the major countries, we are the worst prepared. That is a result of what Mr Kerr's party has done.

Rather than admitting his mistakes or the consequences that they will have, what has the Prime Minister been busy with this week? He has been busy with important matters of state—such as writing fan letters to "X Factor" contestants. At least that does not damage the rest of us. Sadly for all of us, the state of the public finances, the tax rises and the spending cuts are not part of some reality television show but are the reality of Labour in government. Long after that lot are voted out, their very own premium-rate scandal will continue.

Let us consider the impact of the pre-budget report on the Scottish economy. We have £260 million of capital expenditure that has been brought forward for the Government to spend. We believe that it should be spent in such a way as to maximise its economic impact, with investment in infrastructure a particular priority.

We welcome the announcements on the A9 and the A96; the amounts sound rather light, but we welcome progress when it happens. However, the £260 million is taken from later years' spending, so any positive impact that it has this year and next must be set against the impact of lower spending in future.

We know that the UK Government has decided to impose additional efficiency savings across Government, with an impact on the Scottish budget that is uncertain but likely to be around £380 million each year. Taken together with the impact on the Scottish budget of the reduction in the capital allocation for the national health service

in England, that means that we are faced with a future reduction of around £500 million each year.

Those decisions have not been taken by the UK Government because it has suddenly decided that greater efficiency is a good thing, or because it suddenly believes the NHS has too much resource. They have been taken because Labour has made such a mess of the public finances that, unless those measures are taken, debt and taxes will be even higher than forecast.

We may not know the specific impact of the measures on what the Scottish Government will be able to do in a few years' time, but in one area the impact is all too clear. Labour has just handed to the SNP, on a plate, a perfect platform from which to mount its next election campaign. That raises a fundamental question: who is the bigger threat to the union—Gordon Brown or Alex Salmond? At this rate, it is Gordon Brown. He is playing right into the hands of the SNP through economic incompetence and political ineptitude.

Bob Doris (Glasgow) (SNP): Will the member take an intervention?

Derek Brownlee: I want to make progress.

At a time when people in Scotland are worried about their jobs, let us consider the effect of the pre-budget report on employment. Unemployment is set to increase by a third in Scotland, according to the Fraser of Allander institute, but the Labour Government has an answer—to increase the tax on jobs, national insurance. Self-employed and employed alike will pay more. It will cost more to take on staff and more to retain them. As a result of Labour's tax changes, it will cost every business, charity, school and hospital at least 35 per cent more to employ staff than it did when Labour came to power. Unemployment heads towards 3 million, and Labour increases the tax on jobs by a third. Not content with making it more difficult for people to get jobs, Labour also wants to punish the self-employed; their national insurance bills will be 42 per cent higher than when Labour came to power. Those tax changes will hit everyone in work and everyone looking for it.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): If the member opposes the very modest tax increases that are proposed by the chancellor, what level of cuts in public expenditure does he propose as an alternative for the Scottish budget and all budgets, if his party were to win the election?

Derek Brownlee: I do not think that £20 billion in extra taxes and a VAT rate heading towards 20 per cent represent a modest tax increase. The Labour Party might think that, but I certainly do not. The impact of the rise in national insurance,

over and above the £500 million already highlighted, could be £100 million every year.

Let us consider what independent commentators make of the pre-budget report. Professor Peter Spencer, of the Ernst & Young ITEM Club, said:

“The shocking state of the finances he inherited last year from Gordon Brown severely restricted his room for manoeuvre. This package was a compromise between the need to lift the economy and the need to prevent lasting damage to the Exchequer. It is likely to fail on both counts ... The ... borrowing now projected for this financial year says more about the way that Mr Brown squandered the proceeds of the expansion than the way in which the recession is impacting”.

Philip Stephens, of the *Financial Times*, wrote:

“Next year's borrowing is set to rise above even the deficit that forced the then Labour government to go cap in hand to the International Monetary Fund in the 1970s.”

When the Labour Party came to power, it claimed that it would sort out the public finances and that it was not about high taxes. Its record stands in contrast. The current Government inherited strong public finances, a competitive tax system and a growing economy. Labour will leave a different legacy, just like the last Labour Government—and how much better off we would all be if it had been the last Labour Government. We now have the highest top rate of tax in the G20; national debt has doubled; jobs tax has risen by a third; the rate of unemployment has risen by a third; and we have the biggest deficit in modern times. Labour's recession will be the worst in the European Union, with the possible exceptions of Estonia and Latvia. New Labour may be dead, but real Labour is alive and well, and it is wreaking economic havoc.

15:06

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): There has been much assessment—including pretty much all of the previous speech—of why we are in this position and who is responsible for it. Derek Brownlee spent much of his time saying that Gordon Brown was the father of finance sector debt. He gave the impression that Gordon Brown was never out of the City, with his credit card in the pocket of the financial services sector. Yet, in 2006, George Osborne said, at the launch of the Conservative City group:

“Apart from his annual appearance in a lounge suit to give the Mansion House speech, Gordon Brown has shown little interest over the past nine years in supporting the City or promoting London as a global financial services centre.”

The Conservatives cannot have it both ways. Indeed, in the same article, George Osborne said that much of the regulation that had been put in place had been “burdensome” for the sector. If there is fault regarding the position that we are in,

it is shared by the official Opposition at the time. The denial that we are hearing is not just from the 1970s and from the Labour Party.

Derek Brownlee *rose*—

Jeremy Purvis: If I have time when I have got a little further, I will give way.

Some elements of the Scottish Government's response command support, as do some elements of the UK Government's response. However, when we see the details of the proposed acceleration of capital schemes, we should be concerned. It is not without irony that the cabinet secretary has asked councils to bring forward school building programmes as part of the acceleration of capital schemes—the very councils that have demanded clarity over the past 18 months about how the Scottish Futures Trust will fund school buildings and which are unable to bring forward any non-profit-distributing or PPP schemes because the Government has removed their level playing field revenue support. Last week, the cabinet secretary asked the councils to do all that they could to bring forward their school building programmes but, the previous week, he had taken away £40 million of their borrowing capacity, which they could have used to build schools. He transferred it to what we were told was support for construction sector jobs and companies to enable the building of new homes. When the Finance Committee received the correspondence from the cabinet secretary, it showed that £5.5 million of the last tranche of £9 million went to land banking and the purchasing of unsold stock from the private sector, neither of which will help to kick-start the construction sector or create jobs.

Alex Neil (Central Scotland) (SNP): Can the member tell us how much of the £800 million a year that he proposes to cut will come from the capital budget and how many schools will not be built as a result?

Jeremy Purvis: I agree with Stewart Hosie even if Mr Neil does not. In response to the pre-budget report, Mr Hosie said that what is lacking is income tax cuts, particularly for small businesses that do not pay corporation tax. I agree with Mr Hosie; I am sure that it has been noted that Mr Neil does not.

Part of the funding for housing has been symptomatic of the so-called six-point plan—a new plan with contents that are not new and with no published details, costings or budget. I suspect that it will not be long before it is on a par with the concordat with local government. Indeed, it may compete with the saltire prize, which is to be awarded in 2015 but which has had more launches than a NASA shuttle.

The financial turmoil of September has a significant economic wake that is beginning to be felt across the real economy, and it requires a proportionate response from the Scottish Government. The UK's pre-budget report, a £20 billion package, is 3.5 per cent of UK Government expenditure. The Scottish Government's equivalent is 0.36 per cent of the Scottish budget, which means that the Scottish Government's response is 10 times smaller than the response of the UK Government. When up to 40,000 jobs are at risk in Scotland, a more radical response is needed.

A clear and direct fiscal stimulus is needed, but the answer is not full fiscal autonomy, which has always been a fig leaf for independence. The past two months have demonstrated not that Scotland could not be independent but that every one of the economic assumptions that are at the heart of the Scottish Government's case for independence now has to be ripped up.

It was not long into the response of the cabinet secretary that the constitution was raised. We have to look clearly at the economic situation that we are in. The Scottish Government seems to believe that the Scottish budget is immune to what is happening in Scotland's economy. In 2007, the RBS group had a £2.9 billion liability for corporation tax, and such tax revenues are critical for a fully autonomous Scotland, which would also gain from having the bank's global headquarters in the country.

Derek Brownlee: Will the member give way?

Jeremy Purvis: I know that I promised the member that I would give way to him, but I am anxious about the time that I have left. I apologise.

If those tax revenues are wiped out because no profits are made, there will be a direct and immediate reduction in revenue that will have to be balanced with borrowing equal to 10 per cent of the Scottish gross domestic product, which would be in addition to Scotland's share of UK borrowing. Even an income tax cut amounting to £380 million pales into insignificance beside that.

Tucked away on page 199 of the pre-budget report was the UK Government's forecast of revenue reduction from corporation tax. This year and next year, the UK Government's corporation tax revenue yield will be down by £17 billion. The Scottish Government believes that that should have no impact on Scotland. That is fantasy economics of the most deluded kind, and the Scottish Government's position is dishonest. The reality is that, if the Scottish Government and the UK Government work together, they have the tools to ensure that there is a proper response. However, the Scottish Government's position is deluded, just like its position on the arc of

prosperity. I submitted a freedom of information request to find out how many references the Government had made to Iceland during the past year, and discovered that there had been 120 such references. I also submitted an FOI request to find out how many references had been made to working together jointly with the UK Government, and discovered that there had been none. However, that is what businesses and families are looking for.

Regrettably, when it comes to resources for small businesses, credit loans and debt management, Wales is far ahead of us. Finance Wales's joint European resources for micro to medium enterprises initiative—rather nicely known as JEREMIE—is ahead of what is being done in Scotland. Given all the bluster on the part of the Scottish Government, it is regrettable that another part of the UK is moving faster to support its small businesses than we are moving to support ours. We should be catching up.

15:13

Keith Brown (Ochil) (SNP): For many people who have no idea what credit default swaps are or who believe that LIBOR is a small west African country, the credit crunch might have seemed a wee bit distant and abstract until now. However, whether it is because of the credit difficulties that many people now face, the daily and mounting job losses or the business crises involving HBOS, Woolworths and so on, few now doubt that the credit crunch amounts to a real and present danger to their livelihoods. Those who still harbour doubts should listen to the chancellor's pre-budget report.

The UK economy is flatlining, borrowing is going through the roof, and fewer and fewer Labour politicians are willing to parrot the absurd claims of Brown and Darling that the UK is uniquely well placed to weather the recession. More and more people are realising that, through the crass mismanagement of the UK economy, the UK is uniquely poorly placed among G8 countries to deal with the chill wind that is now blowing. That is especially evident due to the UK's dependence on its housing market, its reliance on financial services and its willingness to spend billions of pounds on nuclear weapons and illegal wars.

However, the response from Gordon Brown is that we are not as badly overborrowed as some of the other G8 countries. Why not compare our borrowing with that of Ireland, which is another country that new Labour ministers in particular are always anxious to denigrate? Despite their troubles, the Irish expect their borrowing to rise to no higher than 24 per cent of their gross domestic product. We are looking at double that level here. Borrowing is set to rise to £1.1 trillion in the next

five years, and that figure does not, of course, include the ever-increasing costs—around £216 billion and counting—of new Labour's love affair with the PFI. I know that the scale and novelty of such sums make it difficult for people to fathom the nature and extent of the crisis that we are in, but I am equally sure that many people know in their heart of hearts and in a profound way that we have let down future generations for many years to come. Their prosperity has been hindered by our profligacy. They will be heavily indebted and taxed, and their life and employment opportunities will be inhibited because of the crisis. That is not to mention the increased new Labour threats to public services from the £1 billion cuts that the cabinet secretary has spoken about.

People talk about the need to leave a legacy from the Olympics. Immediately after the Olympics have finished, we will be looking at a debt legacy of Olympian proportions. Many of us remember new Labour's nauseating election broadcast 18 months ago in which it was said that every family in Scotland would face a £5,000 bill for Scottish independence. That sum is beginning to look like a bit of a bargain now that new Labour has reminded us that the cost of being part of the union will be £25,000 per family.

It is undoubtedly true that the most culpable among us is the UK Government, which has failed to regulate, has perpetuated the lie not only that the PFI is cheap credit but that it is not really debt at all, and has squandered billions of pounds on warmongering. However, it is also true that each and every one of us has played a part in blowing up the bubble of debt. Private debt in the UK, at around £1.4 trillion, is now more than 100 per cent of our GDP.

Jeremy Purvis: For clarity, is the member including all the annual payment costs for non-profit-distributing projects? The life-cycle costs for NPD projects in only Falkirk and Aberdeen, funded through the Scottish Government, are £300 million.

Keith Brown: The Treasury has provided the figure of £216 billion. Alva academy, which is in my constituency, is included. Yesterday, all parents got a text saying that the opening of the new building would be delayed. I think that that is because the expected money cannot be raised to pay for the first PFI instalment.

Debt is not always bad—for example, when it is proportionate, when it is used for long-term or essential investment, or when it is used to increase future productivity—but much of our credit splurge has been on a consumer binge.

I am reminded of part of a poem by someone whose words are worth remembering:

"The world is too much with us; late and soon,
Getting and spending, we lay waste our powers;
Little we see in Nature that is ours;
We have given our hearts away, a sordid boon!"

