

MEETING OF THE PARLIAMENT

Wednesday 14 January 2009

Session 3

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Scottish Parliament

Wednesday 14 January 2009

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

Time for Reflection

The Presiding Officer (Alex Fergusson):

Good afternoon. As always on a Wednesday afternoon, the first item of business is time for reflection. Our time for reflection leader is Sister Patricia McKenna of St John's in Barrhead.

Sister Patricia McKenna (St John's, Barrhead): A blessing. Let us close our eyes for a few moments to calm our mind and listen to our heart.

It is not only ordained clergy who have the power or ability to bless; we, too, can offer blessings. When we bless, it is God's deep and vast goodness, or Godness, in us that blesses another. When we bless, we touch another with the touch of Godness. In the scriptures, Jesus does not bestow or offer many blessings; rather, he becomes a blessing and a presence. His goodness gives life, strength, healing, courage and vitality.

Many people have blessed my life. Most of them are probably unaware of that, unless I have deliberately thanked them for doing so. Usually, they have blessed me by their smile, their loving looks, their stories and affirmation, their concern and their care. Once in a while, they also bless me with a formal blessing that includes special words and action.

One such person who blessed my life in that way was a religious sister in my community. I had been going through a rough patch in my life and was being transferred in haste from one situation to another. She called me to sit with her. Suddenly, I felt an urgent need to be blessed, as I needed strength and encouragement. I had a feeling that I ought to have my hands blessed. Sister was very gracious. She took my hands in hers and held them with great tenderness. I do not remember the words that she said; I recall only the profound sense of gratitude and peace that came over me at that time. I felt strengthened and affirmed. I knew then that her presence, or Godness, believed in me, and that her goodness was blessing me. I left her with renewed stamina and deepened hope, believing that the work I was about to do would be fruitful. I think of her often when I am using my hands to care for others.

You may be at a place in your life where you can resonate with blessings. You may be in a tough

place where you wonder if you have ever blessed or been blessed. Wherever you are, I hope that you can pause today to see that your giftedness is a blessing for others.

To bless is to put a bit of yourself into something. It is to make holy, or to change something or someone because of your presence. We ask this through Christ our Lord.

Amen.

Points of Order

14:34

The Presiding Officer (Alex Fergusson): Before we move to the next item of business, I understand that Fergus Ewing wishes to raise a point of order.

The Minister for Community Safety (Fergus Ewing): With your permission, Presiding Officer, I would like to raise a point of order. Last week, at First Minister's question time, the issue of Government funding of the Scottish Inter Faith Council was raised, with the First Minister giving an assurance that the matter was resolved satisfactorily. For the avoidance of any confusion, I would like briefly to outline the sequence of events.

After being made aware of concerns regarding the Scottish Inter Faith Council's budget, I intervened by contacting the council on 20 December, giving assurances that its funding from the Scottish Government would continue. A public statement was issued to that effect. That assurance was acknowledged on 6 January—Tuesday of last week—by Alan Dixon, the convener of the SIFC's executive committee, in an e-mail to me in which he expressed his appreciation for my intervention on the funding issue and for my

"assurance that this will continue".

As with all matters involving grant funding, that assurance required subsequently to be set down in writing. It was on the basis of my formally acknowledged intervention that, last Thursday, the First Minister gave the assurances that he did to the Parliament. On the basis of the continued funding from the Scottish Government—for the rest of this financial year and the following two years—the SIFC has assured me personally that all staff posts in the organisation are secure.

I know that all members will continue to support the good work that the Scottish Inter Faith Council does. I hope that I have provided the confirmation that members may feel that they need.

The Presiding Officer: I am grateful to the minister.

I understand that Tavish Scott would also like to make a point of order.

Tavish Scott (Shetland) (LD): Further to that point of order, Presiding Officer, I am told that the funding for the Scottish Inter Faith Council was agreed last night at a meeting between the Government and the executive committee of the Scottish Inter Faith Council. That is of course good and we welcome it, but the Government continues

to claim that the funding for the Inter Faith Council was "resolved" not last night, but before 12 noon last Thursday, 8 January. The Government's claim is not true. The First Minister said at question time:

"the matter has been resolved."—[*Official Report*, 8 January 2009; c 13822.]

He said not that it would be or is being resolved, but that it "has been resolved." That evening, last Thursday, I received an e-mail from the convener of the Inter Faith Council, Major Alan Dixon, which states:

"I understand that some concern has been expressed over the response from the First Minister when he indicated that matters relating to funding had been resolved. This is just to indicate that this is not so".

I reiterate the timing: that was last Thursday, after First Minister's question time.

Although the matter undoubtedly was being discussed by the Government and the Inter Faith Council—on that