In that context, many people view with ambivalence the UK Government's efforts to encourage further consumer spending, especially among those who can least afford it. I am reminded of the guilt of a post-party hangover. However, most will agree that responsible consumer spending is better than the immoral hoarding of cash by banks. The spending that we should support—as the Scottish Government is doing—includes that which is aimed at helping businesses and individuals, and that which helps to build future productivity and competitiveness, because we can rest assured that, when we come out of the debt tunnel some years hence, we will be in a landscape of ever-greater competition.

We should spend to invest, including in our environment. That is crucial. This is the time when we can undertake capital spending that will help us to meet both the aims in our competitive agenda and our environmental imperatives. That is why the Scottish Government's spending on housing, especially affordable housing, on the energy assistance package, and on education—on energy efficient education buildings in particular—is so welcome.

Finally, we should not let the debate pass without remembering those who have been happy to usher in the crisis with apocalyptic warnings about how lucky Scotland is to be part of an economic giant such as the UK rather than independent. The only thing that is gigantic about the UK now is its debt. Just as private investors are watching their dividends disappear, we are watching any notion of a union dividend evaporating. It would be far preferable to be a sustainable Scotland than part of a bankrupt Britain.

15:19

Ms Wendy Alexander (Paisley North) (Lab): I am delighted that the Scottish Government is following the UK lead and accelerating all the £260 million capital spend from year 3 to year 2, but it is only fair to record that we hope that its ability to make that happen will be better than its record so far on housing. Way back in August, it announced that £100 million would be brought forward, but I note in passing that, so far, less than a fifth of that money has been assigned. Four fifths of the money is still to be assigned and, as Jeremy Purvis suggested, most of the money that has been assigned has gone on land acquisition and

buying unsold houses, not on keeping construction workers facing unemployment in a job.

I turn to the meat of the debate. From the front and back-bench speeches that we have had so far, the debate seems to be in danger of degenerating into a discussion about issues that are somebody else's responsibility, thereby avoiding the scrutiny that we should be doing in the Parliament. To be fair to the cabinet secretary, I point out his Government has made three big promises on the credit crunch. First, we are told:

"Increasing sustainable economic growth has been this Government's purpose from day 1."

Secondly, we hear:

"The Scottish Government is prepared to utilise all the powers and resources at our disposal."—[*Official Report*, 12 November 2008; c 12231, 12234.]

Thirdly, we are told that the Scottish Government will "strain every sinew" to support Scottish jobs. Are the Scottish Government's actions measuring up to those promises? If they are, the Government will have no fear of a little more parliamentary scrutiny of those actions.

Effective economic policy requires good information. Therefore, will the cabinet secretary explain in his summation why basic data about growth rates in Scotland lag months behind those which are available for the UK as a whole? Secondly, how can growth be the Scottish Government's number 1 purpose if the same Scottish Government makes no economic forecasts about the prospects for the Scottish economy? How can the Government plan to tackle a recession that it does not even attempt to forecast?

Thirdly, how can the Scottish Government advocate tax autonomy for Scotland but make no forecasts about the expected tax take in Scotland? We heard many complaints from two members about the requirement that Scotland should make additional efficiency savings comparable to those in the rest of the UK, but not a word about the falling revenues that Scotland could expect in the next three years if we moved to the financial model that the Government advocates. The SNP has expressed concern about the £500 million of efficiency savings but has not said a word about what Scotland's future financing would look like. I will give just one of the data: the pre-budget report forecasts that UK tax receipts will be down £10 billion next year. A rough estimate is that Scotland's share of that would be one tenth, or £1 billion. Why do tax takes remain a totally number-free zone for the SNP? The situation is similar with the proposed local income tax. The SNP still refuses to tell employers how much it would cost them to run the system and hopes that people will come round in the end if it provides no data.

That brings me to the Scottish Government's responsibility for stewarding the economy in tough times. Eighteen months ago, the SNP told us that the behemoth of a department that the cabinet secretary runs would streamline Government. However, the reality seems to be that the giant department is slowing things down, not speeding them up. Let me illustrate: the Scottish Government's economic recovery plan has never been formally published or presented to Parliament. Another example is the national planning framework, which has not yet been published and is at least three months overdue. Why? Another example is the SNP's timetable for implementing the Planning etc (Scotland) Act 2006, which was removed from the Government's website last month because every single piece of secondary legislation bar one or two has been delayed. The six-times announced saltire prize is not even to be awarded for six years and the Scottish Futures Trust is still without a completed board, a chief executive or a management statement.

I come to the vital issue of capital spending. The last time that we debated that, John Swinney was keen to name the capital projects that his Government had approved. However, he forgot to tell the Parliament how many of them were in the pipeline in 2007 and prepared by the previous Administration. I hope that the cabinet secretary in his summation will tell us why not a single project had its business plan approved by ministers or its contracts signed in the months of March, April, May, June, July, August, September or October. That is eight months with not one single project approval or contract signing.

I do not have much time to pursue the point, but I simply say that we should recall the promises, with growth at the top of the list; the poor but late data; the lack of a forecast; strategy after strategy delayed; and project after project stuck in the system. It is a growing catalogue of inaction, delay and sclerosis.

In mid-October, the First Minister boasted to his party's conference that the UK Government was slow to respond to the banking crisis. He would not dare make that accusation today, given the dither and delay that we are seeing. When can we expect action on those 10 delays?

15:25

Alex Neil (Central Scotland) (SNP): We have had from Wendy Alexander new Labour's message to those who are unemployed or facing the prospect of unemployment—"New Labour isnae gonnae get you a job, but they'll get you a new economic forecast, and I'm sure you'll be happy with that." I suggest to Wendy Alexander that she should look at Alistair Darling's forecasts

on debt, growth or jobs from April and compare it with his forecast from two weeks ago—quite frankly, I would not put much faith in forecasting if I were her.

Ms Alexander: I thank my back-bench colleague for giving way. He talked about the UK Government's forecasts. Does he accept that it is pretty difficult to have growth as a number 1 priority in Scotland if one does not forecast the growth of the Scottish economy in any shape, manner or form?

Alex Neil: As usual, Wendy Alexander misses the point. The point of this back-bench member's reply is that, no matter what one forecasts, in the current atmosphere forecasts are utterly meaningless from week to week, never mind from month to month or year to year.

The reality is that Britain is on the brink of bankruptcy. That is not a cause for celebration—far from it. After 11 years of Gordon Brown in Downing Street, we now face the prospect of the UK national debt reaching £2 trillion. We have the official forecast—

Ross Finnie (West of Scotland) (LD): What forecast?

Alex Neil: It is the current forecast, but perhaps we will get a new one in January. Darling's current forecast is £1.1 trillion. If we add to that outstanding public-private partnership figures and the money to save the banks, we get a Neil forecast of £2 trillion of national debt. That is the position that Gordon Brown will pass on to upcoming generations in the UK. The consequences in Scotland will be horrendous.

We will suffer a minimum of £500 million of cuts in the money that we will get to spend on vital services in Scotland in 2010. It gets a lot worse after that, because Labour promises to cut the increase in public spending by a third, from 1.8 per cent a year to 1.2 per cent. That will have a horrendous impact on vital services both north and south of the border.

Andy Kerr says that such cuts are realistic because what we do today must be funded tomorrow. I say to him that if he needs to find the money to prevent us from going into that level of debt and pay for the expansion announced today, why not annul the contract for the successor to Trident, which will cost a minimum of £75 billion over the next 20 years, much of it front loaded? Why not cancel the stupid identification card programme, which will cost billions of pounds to create a new bureaucracy and cause further damage to our civil liberties? Why not stop trying to be an imperial power, with armed forces in 20 different countries around the world at any one time? We should recognise that we are no longer a first-rate military power and we should stop

trying to force our people to pay the price of imperialism in return for cuts in vital services. The answer to the problem is that there should be no cuts in vital services and a cancellation of weaponry that we do not need and which I hope we would not use in any case.

It is a fact of life that the UK economy faces the worst prospect that it has faced in the past 150 years. Some of that is due to global factors beyond our control, but the reality is that a large chunk of it is the result of the mismanagement of the British economy and the Scottish economy for the past 11 years. No matter what Wendy says, Gordon Brown is the guilty man and for years to come everybody who is made unemployed will have Gordon Brown's signature on their P45.

The Deputy Presiding Officer: I remind members that they should address other members by their full name.

15:31

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Today we should concentrate mainly on the action that the Scottish Government should be taking, but we have to start by considering the comments that various parties have made about the Westminster Government. Notwithstanding Alex Neil's speech, the interesting fact is that the SNP's response to what the Labour Government has done at Westminster is relatively supportive. The SNP has supported a lot of the actions that the Labour Government has taken. It supports the general direction of travel and acknowledges the need for a fiscal stimulus in particular. That contrasts with the approach of the Conservative party, which wants to do absolutely nothing about the situation at UK level; of course, that approach will increase unemployment and the borrowing about which Mr Brownlee is so concerned.

The Liberal Democrats are in an interesting position. Although they support a fiscal stimulus at Westminster, they do not support it in this Parliament, because if one reduces income tax by 2 per cent and thereby has to reduce public expenditure by £800 million, the net fiscal stimulus is zero.

The SNP supports Labour's general approach in relation to a fiscal stimulus. In fact, the SNP benefited from that approach today, given the announcements that it has been able to make about £260 million of accelerated capital expenditure. It is certainly about time that we heard an announcement of significance from the Scottish Government. In the middle of August, it was proud to announce a housing package, which it claimed was ahead of what was happening in the rest of the United Kingdom, but what have we

heard from it for the past three and a half months, apart from the very thin six-point plan?

We welcome the announcement that all the capital money is to be brought forward. It was certainly interesting to hear how the Scottish Government intends to spend it, which was slightly different from what we heard last week, when schools expenditure was flagged up as the key, number 1 spending priority. Today, that was hedged, along the lines that "Local government will have to decide, but that's still what we would like."

When I heard the announcement about schools last week, I welcomed it, but I also thought that, in a sense, the Westminster Government was helping the SNP Government out of a hole. We all know that councils have been unable to proceed with the commissioning of new schools over the past 19 months because of the Scottish Government's failure to set up the Scottish Futures Trust and the hiatus between that and the previous PPP arrangements. Spending a lot of the accelerated money on schools might enable the SNP to play catch-up.

The building industry has also pinpointed the delay in setting up the Scottish Futures Trust as one of the major reasons why so many jobs are being lost in the construction sector as we speak. Alex Neil should remember the job losses caused by his Government as well as what he describes as the job losses caused by actions elsewhere.

Alex Neil: Is it not a bit daft to take all measures to protect jobs while allowing 40,000 unnecessary redundancies if the proposed takeover of HBOS by Lloyds TSB proceeds?

Malcolm Chisholm: The main banking union does not take that view. The route that Alex Neil advocates would create more job losses.

Employment has not been helped by the slow-down in housing expenditure. We were all shocked to find that 600 fewer housing association homes were built in the first six months of this year in comparison with last year. That figure has not been significantly offset by only £9 million of the accelerated money having been spent. Of course, another £9 million was announced last year—

The Minister for Communities and Sport (Stewart Maxwell): Will Mr Chisholm give way?

Malcolm Chisholm: I do not have time; I have only a minute and a half left and I need to say a bit more about housing.

We need far more acceleration in housing spending and more housing money in general. The extra £10 million that was announced today is welcome, but we have a golden opportunity to build affordable housing when land is cheap and

when rising unemployment and increasing housing needs can be addressed by housing investment.

However, one problem is that although John Swinney said that the extra £10 million of accelerated housing money that he announced would be deployed on the basis of need, that is inconsistent with an answer that Stewart Maxwell gave Sarah Boyack recently, which suggested that Edinburgh would receive none of the accelerated housing money. The accelerated money must be spent on the basis of need, to address the greatest affordable housing shortages and—crucially—to ensure that all local authorities can meet the historic 2012 homelessness target.

The City of Edinburgh Council has made it absolutely clear in its strategic housing investment plan, which the Government has, that it cannot meet the target without significant increases in supply of about 500 houses each year over and above what the council is already building. The £36 million a year that the council receives will not address that need. The danger is that the accelerated money from 2010-11, of which Edinburgh will receive none, will mean that Edinburgh will end up with less money over the three years than it would otherwise have had. I hope that the Cabinet Secretary for Finance and Sustainable Growth and the Minister for Communities and Sport will consider that seriously. All housing money must be distributed on the basis of need.

15:37

Alex Johnstone (North East Scotland) (Con):

Many members developed their political philosophies at a particular point in their lives; I suggest that many of us developed them during what we might loosely describe as our youth. My youth happened in the 1970s, which I remember for a series of infrequent bad haircuts and a dress sense that only the 1970s could have delivered. More important, I developed then the understanding that Labour Governments—often with their hearts in the right place—make serious financial errors. That understanding left me with the conviction that the Conservative way was the way ahead for the country's political future.

Who would have thought that I would live to see all those mistakes repeated? Here we are in the early part of the next century, when the Labour Government not only lives up to the reputation that the Government of the late 1970s established, but knocks its record off the record books.

Malcolm Chisholm opened his speech by saying that he would concentrate on the SNP Government. I understand why he said that—I suspect that it was not just because the SNP Government has some responsibility for what

happens next, but because he did not want to talk about the Labour Government's record down in Westminster. However, I will take a leaf out of Malcolm's book—I apologise, Presiding Officer; I meant Malcolm Chisholm's book—and discuss the SNP Government first.

It must be said that the options that are in the Scottish Government's hands are limited—rightly so, I would argue—but the limited sums of money that it has brought forward today pale into insignificance beside the hundreds of billions or even trillions of pounds to which our national debt has risen. However, the Scottish Government has some power and some resources that it must use. The bringing forward of capital expenditure has an important part to play in seeing Scotland through these difficult times.

Despite that, we have seen over a period of time that the Scottish Government has had some difficulty in putting together focused plans, including its plans for the Scottish Futures Trust through which it will bring forward the additional investment that can be levered in. I ask the Government to assure us today that it will move quickly to ensure that it can lever in those funds in the shortest possible timescale. If it does that, we will avoid the accusation in the long term that the money was there but we did not use it effectively.

We should also welcome the range of proposals—including those to address the key issues of housing and fuel poverty—that the Government put forward today. It is also bringing forward a number of roads projects, and I look forward to the further proposals that we will see in next week's strategic transport projects review.

Having dealt with issues that relate to the Government in Scotland, I cannot fail to return to the Government south of the border, which has caused so many of the problems. The truth is that we got a Labour Government that had its heart in the right place and which brought forward ambitious spending plans that were to be funded by equally ambitious forecasts of income and revenue. However, every project that it put in place seemed to cost a little bit more than the estimate, and every move to increase taxation also fell slightly short. As a result, borrowing started to grow, and grow quickly. The then Chancellor of the Exchequer—Gordon Brown—sought to fuel a high street spending boom. We went out and spent money that we borrowed on our credit cards and by other means, 17.5 per cent of which—borrowed though it was—went straight to the chancellor. That revenue served only to fuel his appetite for more and more expenditure.

Now we know the difficulties that have resulted from the circumstances that we face. We know that the Government is again borrowing against ambitious forecasts to stimulate house purchases

and high street spending. Our present chancellor has said that a solution must be found to the difficulties that we face, and the solution that he has put forward is more borrowing.

Alistair Darling may be right. He may have hit on the right way to achieve a route out of this unprecedented crisis. Nevertheless, he is taking a huge gamble. He is like the gambler at the roulette table who, having kept on betting, has kept on losing and whose pile of chips is getting smaller and smaller as time goes by. With nothing left to deliver, he has hocked everything he has left and put it all on one last gamble. He is gambling that, by borrowing to tide us over, he can get us back into a positive economy. As I have said, the Conservatives disagree. Alistair Darling may or may not be right—only time will tell. If he is wrong, this country will never recover from his mistake.

15:43

Rob Gibson (Highlands and Islands) (SNP):

The pre-budget report confirmed that the depth of the debt crisis that we are entering is unprecedented and that the future cuts in Scottish funding from the Treasury will be far bigger than the £500 million that has been discussed.

Facing up to the challenge of trying to get Scotland back on to the front foot will require an enormous amount of ingenuity. As Alf Young said last week in *The Herald*, the cuts will be deeper than anyone realises at present. As my colleague Alex Neil pointed out, the cuts could amount to another £3 billion between 2010 and 2014. Public spending, which is the prime driver of the economy in Scotland, is being attacked.

Sub-prime led to the revelation that there existed what Gordon Brown called a shadow banking system that was little understood by bank bosses or Government. In assessing all that, has Gordon Brown taken a grip of the banks? Has he stopped simply talking to them, asking whether they agree to do something? Has he done what other Governments and countries have done to their banks—has he moved in, removed the bosses, created leaner machines, sidelined the sub-prime debt in another fund and got on with business? No, he has not.

In retrospect, it appears that Alistair Darling was right when he said during the summer, at a croft on Lewis, that the recession would be the worst crisis in this country for 60 years. Believe it or not, last week Gordon Brown told the Progress conference in London:

“This is the biggest New Labour project of all: to give people confidence and hope that we can build through this downturn into a better economy and society.”

Pull the other cracker, Gordon. UK borrowing levels will be 80 per cent higher than Alistair

Darling predicted this time last year. In April, public-private partnership debt of £216 billion will be on the UK balance sheet, in addition to the money for the bank bail-out.

What about VAT? We are told that the construction industry wanted the UK Government to look at VAT to help house building, but why did it ignore the industry's calls to reduce VAT to 5 per cent to enable repairs and retrofitting of climate change protection for homes to take place? London's VAT cut was just a last-minute fix. The UK Government was not interested in using that fiscal tool to help our construction industry get back on its feet.

Patrick Harvie (Glasgow) (Green): I will put to one side some of Rob Gibson's criticisms of the UK Government on VAT, with which I may agree. Does he agree that local government and, certainly, the Scottish Government can do much in the current context to address the retrofitting issues to which he refers? The UK Government's proposals on VAT do not prevent us from acting now.

Rob Gibson: I expect that, with imagination, the Cabinet Secretary for Finance and Sustainable Growth and his department will find ways of using some of the £260 million that is available to support retrofitting, and that some of my comments will be taken on board when they consider how to spend the affordable housing element of that money.

We need to look at how the Labour Opposition has treated the Scottish Government's efforts—the hyperbole and lies that are being peddled about our attempts to protect people by freezing council tax and introducing the small business bonus. In return for those efforts, we get a dreary catalogue of attacks. When we try to introduce free school meals, that is called a farce. When we try to reconfigure Highlands and Islands Enterprise, we are told that we are dismembering the organisation. When someone says in a memo that cuts in the NHS Highland area could be scary, Labour members make the most of that, instead of looking at the truth. However, they are silent on the Brown-Darling cuts and hide their Scottish manifesto, which would have slashed all services in local government, health and so on in the name of education—everything else would have been cut. They are silent on anything that would boost Scottish confidence to invest in our strengths. Just this week, the leader of Labour in the chamber rubbished the saltire prize, which European Commissioner Piebalgs described as

“a global call to action”.

That is the difference between our intentions and the Labour Party's criticisms.

Andy Kerr: Will the member give way?

The Deputy Presiding Officer (Trish Godman): He is in his last minute.

Rob Gibson: Tough.

Labour members are silent about the enormity of 11 years of mismanagement of an economy full of

“Get-rich-quick amateur landlords and buy-now-pay-later shoppers”,

which makes Britain

“the country in the G7 with the most indebted households, and ... especially vulnerable to a credit crunch.”

Those are not my words, but those of Vince Cable, which Labour has failed to heed.

Labour members are silent on the rich, who can avoid tax. The new 45 per cent tax rate is a sop that may bring in £1 billion—they cannot ignore such facts. Lord Mandelson says that times have changed, but not new Labour. It is obvious from today’s debate that that is so and that the Scottish Government must plough its own furrow.

15:49

Charlie Gordon (Glasgow Cathcart) (Lab): The Cabinet Secretary for Finance and Sustainable Growth has announced much that is significant but, in my view, the detail involved merited a ministerial statement as a prelude to the debate, to enable members to hold him to account more effectively. It is commendable that the Scottish Government intends to invest over the next 15 months, either directly or via local government, the £260 million of flexibility and the £11 million of new money that the UK Government has given it.

Most of Mr Swinney’s speech was made in his usual statesmanlike style, but he descended to partisan sneers about the 2.5 per cent VAT reduction and efficiency savings. Those who say that a 2.5 per cent decrease in VAT does not amount to much would cry scandal at a 2.5 per cent VAT increase—that is the real world. As for the prospect of efficiency savings down the road, I am not so sure about the accuracy of Mr Swinney’s figures. Even if I accept them for the sake of argument, they amount to a smaller proportion, in percentage terms, of Scottish public spending than his Government’s 2 per cent efficiency benchmark and a smaller proportion than the 2 per cent efficiency savings that have been the norm for years in Scottish local government, where best value is a statutory requirement.

Alex Neil: Is the difference between the UK’s efficiency savings and the Scottish Government’s not that we are reinvesting the money in front-line services, whereas that is not the case south of the border?

Charlie Gordon: If Alex Neil continues to listen, he will learn a wee bit about that from me.

The need to make efficiency savings does not mean that cuts will be imposed on the Scottish Government, but it could deny the Scottish Government reinvestment opportunities. Mr Swinney said that, but an opportunity cost is not a cut.

When we debated the state of the Scottish economy on 12 November, I confessed not just to worry about the recession but to fear over the possible return of high unemployment. In my view, it is the moral responsibility of every parliamentarian to sustain and promote full employment, irrespective of partisan considerations. It remains to be seen whether the UK Government’s Keynesian package, along with the Scottish Government’s emerging package—announced in instalments—will give Scots a soft landing.

Chillingly, some parliamentarians inwardly pray that things get worse to suit their partisan advantage. When Mr Gavin Brown intervened during Andy Kerr’s speech, we heard that the Tories seek to undermine the pound. Mr Brownlee’s vicious rant proved that the Tories have not changed their Thatcherite spots, with his splenetic anger at Labour’s borrowing to save jobs and its tax hikes for the rich.

Derek Brownlee: Will the member take an intervention on that point?

Charlie Gordon: No.

The Tories, it seems, are worried about losing the next UK general election. Their stated enemy is Labour; their policies deserve the enmity of every Scot.

I eagerly await the remaining instalments of John Swinney’s package. In particular, I share the views of members of the British Chambers of Commerce, as expressed in a recent survey, that transport infrastructure investment maintains and improves economic competitiveness. The chambers of commerce and I want early starts on transport projects that are ready to start on site. They and I want progress on step-change projects as well as on incremental ones. They and I urge progress on a new high-speed rail link between Scotland and London. The Transport, Infrastructure and Climate Change Committee is conducting an inquiry into such a project. I seek a specific commitment from John Swinney today that he will take cognisance of the committee’s report and that he will keep a sum—perhaps a six-figure sum—up his sleeve to finance more detailed study of the project. Once we weather this storm—which all parliamentarians of good will should be hoping that we do—we will need a vision for Scotland’s future.

15:54

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I congratulate Rob Gibson on the best quotation of the day. That is the only partisan point that I will make in my speech.

I listened with great interest to the cabinet secretary's opening remarks, in particular to what he said about the £260 million and about his conversations with Scotland's 32 local authorities.

Less than a year ago, a young female pupil came to my clinic in John o' Groats on a cold day to complain about the fact that the wind was coming through the windows of her school, Wick high school. I have made great mention in the chamber before of the state of Wick high school, by means of questions, supplementary questions and speeches. I pay tribute to colleagues such as Rob Gibson, Peter Peacock and Rhoda Grant, who have also raised the issue in the chamber—I am grateful for that.

The shocking condition of the school has become evident since I met that young constituent. Why it had not been evident prior to her coming to see me, we do not know. Since then, the new rector, Mr Alister Traill, has not been shy in pointing out the school's shocking state. He has said:

"I cringe with embarrassment when people come to school to see me or to make presentations."

The school has been compared to a Romanian orphanage. That is a glib comment, but it highlights the school's condition.

Following coverage of the condition of Wick high school in the Scottish press, it is generally accepted not just in the north of Scotland but all over the country that the school is, sadly, one of the most run-down schools in Scotland, alongside, I am afraid to say, Portobello high school in Edinburgh and Mearns academy in Aberdeenshire.

Jackson Carlaw (West of Scotland) (Con): It is obviously of enormous concern that the school is in such a terrible condition, but does the member not accept that that is entirely the responsibility of the Administration that he previously supported?

Jamie Stone: No, of course not. [*Laughter.*] This subject is too important to my constituents for it to be made light of.

The Minister for Enterprise, Energy and Tourism (Jim Mather): Are you looking for an amnesty for previous failures?

Jamie Stone: No. I have discussed the issue with the First Minister and we have come to an agreement on it. The true condition of the school was not known until less than a year ago. As I said

earlier, it is not known why that is. There may have been an element of not telling the truth about the school's condition. However, the fact is that the school is in the condition that it is, which is surely wickedness in this day and age. The fact that pupils have to study in those conditions and that they make staff recruitment and retention tricky to say the least is bad enough, but it is truly shocking to think that any pupil of Wick high school might not attain their maximum academic potential because of the school's condition.

To respond further to Jackson Carlaw's intervention, I remind members that the school was on Highland Council's list of PPP projects. However, that came to a halt, so the school fell off the list. That shows that Highland Council recognised the school's condition within the mechanism that then existed.

The pupils of Wick high school and their parents do not mind where funding comes from. They just want a school that is fit for purpose today. When they look down the road at Dingwall academy, which is a superb new school just north of Inverness, they see what they aspire to.

Alex Neil: I appreciate the seriousness of the situation. However, in all seriousness, does Jamie Stone not agree that having £800 million of public spending cuts to fund a 2p reduction in income tax would mean that we would end up with more schools in the same state that Wick high school is in and that that kind of policy would be absolute lunacy in the current conditions?

Jamie Stone: I refer the member to Mr Jeremy Purvis's response to his earlier intervention.

I reiterate that the issue is too important to be treated as a political football. The pupils in Wick high school are losing out—it is as simple as that.

The cabinet secretary does, indeed, recognise that there are schools in Scotland that need to be rebuilt or renovated, and I thank him for that. It seems to me that the door is just opening, to give credit where it is due. A conversation between Highland Council and the cabinet secretary would be most interesting indeed.

I suggest to the Scottish Government and the cabinet secretary, in his absence from the chamber, that if Highland Council has not made or is not making Wick high school a priority, the cabinet secretary should ask the council to think about the school.

I ask members to help me with this issue. It would be the most excellent Christmas present for the people of Caithness if they did. It is an outrage that Wick high school is in the condition that it is and that pupils and staff must work in such conditions in this day and age.

15:59

Jamie Hepburn (Central Scotland) (SNP): Last week's pre-budget report contained many measures worthy of support. Over the past few weeks, many members of the Parliament have called for an acceleration of capital investment, but many of the same members have failed to mention that such matters are essentially beyond the control of the Scottish Government, which must rely on permission being granted by the UK Treasury. Those members must have been happy when the Chancellor of the Exchequer announced that such leeway would be granted, even though the announcement was unnecessarily delayed.

That said, we should remember that accelerated investment is not new funding but merely funding that has been brought forward from future budgets. That will have consequences for future years, as will the draconian cuts that, under Alistair Darling's plans, will form the conclusion of the current spending review period. The possibility of the Scottish budget being cut by £1 billion in just two years presents a challenge of the highest order, to say the least. The fact that that will happen against the backdrop of increased oil revenues, which have poured from the North Sea into the Exchequer at extraordinary levels, is all the more galling.

Another part of the pre-budget report on which I want to focus is the decision to lower the rate of VAT to 15 per cent. Such a change can be supported, but close attention must be paid to ensure that retailers pass the reduction on to consumers rather than absorb it as a new source of profits, lest the main rationale for the change—increasing consumer confidence—becomes simply an opportunity missed. Perhaps a further reduction in VAT might have been applied to energy costs at this time of increased fuel poverty. Indeed, perhaps a reduction in VAT for minor home repairs—as my colleague Rob Gibson has called for and as has been provided on the Isle of Man—would have been similarly well directed. While welcoming the decision to lower the rate of VAT, we must bear in mind the fact that the reduction is only temporary.

I share the concerns that my colleagues Keith Brown and Alex Neil expressed about the fact that the pre-budget report gives no indication that costly vanity projects, such as identity cards or Trident renewal, might be shelved. However, those are perhaps wider issues for another time.

There is no escaping the fact that a major focus of the pre-budget report is the UK Government's proposals for huge levels of public borrowing, much—if not all—of which is being undertaken for the purposes of recapitalising the UK banking sector. As I said in the debate that was held in the chamber a few weeks ago on the economic

situation, such recapitalisation is, in the main, to be welcomed but is also potentially an opportunity missed. I want to explore that issue further today.

Although the cabinet secretary has set out how our Scottish Government will work with the banks to help families and small businesses, the UK Government is empowered to act with much greater reach in relation to the financial sector. Given that the banks form parts of various consortia for PFI/PPP schemes, in providing them with funds for the purposes of recapitalisation and in becoming a shareholder in them, the chancellor could have availed himself of the opportunity to negotiate more favourable repayment terms for the debts that the Government owes. This week, it has been reported that the combined level of PFI/PPP debt across the UK will rise to £216 billion between now and 2032. Although the precise amount may be contested, what cannot be argued with is that PFI/PPP repayments will cost the taxpayer tens of billions of pounds. The Scottish Government's liability is likely to reach £1 billion per annum in the next few years. If, on the back of the pre-budget report, the Treasury had struck a deal on PFI/PPP repayments with the banks to which it has offered such largesse, that would surely have represented good value for the taxpayer. This week, I have written to Alistair Darling to inquire about the likelihood of the Treasury's negotiating such a deal, so I look forward to receipt of his response in due course.

The UK Government could do more besides. For too long, the banks have been allowed to operate in a deregulated financial sector. Adam Smith wrote of the hidden hand; it is clear that people in the UK banking industry have operated with such a hidden hand for too long.

Andy Kerr: Does the member share the view of Alex Salmond, who is on record as saying in 2006 that banking regulation in Scotland was overbearing and gold-plated and that he wanted to reduce it? Secondly, does the member accept that the projected profits for the private sector under the Scottish Government's preferred scheme are the same as those under PPP?

Jamie Hepburn: I have absolutely no awareness of the quote to which Mr Kerr refers, so I cannot comment on it.

The UK Government should use the funds that it is directing to the banks through the pre-budget report as an impetus to direct the financial sector to operate in a new fashion. First, it should set strict parameters for those who are eligible for mortgages. The culture of sub-prime mortgages and doling out loans at many times the level of the borrower's income should come to an end, for the borrower's sake as much as the bank's. That principle should also extend to personal credit.

Secondly, the mortgages lent should more accurately reflect changes in the interest rate. I understand that the Government has called for that, and if the banks will not do it, they should be made to by statute or directive. I welcome the news that the Royal Bank of Scotland has announced that it will take a more relaxed position to its customers' mortgage repayment terms. If that has come about because of the UK Government's almost 60 per cent stake in the banks, it serves to illustrate how the UK Government might further use its investment in the banks to good effect.

I close by welcoming today's debate, just as I welcome the measures taken by the Scottish Government that will assist people during these difficult economic times. I also look forward to the cabinet secretary's reply, to see how the Government might press the UK Government to use its budget process to implement some of the measures that I have outlined today.

16:05

Jackson Carlaw (West of Scotland) (Con): I should like to bring to the attention of the chamber the situation that is facing the industry in which I was involved for 25 years, namely the Scottish retail motor industry. I hasten to add that I now have no connection with the industry or any personal financial interest in it.

I doubt whether prospects for the Scottish retail motor industry have ever been graver. Members should reflect on the fact that 30,000 Scots are employed in the industry in one way or another, by supplying vehicles, cars, vans and trucks, whether new or second-hand, servicing them, repairing them when they are damaged and supplying accessories for them. In all probability, there is at least one motor retail premises in every member's constituency, and the mix of business is reflected in the mix of those who are employed. We are not necessarily talking about men and women who have university degrees, but they have talent, skill and training.

For the first time in UK history, the retail motor industry is projecting a collective year-end loss. The situation could hardly be bleaker.

When most of us here were in our youth, the annual registration plate index change took place on January 1st. In the 1980s, that changed to August, and then to March and September, so new vehicle registrations tend to be concentrated around those months and Christmas comes twice a year. However, this September it did not come at all. Registrations in the UK were down by 20 per cent and in Scotland by 26 per cent. The rout has continued since September. There are fields of registered, unsold, new vehicles across the

country. Added to that is the sharp decline in the sale of used vehicles, many of which were ambitiously valued as part exchanges before September. Their values have since slumped. Many dealerships will not have the financial muscle to absorb the required write-downs, but will be facing year-end auditors who will insist that they do.

Jeremy Purvis: The member will recall his front-bench spokesman castigating the huge levels of debt incurred in this country over the years. Perhaps that was due in no small part to the easy availability of finance for the very sector to which the member is referring.

Jackson Carlaw: It would be more productive to look at how and when we can cut interest rates more deeply to save many of these businesses than to make such a point. In January, there will be closures, job losses, and abject misery. That is now probably unavoidable.

The Westminster Government could scarcely have done more to worsen the position. The proposed vehicle excise duty changes have done to the owners of many cars what falling house values have done to home owners—left them in negative equity. It was a colossal injustice for the chancellor to plan to tax families retrospectively for their choice of motor vehicle. To announce a change of tax on a future purchase is one thing, but to make it retrospective was invidious. It was akin to raising income tax and backdating the increase for seven years. That done, vehicle values have collapsed leaving many ordinary folk with cars that are worth less than the outstanding finance. It makes no difference that Darling has now done a volte-face; the damage has been done and such is the lack of trust in this miserable Government that no one believes that his change of heart is either sincere or permanent.

So we have dealerships with moribund sales, declining stock values, paper-thin marginal profits—if any—and year-end write-down losses staring them in the face. In other years, dealerships would have looked to manufacturers for softer credit terms and for other financial assistance, but this time many of the major manufacturers face financial collapse.

What is it about this Labour Government that makes the Labour Party so proud? Were the Conservatives in power, with unemployment at 1.8 million and rising to 2 million or 3 million, the Scottish parliamentary Labour Party would have taken to the streets. This Parliament would be ring-fenced to chants of "Tory leader! Tory leader! Out! Out! Out!" The anger would be manifest. Instead, such is Labour members' concern for jobs that they just sit there polishing the leather on their seats. Despite our being uniquely impoverished to respond to an international crisis, Andy Kerr

lavishes applause on the architects of our failure, Darling and Brown.

The Institute of Fiscal Studies predicts that, as a result of the pre-budget statement, Scottish families will be £1,700 a year worse off than when John Major left office—when things could only get better—because of the tax increases to which this deceitful Labour Government, which claimed to have abolished boom and bust, has been prepared to admit.

Meanwhile, unbowed and unapologetic, Labour in the Scottish Parliament invites us to genuflect before the Prime Minister just because, confronted with the consequences of the uniquely prejudicial economic circumstances that he created, he did not just burst into tears, run away and hide as is his wont. Just because he did something—anything—we are to be grateful.

We now know that doing whatever it takes is shorthand for doing whatever will make the position worse and mortgaging the country in which our children will live. Within the published small print is a litany of impending disasters. Despite the bringing forward of capital allocations—I welcome what the cabinet secretary said about that—the pre-budget statement will punish financially not just ordinary Scots and Scottish businesses but services too. In particular, the national health service in Scotland is in line for a savage financial cutback.

The first step to recovery is for Scotland to be done with the Labour Party that it trusted before but which has brought it to the verge of ruin, and for Britain, whenever the chance presents itself, to be rid of the most financially disastrous Government in all our history—a Government that in just five years will have doubled the level of national debt that we have incurred in all our history. To recall a phrase, “Labour isn’t working.” Britain is expected to have the worst recession of any major economy. Labour has failed.

After Suez, Britain woke to find itself a second-rate international power. Under Labour, Britain woke last week to find that we are now a second-rate financial power. We have been brought low by a second-rate team of ministers in a second-rate Westminster Government. The country wants rid of them, and Scotland and the Scottish Parliament can have no confidence in them. Perhaps that is the motion that we should have the courage to debate.

16:11

James Kelly (Glasgow Rutherglen) (Lab): This important debate comes as we face stiff economic times. Families and businesses are looking for action, and the debate comes against the backdrop of 20,000 Scottish construction

workers who could be out of work by Christmas. This morning’s report from the Chartered Institute of Purchasing and Supply states that the construction industry is shrinking at a record pace.

In such times, the way in which Governments respond is a measure of how good they are. Communities and families throughout Scotland are looking for practical actions. In that regard, I welcome the UK Government’s positive action in bringing forward the £20 billion stimulus package. I welcome the VAT cut, which will help families and businesses, and I particularly welcome the increases in child benefit to £20 a week and in child tax credits of £75 a year, which will give families a welcome boost. I am sure that many pensioners throughout Scotland will welcome the increase in winter fuel payments to £250 for over-60s and £400 for over-80s. I also note the bringing forward of £260 million of additional capital, and I welcome the cabinet secretary’s announcement this afternoon that he intends to use that in full. Those are prompt actions that will boost the economy and save jobs throughout Scotland.

There are some interesting contrasts between the UK Government’s response and the Scottish Government’s response. We can contrast decisive and practical action with cumbersome dithering. The response from the SNP Administration has been slow. As Wendy Alexander has pointed out several times, the Scottish Government has been slow to come to the chamber to discuss its plans. The Parliament has not discussed the six-point economic plan in full. Too much parliamentary time is taken up with debates on less serious issues or whose purpose is to pick a fight with Westminster.

Commentators have noted that the draft budget, which we will discuss in more detail in two weeks’ time, is a business-as-usual budget and not a proportionate response to the hard economic times that we face.

The six-point economic plan lacks detail—many of the witnesses at the Economy, Energy and Tourism Committee commented on that. However, it is not just the lack of detail; activity and stimulus are failing to flow from the plan—witness the £100 million additional housing money, only £18 million of which has been formally announced. Of last week’s £9 million, £5.5 million relates to the purchase of land and unsold stock and will do little to provide jobs for construction workers.

Alex Neil: Do we not need land to build on? If we do not buy the land, we cannot do the building.

James Kelly: The fact is that £82 million of the £100 million package has not been formally announced. Potentially, 20,000 construction workers will be out of a job by Christmas. We need urgent action now. We need the money now.

There are contrasting leadership styles. At the Glenrothes by-election, Alex Salmond visited the area 13 times. When the SNP lost, he said that he wished that he had knocked on more doors in Glenrothes. While Gordon Brown tours the world, trying to shore up Britain's economy and save jobs, Alex Salmond tours the shopping centres of Fife. People are looking for practical solutions. The Conservatives, including Derek Brownlee in his rant against Labour, came up with no policies for moving the economy forward. It is clear that those novices do not have the solutions in these serious economic times. This is not a time for novices.

This has been an important debate. These are serious times. I welcome the swift action from the UK Government. It is time for the SNP Administration to step up to the mark.

16:17

Bob Doris (Glasgow) (SNP): We have heard this afternoon about UK Labour's shocking mismanagement of the economy. We have also heard Labour politicians defend Gordon Brown and paint him as the all-conquering hero.

Andy Kerr: Will the member give way?

Bob Doris: Absolutely not.

That sort of talk will not wash. The current predicament of the UK, and with it Scotland, has Gordon Brown's—and perhaps Andy Kerr's—dirty mitts all over it. In fact, Gordon Brown's hands are not just dirty, they are absolutely maukit, as are Mr Kerr's in relation to PFI/PPP.

Andy Kerr: I thank the member for that kind introduction. I was quoting Paul Krugman, Nobel prize winner in economics, and the International Monetary Fund and other organisations, which are saying to Gordon Brown that he got it right.

Bob Doris: Mr Kerr was not quoting anyone—it was me who was talking, and I allowed him to intervene.

Scotland's predicament results not just from UK Labour's mismanagement but from the structural weakness of Scotland within the UK, which can be rectified only by Scottish independence. Take the Barnett formula. As an SNP politician, I am clearly not a fan. The formula allows the UK Treasury to take all of Scotland's money and award it a sort of pocket money. No self-respecting nation would allow that. However, we have to work with where we are now, and here in Scotland, right now, the Barnett formula is how Scotland's financial share of the UK coffers is worked out, but that does not make it fair. It is an anomaly.

Another anomaly in the current round of cuts and the pre-budget statement is the £129 million that will be taken from the Scottish budget

because of cuts in English and Welsh health spending. That is wrong. Imagine someone with two children who wants to give each of them a birthday gift of £50. One of them can find only £30-worth to spend their money on, but the other spends £50 on CDs or whatever they choose. Imagine the parent then saying to the second child that, although they have spent the £50, they have to give £20 back. Mr Kerr may laugh, but when Scotland plans a socially just budget for three years, but then has a £1 billion black hole because of Labour incompetence, I do not laugh, and neither do vulnerable people in Scotland, Mr Kerr.

Andy Kerr: Would the member note that the Treasury wrote to the Government saying that the money could be recovered through EYF? The Government has already had £900 million from that flexibility.

Bob Doris: Mr Kerr can dress up Labour cuts any way he likes, but vulnerable groups across Scotland will know that they are Labour cuts and that it is Labour's hatchet that falls.

There is no denying that Scotland faces serious housing difficulties, but we have taken positive steps, despite the fact that not one extra penny was announced in the UK pre-budget report for housing, which was an absolute scandal: just when the UK construction industry needed more support than ever, not one extra penny was announced for housing.

In the shakedown from the pre-budget report, we saw a slashing of English efforts to tackle fuel poverty, at a time when we saw a 20 per cent increase in Scottish efforts to tackle fuel poverty. The pre-budget report showed absolutely no serious efforts to redress the balance. Alistair Darling and Gordon Brown could have said, "Enough is enough. We need a windfall tax on the excessive profits of the energy companies." However, we heard nothing. They could have said, "We are changing the funding rules for carbon emissions reduction targets to make sure that Scotland gets its fair share—£100 million a year to address fuel poverty and energy efficiency." Again, we heard nothing. Those were missed opportunities, and a £1 billion bill will be coming to Scotland because of Labour's incompetence.

Who is suggesting how we should address that £1 billion bill? Rhona Brankin had an idea on Barnett consequentials. When £34 million of Barnett consequentials appeared in Scotland's budgets for us to spend, Rhona Brankin was keen that it should be spent on the families of disabled children. What is sauce for the goose is sauce for the gander. If £1 billion of cuts are coming, I would like the Labour Party to suggest which services it would cut. Would Wendy Alexander, as a former communities minister, encourage Mary Mulligan to scrap the remainder of the Scottish affordable

housing budget? The SNP increased that budget by 19 per cent. Would Labour make it vanish? Would Richard Baker or Paul Martin wipe out at a stroke the £480 million Scottish prisons budget? The cuts have to be paid for somehow. They are Labour cuts, so let us hear some Labour suggestions.

In Glasgow, my constituents are receiving £154.5 million over a three-year period via the SNP Government's fairer Scotland fund. That money goes to community groups and voluntary sector organisations, which do a huge amount—

Jackie Baillie (Dumbarton) (Lab): It has been cut.

Bob Doris: Jackie Baillie says that it has been cut. Would she cut it even further? Would she abolish it at a stroke to pay for her party's incompetence? She probably would.

I will finish by saying that, yes, economies hit recessions. However, I would like to think that the next time the UK economy hits a recession and the next time a UK party of any colour mismanages the economy, this country, this nation, will be independent, so that we can escape the worst ravages of UK mismanagement.

16:23

Jackie Baillie (Dumbarton) (Lab): I believe it was Confucius who said, "May you live in interesting times." Some regard that as a curse, but it certainly has a predictive quality when we consider the current economic climate. For the SNP, these perhaps will be interesting times. John Swinney said—quite rightly—that the Scottish economy was his party's number 1 priority. I have no doubt that he is sincere, but it is a responsibility of this Parliament to consider the actions that are being taken and the resources that are being made available.

No one in this chamber would disagree that the two priorities that we should adopt are, first, to stimulate the economy, and secondly, to protect the most vulnerable to help them to weather the storm. We will all be judged against how well we do those things. I have no doubt that significant resources have been deployed at Westminster—yes, to sustain the banks, but also to support businesses and, more important from my perspective, to support people.

We have seen the cut in VAT, more tax relief for businesses, the small business finance scheme, mortgage rescue schemes, increases in the working tax credit and child tax credit, and more money for pensioners. I am, therefore, confused by the speeches that we have heard today. The Tories have put forward arguments that oppose all those measures. I was genuinely disappointed

with Derek Brownlee's surreal speech, which contained lots of criticism but no answers. I know that the best form of defence is attack, but it is scant cover for the paucity of the Tories' position.

Derek Brownlee: I wonder whether the member will take an intervention on that point.

Jackie Baillie: No. It is simply intellectually dishonest of the Tories and the SNP not to recognise that the economic crisis that we face had its starting point in the American sub-prime market, and that it is not simply a UK problem but a global problem. I ask them to stop navel gazing, please.

I turn to the SNP's six-point plan. Wendy Alexander is right—our job is to consider how the Scottish Government can maximise its impact in protecting the Scottish economy and its people. Yet, aside from the acceleration of the affordable housing programme, there has been no shift in resources to support the implementation of the six-point plan. Not a single new penny has been allocated to it since it was first announced in August. Furthermore, the £100 million that is being allocated to the affordable housing programme is only a third of 1 per cent of the total Scottish budget. That does not suggest to me that it is the priority that the Government claims it is. We have heard that only £18 million of that money has been spent so far and that, land acquisition being the priority, it has not delivered a single job.

I am genuinely grateful for today's announcement about the reprofiled capital spending. Nevertheless, I am concerned about the detail of the cabinet secretary's comments, and I would welcome clarification on them. He stated that £100 million will be provided to local government over the next two years. Is that to be spread across 32 local authorities? If so, the impact—as we would all acknowledge—will be too diluted. If, however, it is to be used to accelerate targeted capital projects, I look forward to seeing a new Dumbarton academy—something for which I have argued for a number of years.

I have a second suggestion. We all recognise that immediate action needs to be taken to help homeowners. Two people who are threatened with repossession have contacted me in the space of two weeks—more than have contacted me in the rest of my entire time in the Parliament. I ask the cabinet secretary to consider the cross-party plan and implement pre-repossession protocols. I ask him to regulate more tightly sale-and-lease-back schemes and to encourage shared equity as an alternative to outright repossession. If he does those things, he will get the support of all members.

Bob Doris: Will Jackie Baillie take an intervention?

Jackie Baillie: No. I am just coming to Bob Doris. I ask him to sit down.

My third suggestion relates to the provision of advice and assistance—the sixth point of the six-point plan. The Barnett consequentials of £11 million included £1 million to expand such advice. I ask the cabinet secretary to consider allocating that money in full—and, if possible, more—to the network of citizens' advice bureaux, money advice centres and credit unions, which have a key job to do in helping those who are in distress. Again, all members would support that.

This afternoon, we have heard dire warnings from the Tories and the SNP, which, aside from comments about the apparent sartorial elegance of Alex Johnstone in a former age, sounded like single transferable speeches from the whinge school of politics, tending to be full of grudge and grievance. I say to Bob Doris that we never cut the budgets for supporting communities, we increased them. However, the SNP's record in government has been to cut them, especially those that support the most vulnerable.

Bob Doris: Will the member give way?

Jackie Baillie: No. I am in my last minute.

At times, frankly, it sounded as though the SNP and the Tories were arguing that we should do nothing. I do not think that I heard one suggestion from the Tories as to how we should move forward to protect the Scottish economy.

The jury is out on what the cabinet secretary will do now. He does, indeed, live in interesting times. Protecting the Scottish economy is the challenge that we all face and to which everyone in the chamber has a responsibility to rise.

16:30

Ross Finnie (West of Scotland) (LD): We might describe this as having been a mixed debate. There seemed to be a lack of recognition on everyone's part of the increase in personal debt and bank borrowing over many years. If that had been recognised, more speakers might have had a greater moral authority when propounding their cause. I take some comfort in the fact that Rob Gibson quoted perhaps the only economic spokesman in the UK who has, in recent years, pointed to the problem.

The contributions were difficult. I found Andy Kerr's narration of the lengthy support package in the pre-budget report interesting, but I could not possibly agree with him or Jackie Baillie when they told us that the crisis started in America. The collapse might have started in America, but the cause of the problem was sown on both sides of the Atlantic. We cannot avoid the fact that Chancellor Brown presided over the increase to

unprecedented levels of personal debt and the concomitant increase in bank borrowing, and over extraordinary increases in house-price inflation, which were totally at odds with the task that he had set the monetary policy committee. A little humility would have helped the tenor of the debate. Although I agree with much of what is in the pre-budget report, I must say that it is unique for any person who holds the post of Prime Minister after having held the post of Chancellor of the Exchequer to be both the progenitor of a crisis and the midwife to the following recovery.

I accept that Derek Brownlee is entitled to list a litany of Labour economic failures. However, irrespective of the fact that the dire situation may have been brought about by circumstances outwith his control, it was not clear whether he accepted the need to promote some kind of reflation of the economy, in whatever form.

Liberal Democrats want to make clear in this economic debate the distinction between getting out of a recession using Government spending and trying to get out of a recession using individuals' spending. The former approach is, at least, based on good, liberal, Keynesian economic theory. The latter is not soundly based on anything at all. That is why, in general terms, the Liberal Democrats fully support the Government's plans to accelerate capital spending but are deeply sceptical of attempts to induce already overborrowed citizens to spend more than is prudent.

Malcolm Chisholm: I find Mr Finnie's views—particularly his last comment—interesting, but how are they consistent with his party's policy in Scotland of putting more money into people's pockets and taking £800 million out of public expenditure, including, presumably, capital expenditure?

Ross Finnie: People who believe in independence are concerned only about the Scottish economy, but I would have thought that Malcolm Chisholm, as a good unionist like myself, would understand that the proposals of the Liberal Democrats in the UK as a whole and in Scotland have to be viewed in the round. If he did so, he would not end up with the kind of picture that he is presenting to us.

This debate has been useful. It was helpful to hear that we are going to receive the extra investment of £260 million, which is the maximum that can be deployed in Scotland. We broadly welcome that, but we would like to see the precise detail of the proposed measures. With regard to helping the sectors that have been most seriously affected by the crisis—namely, the construction industry and its allied trades—much of what the Cabinet Secretary for Finance and Sustainable Growth said is to be welcomed.

In passing, I must say that Alex Neil's speech was the masterpiece of illogical thought this afternoon. He spent the whole of his opening minute deriding and denigrating any form of forecast, then based the rest of his speech on what he modestly described as the "Neil forecast". That took quite a bit of believing.

I want to make one or two constructive comments to the cabinet secretary about housing. First, we need clarity about exactly who is eligible for housing spend, as there has been a lot of confusion about that. Clarity would help. Secondly, I hope that the cabinet secretary is not blindly approving any old housing project. The whole economic situation has changed. Demand for affordable housing has not changed, but it seems to me that, given the economic circumstances, there has been a radical shift, and housing to rent rather than housing to purchase should be given particular consideration. In addition, the Scottish House Builders Association and others have suggested that we need to consider a more diverse range of housing. With respect to using the advanced expenditure, I therefore hope that the cabinet secretary will inform the chamber that the Government is not considering just any house build but is taking into account the real change in economic circumstances.

I share Jackie Baillie's view on the need to give more comfort to the housing market and to those who are faced with repossession. Broadly speaking, we welcome the use of advanced capital spend to help the economy, but we are deeply sceptical of moves that increase personal debt or induce people to spend money that they simply do not have.

16:36

Gavin Brown (Lothians) (Con): Like my colleagues, I have grave concerns about the pre-budget report. I have concerns about the mountain of debt that is being racked up, the tax time bomb that the Chancellor of the Exchequer and Prime Minister have left, and the effect of the so-called stimulus package. I also have big concerns about the United Kingdom Government's global view, as outlined by the strength—or weakness—of sterling at the moment.

Let us first consider the implications of debt. The Government's novel solution to a debt-fuelled financial crisis is the biggest deficit in post-war history. We have heard the figures already, but they are worth repeating. Borrowing will hit £118 billion next year, or 8 per cent of our GDP, which is a higher figure than in the recession of the early 1990s and in the mid-1970s, when we had to go cap in hand to the IMF. By 2012-13, the national debt will hit 57 per cent of GDP, or £1 trillion. Quite

simply, our future is being mortgaged to pay for the mistakes of the past.

It is worrying that commentators now talk about a W-shaped recession instead of a straight down, straight up, V-shaped recession. They say that, because of the enormous interest payments on the massive debt that we have undertaken, when we start to recover in a year's or possibly two years' time—as we hope we will—we will start to slide down again. That is why they refer to a W-shaped recession. We have enormous fears about that.

Dave Thompson (Highlands and Islands) (SNP): Is the member worried about the UK's future independence, given the size of its current deficit? Does not a huge budget deficit have a bearing on a country's independence?

Gavin Brown: We have been pretty clear about what should be done about the budget deficit. We need an independent office for budget responsibility that can consider, year on year, what the Government does and which has the power to constrain it. That would bring down debt and satisfy Mr Thompson's fears, if I can call them fears.

As I have said, there are enormous debt implications. It was wrong of Jackie Baillie to say that it is only a global crisis. She grinned as she said that, with no remorse whatsoever for the position that we find ourselves in. Of course there is a global crisis, but the reality is that it has been predicted that our economy will contract more than the economy of any other Organisation for Economic Co-operation and Development country, because we failed absolutely to put any money aside. [*Interruption.*] Jackie Baillie shouts from a sedentary position that we have no suggestions. That is simply untrue.

Andy Kerr: Will the member give way?

Gavin Brown: Let me deal with the sedentary point first, please. It is not true that we have no suggestions. The Conservative party has outlined a range of suggestions. We suggest a national loan guarantee scheme—guaranteed lending to get the credit markets moving. We have talked about national insurance tax exemptions for those who take on new staff. Rather than increase national insurance, as the Labour Party wants to do and which will attack jobs, we want to give exemptions to those who take on new staff. We propose a six-month VAT holiday to ease cash flow, and we would cut corporation tax for small and medium-sized enterprises from 22p to 20p. We also propose an office of budgetary responsibility, as we have outlined. Those measures would add up to a bigger influence than the simple 2.5 per cent cut in VAT for 13 months only.

Jeremy Purvis: Will the member give way?

Gavin Brown: No, thank you. I must make progress.

Not a single speaker from the Labour Party mentioned the tax time bomb—the tax increases that will occur. The increase in the upper band of income tax to 45 per cent will not collect anywhere near the £1.6 billion that the Labour Party thinks it will. Quite simply, people will put far more money into their pensions and will do more charitable giving and pursue tax avoidance schemes, so we will not recover the money that the Labour Party thinks we will.

None of the speakers from the Labour Party was happy to talk about the increase in national insurance. That will be a tax on jobs—a permanent tax hike on employment—just at the point when we might be trying to grow the economy again. Also, it will not raise anywhere near enough money. It will raise about £4 billion a year net, but the required stimulus is meant to be £20 billion. How will the Labour Party make up the shortfall? Was the suggestion of a VAT rate of 18.5 per cent after a year more than just a misprint? Has it been the Government's plan all along?

I am concerned about the view from outside the UK. Our UK Government says that we will have 1.75 per cent growth by 2010, but the OECD says that we will be lucky if the figure is 0.85 per cent. That would make quite a difference in a year. I mentioned in an intervention the falling pound. It is at its lowest rate against the yen for 13 years, we have had the biggest fall against the dollar since 1992, and the sterling exchange rate fell again yesterday and today. The rest of the world is making its mind up about our stimulus package. Far from following us, Germany and France have said that the VAT cut is a bad idea and they are voting with their feet. We need far better action, far more quickly.

16:42

David Whitton (Strathkelvin and Bearsden) (Lab): I am happy to take part in today's debate on the Scottish Government's response to the pre-budget report. I welcome Alistair Darling's plans to help out the people of the United Kingdom during this tumultuous time. The debate has been interesting, but with some predictable contributions from our colleagues in the Scottish National Party. Keith Brown made a comparison with Ireland, a country that seems to want recession to take its course. For Alex Neil, it was think of a number—any number that makes the Scottish economy look bad. We are now into trillions. Rob Gibson talked of tax cuts helping the rich, but he forgot to

mention that, under his party's proposed local income tax, the very rich would pay nothing at all.

Jamie Hepburn spoke about his letter to the chancellor, but he could not recall his First Minister saying that bank regulation was too restrictive in Scotland. Clearly, he is not destined for the front bench any time soon. Let me enlighten him. Mr Salmond said:

"We are pledging a light-touch regulation suitable to a Scottish financial sector ... as opposed to one like that in the UK, which absorbs huge amounts of management time in 'gold-plated' regulation."

Mr Swinney offered a similar quotation. He said:

"We would have to take decisions about the way in which financial regulation was handled as an independent country. We would take those decisions with the principles of business competitiveness very much in mind."

So Mr Hepburn might have to go back to the drawing board. As for Bob Doris, he was Bob Doris—need I say more?

We had a telling appeal from Jamie Stone for more investment in Wick academy. I hope that Mr Swinney was listening to that tale and will bear it in mind when he decides which schools are deserving of investment.

Rob Gibson: The situation at Wick academy has been going on for decades—during some of which you were in government—and we have to pick up the bits. What did you do when you were in government?

The Deputy Presiding Officer (Alasdair Morgan): Members should not address one another in the second person.

David Whitton: I have been in the Parliament only since last May, so I did not do anything, but you—I am just getting my own back, Presiding Officer—should listen to Mr Stone's appeal.

The current economic problem is not only a Scottish or UK problem but a global one—in effect, it is a nationless problem. Economies around the world are dealing with a serious financial situation. Icelandic banks are in a state of disarray. The American stock market keeps slipping, with famous financial names disappearing in disgrace. Job losses in the UK and abroad dominate the evening news. Even the wonder of Woolworths is not so wonderful any more.

In these difficult times, the true test of a Government is how it deals with the most vulnerable and those who are directly affected. Chancellor Alistair Darling's pre-budget report seeks to help those who are vulnerable during the present credit crunch: families, businesses and the elderly. It is worth repeating the effects of the actions that he has taken. He has introduced a £20 billion fiscal stimulus, £2 billion of which will come to Scotland. For 1.3 million Scots

pensioners, there will be an extra £60 in January. A further 1 million Scots who receive benefits will also get £60. The increase in child tax credit will help 800,000 Scottish children, and the increase in child benefit to £20 a week for the first child and £13.20 for other children will benefit more than 600,000 families from January.

The cut in VAT that some members have derided will put £12.4 billion into the economy and is the equivalent of £275 per person. As my colleague Andy Kerr highlighted, every basic rate taxpayer will enjoy a tax cut of £145. Those measures put money back in consumers' hands to keep the economy moving forward.

The UK Government seeks to protect businesses and jobs through measures such as the small business finance scheme. About 90 per cent of Scottish businesses are classified as small companies. The Government's measures have been welcomed by, among others, Iain Duff of the Scottish Council for Development and Industry, who said:

"This package of carefully targeted investments and tax reliefs, and increased flexibility for businesses when paying tax, should ensure that the recession is not as deep or as long as it would otherwise have been."

Andy Willcox of the Federation of Small Businesses added:

"The Government's Small Business Finance Scheme ... will provide a vital cash boost to businesses struggling with rising costs and a lack of credit."

Gavin Brown: David Whitton talked about protecting jobs. What effect will the increase in national insurance have on jobs?

David Whitton: If Mr Brown had paid attention to the pre-budget report, he would have seen that that measure is planned to come in only when the economy is recovering.

It is probably worth recording our welcome for today's news that HBOS is finalising negotiations with the European Investment Bank to secure £250 million of support for its small and medium-sized enterprise customers. I hope that that means that there will be better access to loans at reasonable interest rates.

It is all very well for me to welcome the chancellor's pre-budget report—that might be expected—but there are others who believe that the Labour Government at Westminster has taken decisive action. As we heard, the Nobel economics laureate Professor Paul Krugman certainly believes that. It is sad to say that the "Newsnight" laureate Alex Neil disagrees, but I know whom I choose to believe. Professor Krugman said recently:

"the Brown government has shown itself willing to think clearly about the financial crisis, and act quickly on its conclusions."

Derek Brownlee rose—

David Whitton: Just in time: I was about to mention Derek Brownlee, so I will take him now.

Derek Brownlee: Does Professor Krugman not have the great advantage of not being faced with the tax bills when the package unravels?

David Whitton: Professor Krugman has the advantage over Mr Brownlee when it comes to discussing economics. What has the Conservative party of Mr Brownlee and his colleagues at Westminster been doing meantime? The answer is absolutely nothing. Their official view seems to be that we should let recession run its course—not my words, but those of the Conservative deputy chairman John Maples. Strangely, only Ireland and Latvia agree with him, but even he did not go as far as Andrew Lansley, the Tory shadow spokesman on health, who actually said:

"recession can be good for us."

That was a representative of the party that created the economic devastation of the Thatcher years.

It is clear that the Conservatives have not changed, which is why their poll ratings are dropping like a stone. I remind Derek Brownlee that David Cameron and his colleagues opposed an urgent boost to the economy against the advice of the IMF, the governor of the Bank of England, the CBI and the Institute of Directors. That is a case history in how to lose friends. They opposed Labour's actions to protect people with savings in Northern Rock and the Bradford and Bingley—how to lose votes. They also opposed giving the Government the powers that it needs to rescue banks such as the Royal Bank of Scotland and HBOS—how to lose sense.

I will take no comments about second-rate Labour politicians from Jackson Carlaw, a former second-hand car salesman—I have been waiting a while to use that line.

No one welcomes the credit crunch, because it will affect the jobs and lives of many hundreds of people both here and abroad. It is incumbent on politicians of all parties to work together to alleviate some of that hardship. Under a Labour Government at Westminster, we recorded 11 full years of consecutive economic growth—a record that no other Government has ever achieved. Labour took employment levels to a record high and unemployment to a record low. The UK also had the longest period of sustained low inflation in 40 years and the lowest interest rates.

The Deputy Presiding Officer: The member must conclude now.

David Whitton: The challenge now for the First Minister, Mr Swinney and the SNP is to see whether they can step up to the plate and bring

forward a programme of measures that will add to that assistance.

16:51

John Swinney: In his otherwise excellent speech, I am not sure whether Charlie Gordon caught the mood of Parliament by saying that the contents of my speech would have been more appropriate for a ministerial statement. I could hear a gasp among the remainder of the Labour members, who were thinking, "Not another ministerial statement from John Swinney." However, to be serious, I say to Charlie Gordon, who contributes significantly in this Parliament on transport and other issues, that the Scottish Government will be a willing partner in discussions about high-speed rail links between Scotland and London. We appreciated greatly the approach taken by Tom Harris, a former transport minister and constituency colleague of Mr Gordon, who took a positive and proactive view in relation to high-speed rail links, which is a matter where leadership rests with the United Kingdom Government. Mr Harris changed the tone of the discussion successfully and we look forward to further discussions with his successor on those issues.

Jackie Baillie raised a number of points on the genuine uncertainty that people face about repossession and their home situation in the current environment. We are considering some of the remaining Barnett consequentials that flowed from the pre-budget report in relation to advice. We will consider that in the context of the range of interventions that the Scottish Government is taking forward, including the £25 million home owners support fund, the mortgage to rent scheme and the mortgage to shared equity scheme, which we already have in place, or will have in place at the start of 2009. All that comes on top of the work that we have done regarding the additional support that has been made available to provide legal advice and representation to individuals who face the possibility of repossession. Obviously, the Government wants to work with lenders and individuals and we encourage them to co-operate to try to ensure that repossession is an absolute last resort and that we put in place the mechanisms to avoid that if at all possible. I assure Jackie Baillie that ministers are looking at the consequences of the pre-budget report in that respect.

Malcolm Chisholm raised the issue of funding for housing in Edinburgh. He is correct that no allocations have been made from the accelerated funding so far, but more than £70 million of allocation is still to be made in relation to 2009-10. In the current financial year, the City of Edinburgh Council has received £36 million for affordable

housing. Edinburgh and the Lothians have received a significant part of the open-market shared equity resource that has been available to give access to low-cost home ownership. The Government will of course remain connected to the discussion with the City of Edinburgh Council and other players on the questions about housing provision in our capital city.

Wendy Alexander made a number of points about the position that the Government has adopted. She criticised the lack of change in the Government's budget in Scotland to adapt to the current economic circumstances—a point that was echoed by Mr Kelly. I can assume only that Mr Kelly has made full use of his opportunities in the Finance Committee to advance alternative propositions to which the Government can respond as constructively as we responded to the Finance Committee's report last year in adapting our budget provisions to take account of parliamentary opinion. We await with interest the Finance Committee's report.

Wendy Alexander talked about the reshaping of our programme. The reshaping of the United Kingdom Government's programme has been a great shift not of expenditure, but of borrowing. The expenditure totals, patterns and plans remain largely the same, but borrowing has changed. The borrowing measures that are being implemented support some of the short-term tax reductions for individuals.

Of course, the Scottish Government cannot borrow, so we have no such flexibility—we must await, as we have awaited, the UK Government's decisions on providing flexibility on capital expenditure. Just as we do not borrow, we must accept the strictures of the financial envelope from the UK Government. When the cuts come along in 2010-11, we will have no discretion over them and we will have to consider how to respond to them.

Wendy Alexander referred to a lack of economic growth forecasting in the Scottish Government. I simply point out to her that the previous Government, whose top priority was apparently economic growth in Scotland, had no economic forecasts and resisted having even the ambitions that the present Government has to match economic growth in the rest of the United Kingdom and to aim to achieve the economic growth rate of comparable countries around the globe.

Wendy Alexander criticised the Government's planning reforms. On 28 October, the planning minister, Mr Stevenson, Mr Mather and I hosted a gathering of economic and environmental agencies, the private sector, local authorities and the development community with the determined aim to accelerate planning reform. The reaction to that from the Confederation of British Industry Scotland's chairman, Mr David Thorburn, was:

"Planning reform has been one of our top priorities for some time and I am greatly encouraged by both the speed and depth of the Scottish Government's response."

I am not normally on the receiving end of credit from CBI Scotland, but my goodness—it does not get much better than that from David Thorburn. Wendy Alexander should applaud the Government for what we are doing to change the culture and the programme of the planning system.

On capital expenditure, I will not repeat the long, long list of capital projects that I put on the record a couple of weeks ago.

The First Minister (Alex Salmond): Good idea.

John Swinney: I hear the First Minister's enthusiasm to hear the list. I shall read it to him privately later this evening.

The Government has made a range of capital expenditure decisions that are resulting in the building of schools, hospitals, roads and other public investment projects, including rail links, around the country.

Jackie Baillie: I am sure that the cabinet secretary agrees that those are pipeline projects. He has made several announcements, but not one project has been approved and no contract has been signed since February 2008. That was the point that was made, to which the cabinet secretary has no answer.

The Deputy Presiding Officer: The minister is in his last minute.

John Swinney: Capital investment is going on all round the country. The Scottish Government has brought forward a £3.5 billion capital investment programme that is delivering the goods in communities around the country.

Andy Kerr quoted Professor John Kay. I will put Professor Kay's full point on the record. He said:

"Scottish public finances pro rata may be becoming dire because the UK's public finances are dire."

Only one group of people is responsible for that—the United Kingdom Labour Government, which should be ashamed of its performance.

Business Motions

16:59

The Deputy Presiding Officer (Alasdair Morgan): The next item of business is consideration of business motions S3M-3008, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a business programme; and S3M-3009, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a timetable for stage 2 of the Disabled Persons' Parking Places (Scotland) Bill.

Motions moved,

That the Parliament agrees the following programme of business—

Wednesday 10 December 2008

2.00 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Standards, Procedures and Public Appointments Committee Debate: 1st Report 2008: Elections to the Scottish Parliamentary Corporate Body

followed by Standards, Procedures and Public Appointments Committee Debate: 8th Report 2008: Audit Committee - Title and Remit

followed by Ministerial Statement: Strategic Transport Projects Review

followed by Scottish Government Debate: Strategic Transport Projects Review

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 11 December 2008

9.15 am Parliamentary Bureau Motions

followed by Scottish Labour Party Business

11.40 am General Question Time

12 noon First Minister's Question Time

2.15 pm Themed Question Time
Justice and Law Officers;
Rural Affairs and the Environment

2.55 pm Ministerial Statement: Local Government Finance Settlement 2009-10

followed by Scottish Government Debate: Local Government Finance Settlement 2009-10

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Wednesday 17 December 2008

2.30 pm Time for Reflection
followed by Parliamentary Bureau Motions
followed by Finance Committee Debate: Budget
 Process 2009-10
followed by Business Motion
followed by Parliamentary Bureau Motions
 5.00 pm Decision Time
followed by Members' Business

Thursday 18 December 2008

9.15 am Parliamentary Bureau Motions
followed by Scottish Government Business
 11.40 am General Question Time
 12 noon First Minister's Question Time
 2.15 pm Themed Question Time
 Finance and Sustainable Growth
 2.55 pm Scottish Government Business
followed by Parliamentary Bureau Motions
 5.00 pm Decision Time
followed by Members' Business

That the Parliament agrees that consideration of the Disabled Persons' Parking Places (Scotland) Bill at Stage 2 be completed by 19 December 2008.—[*Bruce Crawford.*]

Motions agreed to.

Parliamentary Bureau Motion

16:59

The Deputy Presiding Officer (Alasdair Morgan): The next item of business is consideration of motion S3M-3010, in the name of Bruce Crawford, on the approval of a Scottish statutory instrument.

Motion moved,

That the Parliament agrees that the draft Budget (Scotland) Act 2008 Amendment Order 2008 be approved.—[*Bruce Crawford.*]

The Deputy Presiding Officer: The question on the motion will be put at decision time.

South Edinburgh Suburban Railway

Decision Time

17:00

The Deputy Presiding Officer (Alasdair Morgan): There is one question to be put as a result of today's business. The question is, that motion S3M-3010, in the name of Bruce Crawford, on the approval of a Scottish statutory instrument, be agreed to.

Motion agreed to.

That the Parliament agrees that the draft Budget (Scotland) Act 2008 Amendment Order 2008 be approved.

The Deputy Presiding Officer (Alasdair Morgan): The final item of business today is a members' business debate on motion S3M-1975, in the name of Gavin Brown, on the south Edinburgh suburban railway. The debate will be concluded without any question being put.

Motion debated,

That the Parliament notes the wide public and cross-party political support that the campaign for the reopening of the South Sub railway has gathered; acknowledges the importance of the work carried out by groups such as Capital Rail Action Group (CRAG), E-Rail and TRANSform Scotland; observes that the most recent report on the reopening of the South Sub did not contain a benefit-cost ratio, which was positive in previous reports; believes that the reopening of the South Sub would ease the impact of traffic on the main routes into the city as well as playing an important role in the reduction of fuel emissions in the south of Edinburgh, and believes that there is a case for the reopening of passenger services on the South Edinburgh Suburban Railway.

17:02

Gavin Brown (Lothians) (Con): I thank the members of the Scottish Parliament who have stayed behind to take part in and observe this debate on the south Edinburgh suburban railway. I also thank the MSPs who signed the motion that I lodged on 22 May.

For some time, the south sub railway has had support across the political spectrum, so I was pleased to see a continuation of that support in the number of members of different parties who signed the motion. I pay particular thanks to the south sub supporters and members of community groups who are watching the debate from the public gallery tonight. We have representatives from Morningside community council, Merchiston community council, Grange/Prestonfield community council, Southside community council, Craigmillar community council, Canongate community forum, E-Rail and the Capital Rail Action Group, to name just a few. Indeed, the Capital Rail Action Group has submitted a petition to the Public Petitions Committee that is due to be heard on 16 December.

I will focus on four main areas, the first three of which are the benefits in general that the south sub provides, the attraction of much of its infrastructure already being in place and the innovative funding mechanism that E-Rail has proposed. Fourthly, I will counter some of the comments that were made in the most recent report that was produced by Halcrow and which the City of Edinburgh Council has sanctioned.

On page 10 of the most recent report, we hear that the Edinburgh south suburban railway corridor “suffers ... from the impact of road traffic on the main radial routes into the city, with the attendant issues of congestion, road safety and damaging environmental effects.”

Constructing the south sub would counter a number of the problems from which the south side of the city suffers. There would also be a reduction in journey times from a whole host of parts of the city that are not connected by rail at present—for example Fort Kinnaird, Niddrie, Craigmillar, Cameron Toll, Newington, Blackford, Morningside, Craiglockhart and Gorgie. There is also the possibility of taking the south sub all the way out to Edinburgh Park and making connections into Haymarket and/or Waverley stations.

I will show members how the reduction in journey times might work. It is anticipated that a journey from Morningside to Haymarket on the south sub would take approximately seven minutes, which is impossible for someone travelling down Morningside Road. Getting people out of their cars and on to the south sub to go to and from work or into town to take advantage of retail opportunities would, of course, have environmental benefits.

Margo MacDonald (Lothians) (Ind): The member will know that, in opinion polling on the potential use of trams in Edinburgh, it is always assumed that the travelling public would prefer to leave their cars at home in order to travel by tram. Has the same sort of sampling been done for the south suburban railway?

Gavin Brown: As most members will know, the project is at a slightly less advanced stage than the tram project. The report that Atkins produced in 2004 focused heavily on potential use—I will come on to the numbers that were predicted in that report and in the Halcrow report that was produced earlier this year.

Let us look at the infrastructure that is in place. I am sure that the Minister for Transport, Infrastructure and Climate Change is hit regularly by requests for transport projects throughout Scotland, but the south sub has particular benefits that other projects may lack. The bulk of the infrastructure—although not all of it—is already in place. The tracks are there, and passenger trains ran on the line until 1962. Even today, approximately 50 freight trains a day use it, although one or two upgrades may be required. The station locations are also there, although they will need to be converted back into stations. Because the bulk of the infrastructure is in place, costs are more modest than is the case in many transport projects. I argue that the south sub starts from a strong base.

I commend the work that E-Rail has done thus far on the funding mechanism for the project. E-Rail has looked at securing capital contributions from the private sector. It states that having an

“Innovative financial mechanism, with private funds captured through increases in development land values”

gives the project a much better chance of going ahead, which makes the point neatly. At the last time of asking, E-Rail had secured pledges of approximately £8 million from the private sector, including contributions from Cameron Toll, Kinnaird Park and the University of Edinburgh. Money from the private sector is potentially available to help meet the capital costs of the project. E-Rail has suggested an innovative way forward that definitely merits further consideration.

I want to counter one or two comments in the Halcrow report, which was not wholly positive about the south sub. It contained no benefit cost analysis. Previous reports included such analyses, which proved positive—the figure was 1.2 under one model and 1.64 under the best model. By failing to provide a benefit cost analysis, the writers of the Halcrow report ignored the benefits that would come from less congestion, a lower rate of accidents and a decrease in journey times. A previous report put numbers on those benefits, suggesting that there would be time savings of £1.2 million, decongestion savings of £1.4 million and accident savings of £0.5 million.

The Halcrow report reckons that the line would be used by 822,000 passengers a year, but the Atkins report suggests a figure of 1.5 million. Those estimates are based on marginally different routes, but the disparity between the figures—one is almost double the other—suggests that further investigation is needed. If 1.5 million, rather than 800,000, is correct, it would have a massive effect on the amount of revenue that can be brought into the south sub.

The people of south Edinburgh and groups who are promoting the south sub have certainly waited their turn. The first campaign started probably a couple of weeks after the line was closed in 1962. In 1993, Lothian Regional Council recognised formally that reopening the line might be a good idea. Something is required, and it is fairly clear that little or no benefit will come to south Edinburgh from the tram system—certainly not in the short term and probably not in the medium term.

There are key plus points for the south sub: quicker journey times; the fact that much of the infrastructure is in place; the existence of an innovative funding mechanism; and the environmental benefits of cutting congestion. The scheme has popular support, and we strongly urge the City of Edinburgh Council and the Government

to work together to overcome the obstacles and get the south sub back on track.

17:10

Christopher Harvie (Mid Scotland and Fife) (SNP): I thank Gavin Brown for securing this debate on an old, familiar friend, the Edinburgh south suburban railway. I stand before you, Presiding Officer—there are probably some in the public gallery, too—46 years on, as a former commuter between Morningside Road station and the Royal high school. Like other members, I wish to make good the folly of the 1960s which, symbolically, started with the closing of the sub in the autumn of 1962 and ended with the closure of the Waverley route in 1969. Incidentally, I think that I can congratulate the Scottish Government on bringing forward the first tranche of works on the Borders line as part of its public works programme. That is an excellent start.

There is a problem with the south suburban, which was vividly impressed on me during my youth. I was rarely in Royal high in time for assembly because our trains would gallop merrily along the south suburban line only until they reached the junction near Murrayfield, where they would stand for 10 minutes while the commuters from Glasgow and Fife, and a magnificent 12-wheel sleeping car that came down from Inverness, were given precedence going into Waverley station. That reminded us that the Edinburgh suburban railway was what I would call a raised pinkie railway. Awful genteel, it was built in the 1880s out to ultra-genteel Morningside at a time when very few Edinburgh workers, who lived in the banana of working-class housing between Gorgie and Abbeyhill, travelled by any means other than Shanks's pony. Indeed, very few of them travelled by tram until the 20th century. Many journeys were, however, made from Colinton, Morningside and Davidson's Mains, with the goals being solicitors' offices or Jenners in the centre of town.

The delays were real, and they got worse—or they would have got worse had the south suburban survived—when trains to and from the west stopped being terminated at Caledonian station and were concentrated instead into the west end of Waverley. Trains have since made the west end of Waverley station almost totally congested.

I have great sympathies for the idea that has been put forward, but I think that another type of terminal facility in Edinburgh is needed. If we are anticipating a threefold increase in general rail travel by about 2020, Waverley station is utterly inadequate. It was inadequate in 1948 when Sir Patrick Abercrombie settled on having a quite new station, which was to be served by an

underground line running under the Meadows, at Morrison Street, near Haymarket. I think that that siting still holds good.

Why not think of the suburban railway in the way that the people who planned the new Eurostar terminal at St Pancras thought of the north London line? We could keep the solum but build an underground route to the main area and use the area above for passenger transport purposes. We should be contemplating a solution on that scale. It has been done on the north London line, and it has enabled trains from the continent to run directly into St Pancras station. Only thus could we get the basic capacity that an Edinburgh terminal would need. All wise European countries are doing something of that sort, and they are preparing for railway passenger levels far higher than those that we have now. In Switzerland, Zürich station is now on three levels, has 26 platforms and handles 340,000 passengers a day using nearly 3,000 trains—roughly double the number Waverley serves.

What of the south suburban line? What of trams? One would best leap over the existing lines to the west and terminate the trains along the tramway line, carrying the services on to Princes Street and Waterloo Place. The vehicle of the future, all over Europe, is the tram-train, and the south suburban line services would fit very well as an experimental tram-train in Scotland.

17:15

Robin Harper (Lothians) (Green): I have been involved, one way or another—on the sidelines, so to speak—in supporting the Capital Rail Action Group in its campaign for the south sub for almost as long as I can remember in politics and certainly over the past 10 years. I pay tribute to the work of CRAG, and Lawrence Marshall in particular. He has been a tireless campaigner for the south sub. The fact that we are having a debate on it in the chamber today is very much due to his tireless work.

What attracted me, and still attracts me, to the project is that, as Gavin Brown so ably demonstrated, it ticks just about every box we can think of for transport and accessibility. The train paths exist. In fact, once upon a time—I do not know whether this is still done—there was a Christmas trip round the south sub, which Lawrence Marshall managed to arrange just to show that the track is there and can be used.

It looks as though there is now finance for the project. The south sub would be incredibly useful because there is a demand for it. In addition, it would play its part in reducing Edinburgh's contribution to climate change and add to accessibility and social equity in Edinburgh by

providing direct transport links between communities that do not currently have them. Edinburgh is one of the many cities that it is easy to get in and out of along radii, but someone who wants to travel from one place on the periphery of Edinburgh to another place on the periphery must come into town and go back out again, which is wasteful of time and resources. The circular route of the south sub would go some way to set that right. It would also increase links with all sorts of other networks, such as the new tram network that will go out to Edinburgh airport. It would also link with the rail system, and thus to the rest of Scotland.

Christopher Harvie must be taken seriously as a learned member who knows a lot about transport, and I did take what he said seriously. Part of our problem in Scotland, and in the UK as a whole, is that our signalling system is antiquated. In London, tube trains can be operated at two-minute intervals. In fact, on some lines, they can be operated at one-minute intervals. They travel at 30mph or 40mph with no danger of colliding with each other, but we seem to fear that if there is less than 15 minutes between trains they might run into each other.

There are modern radar-guided signalling systems that have the added advantage of being virtually vandal proof. I know that they are expensive, but this is a national UK issue, not just a Scottish one. If we could employ a modern signalling system, some of Christopher Harvie's objections or concerns would be solved at a stroke.

I commend Gavin Brown for initiating the debate and hope that it will help to progress the cause of the south sub.

17:18

David McLetchie (Edinburgh Pentlands) (Con): I congratulate Gavin Brown on securing his members' business debate—his first—on the south sub, which he has campaigned for over a long period. I join him in welcoming to the public gallery people from south Edinburgh.

As we have heard, passenger services ceased to run on the south sub line in 1962. Being an Edinburgh eastender rather than an Edinburgh southsider, I did not travel on the line as a boy, so I was fascinated by Christopher Harvie's recollections of his journeys to school on that railway. I could not help thinking, however, that he could have got up earlier and got an earlier train; perhaps assemblies at the Royal high school were events worth missing in his day.

Although I did not travel on the line as a boy, I had the great pleasure of travelling on it in July 2000 in the company of Robin Harper and Margo

MacDonald. We were the first passengers on the first passenger journey to be undertaken on the line for nearly 40 years. On that day, I thought that reopening the line was an exciting concept—I still think so, even though many people have sought to pour cold water on the idea in the intervening period. I hope that tonight's debate will play a part in getting the campaign to reopen the line back on track—to use the best, or worst, of puns.

In recent years, several studies have considered the viability of the project. In December 2002, Atkins undertook a consultation on the options for reintroducing passenger services on what is currently a freight-only line. The Atkins report indicated that a half-hourly service from Waverley via Niddrie, Cameron Toll and Morningside to Gorgie would be operationally feasible, as would a half-hourly service from Waverley via Haymarket, Gorgie, Morningside and Cameron Toll to Niddrie and Newcraighall. After assessing the overall costs and benefits, the report concluded that there was a case for reintroducing passenger services on the line.

However, the findings of that report contrast starkly with those of the most recent report, by the Halcrow Group, to which Gavin Brown referred. One must acknowledge that the Halcrow report is far less favourable than the Atkins report. One of the main criticisms of the Halcrow report is that it does not contain a cost benefit analysis, which previous calculations for the project had suggested would be favourable.

As has been demonstrated by the signatories to Gavin Brown's motion, cross-party support exists within the Scottish Parliament—it also exists within the City of Edinburgh Council—for reopening the south suburban railway line to passenger services. I struggle to think of many transport projects in this city that enjoy such universal and unequivocal cross-party support. I believe that there is a case for such a passenger service, which would complement the tram network that is slowly, incrementally and expensively being developed.

We need a definitive report on the project and the options—such as the tram-train option to which Christopher Harvie referred—that takes into account the cost benefit ratio of the project, its environmental benefits, such as the reductions in fuel emissions and traffic volumes on the main roads into the city, the positive impact that such a line would have on businesses in and around the proposed stations and—let us not forget—the private finance that would be available for such a project. In total, the capital costs of the project would be modest by comparison with the tens of millions of pounds that are being expended on trams and on the other projects about which we will hear next week in the minister's statement on the strategic transport projects review.

I very much hope that tonight's debate will give the minister some food for thought and I hope that he will, like his predecessor Tavish Scott, agree to meet the City of Edinburgh Council to discuss the case for reintroduction of services on the south suburban line. If nothing else, a little nudge in that direction would be a most positive outcome to our discussion this evening.

17:23

Ian McKee (Lothians) (SNP): I join colleagues in congratulating Gavin Brown on securing this timely debate and I welcome the campaigners in the public gallery who have worked so hard for the project.

As a Lothians MSP, I am whole-heartedly behind any plans to reopen the south suburban railway because I know full well the tremendous congestion on Edinburgh's roads. That congestion is getting worse, so it is difficult to see any solution to it other than a bold strategy such as the one that the campaigners propose. The fact that the rail lines already exist and are used is very positive for the campaign. Little extra in the way of signalling would be needed to make the project feasible.

However, at the risk of asking for one further report, I agree with David McLetchie's request for a more up-to-date assessment of the situation. I would like to have the following questions answered, for my own satisfaction at least, before putting shoulder to the wheel completely. First, why was there a big variation in the figures for the number of potential users? Such a huge variation represents quite a bit of difference in terms of the revenue of the project and, therefore, its feasibility.

Secondly, we are talking about reopening six or seven stations if we use the Niddrie to Waverley line, and there are now very stringent regulations about station facilities, such as on provision of lifts. The cost of opening stations might be quite a lot more than was estimated, so I would like more information.

I would also like more information about the £8.5 million that E-Rail said was pledged, in view of the fact that since then we have seen financial turmoil in the markets and property values have plummeted, so the circumstances in which £8.5 million was pledged might have changed radically. I would like reassurance on that point.

I also seek information about the single line and the junction between Haymarket central and Gorgie junction. I gather that, although about 50 freight trains pass along the line that the south suburban railway would use, they hive off before going onto the single line. Also, if we count trains to Glasgow and Bathgate, something like 24 trains per hour use the lines—all those journeys might

be disrupted if trains from a reopened south suburban line had to cross without more up-to-date junctions and railway line infrastructure. I am not an expert on railways, but the problem has been brought up and I do not think that it has been tackled in the current debate.

I would therefore like either the Minister for Transport, Infrastructure and Climate Change or the supporters of the proposed programme to settle those issues for me, and to reassure me and my colleagues that our fears are groundless and that the project has a future and is sustainable. If that is the case, the project will get my whole-hearted support, because the line is needed.

17:27

Margo MacDonald (Lothians) (Ind): I had no intention of taking part in the debate but, having listened to Christopher Harvie in particular, I have one or two things to say.

Ian McKee's reservations are shared by many people, but the reopening of the south suburban line is a challenge that can be overcome by engineering and planning. We might not have had the cost benefit analysis that we should have had or the sampling of the public that was done for potential tram use, but that does not mean that it cannot happen. I urge on the minister the meeting with the council that was suggested so that the proposals can be discussed in a strategic fashion. The south suburban line is essential if we are thinking about the strategic development of transport in Edinburgh to meet the needs of a population that has grown and will continue to grow once we are through the recession and depression.

However, I think that it is a bit rich for a unionist party member to describe the benefits of such capital investment when the minister is deaved at the moment with all the promises that have been made for capital development in transport systems, and he well knows that the money is not likely to come from Westminster as might have been expected even 18 months ago.

Although we all have grand plans and what Christopher Harvie talked about should be the template for our thinking—we should be thinking as big as anyone is doing in a comparable European city—where is the money coming from? That is the question that someone has to answer.

17:29

The Minister for Transport, Infrastructure and Climate Change (Stewart Stevenson): I begin by congratulating Gavin Brown on securing the debate. My personal experience as transport minister is that between 17 May 2007, when I came into office, and 5 November 2008—I do my

counting monthly—I have made 436 ministerial rail journeys and 116 ministerial bus journeys, so I speak not from the position of the abstract theoretician but as an engaged user of Scotland's public transport network.

The Government's economic strategy makes it clear that the aims of our focus on transport are to make better connections across Scotland, to improve reliability, to reduce journey times, and to maximise opportunities for employment, business, leisure and tourism. Members will hear a great deal more about transport in the statement that I will make to the Parliament next week on the strategic transport projects review.

I acknowledge the clear support for the proposal that exists in many parts of Edinburgh. Gavin Brown named eight groups, and I recognise the commitment and sincerity of those people. He also made a point about the impact on road traffic, and that point is certainly made in the report. He mentioned a seven-minute journey time from Morningside, and clearly there are advantages to such provision for passengers.

Gavin Brown also highlighted the fact that, at present, 50 freight trains use the railway each day. That is not an inconsiderable issue in thinking about what can be done. He mentioned that the station locations are already known. That is true, although, as Christopher Harvie said, there might be issues about bringing the stations back into use. In particular, as much of the route is elevated, there are issues in relation to disability legislation that would substantially increase the cost from what one might imagine and what might previously have been thought. The option is not as cheap as it would appear to be, given that it involves a working, fully signalled railway that is joined to the network.

Why does the most recent report not provide a cost benefit ratio? The report was produced using the Scottish transport appraisal guidance, which is primarily about identifying what transport problem exists and, from that, seeking to identify the appropriate solution. It is not about evaluating whether we should have a railway through south suburban Edinburgh. The study has not yet developed to the point at which it would be reasonable or appropriate to update the cost benefit ratio. Having said that, I am not going to pick at or criticise the previous figures that have been produced.

I turn to the issue of resources and where they can best be deployed. Chris Harvie said that, in a sense, the big issue is the switches that join the south suburban loop to the main line. There are substantial costs in upgrading such switches.

Recently, we went through an upgrade in connecting the Bathgate line to the main line,

taking a dual line and merging it into a single connection to the main network to be a fully doubled connection. That closed the line for a week last Christmas and cost a substantial amount of money. We would certainly need to do such work for the project that we are discussing tonight. Furthermore, the Bathgate line has a much lower level of use than the one that is talked about in relation to the south suburban line.

More fundamentally, the big problem is capacity at the two main stations in Edinburgh and the use to which we should put that scarce capacity. I will return to that shortly.

Robin Harper is obviously a former pupil of the Royal high school. I am not sure where David McLetchie went but, given his remarks, I suspect it that was a rival school in Edinburgh. He suggested that I should sit down and talk to the City of Edinburgh Council. As an enthusiast for public transport, I am always happy to do that sort of thing. If that is helpful, I will do so.

Robin Harper latched on to the key issue of the carbon contribution—and quite properly so. There would be a carbon benefit in getting more people off the roads and on to the south suburban line. However, we have to compare that with the carbon benefit of using the slots at Haymarket and Waverley for longer distances, which is likely to be greater.

Robin Harper highlighted the issue of signalling. We in the British isles are looking at the European signalling system, which is essentially a moving-block system that improves the utilisation of rail lines. However, the new timetable for Kirkcaldy has about 12 trains an hour, proving that we can do quite well in the existing system. The European system will be piloted on the Cambrian network quite soon, and we would expect to see the system here. We need investment in rail signalling if we are going to improve services.

Ian McKee suggested that

"Little extra in the way of signalling would be needed",

and he asked a number of questions, some of which I can answer. One of the reasons why the estimates of potential users are variable is because the routes that were being considered were somewhat different. Further, we must take into account that if we get people on to rail, we get them out of the bus. Considering the system as a whole, I think that the situation is not as clear cut as some might suggest. With six or seven rail stations, the cost might be quite high.

Margo MacDonald said that the problems can be overcome by engineering. Engineering can solve almost every problem but, as she suggests, that approach may be constrained by the fact that this transport minister is deaved.

The key difficulty is that the Halcrow study has not identified a transport problem that requires to be solved. There are already significant changes to our network: the adjacent corridors, supported by the development of Edinburgh Park services through to Newcraighall; and the Edinburgh tram link—there was not huge enthusiasm for that on the part of the Scottish National Party, but nonetheless it will be part of Edinburgh's transport infrastructure. Joining tram and train—those are all things we are doing. Other developments include the Waverley line to the Borders and recent improvements to Edinburgh to Glasgow connections, with increased frequency and speed.

For the moment, the bottom line for the Government is that, on the basis of the information available, opening the Edinburgh south suburban line would not be the most cost-effective use of our scarce resources. However, as an enthusiast for expanding the rail network, I hold out an olive leaf. If there are issues that the City of Edinburgh Council wishes to discuss with me, I am very happy to sit down and discuss them. However, I do not want to raise expectations to the point where they simply cannot be filled. With scarce resources, we have to make choices.

Meeting closed at 17:37.

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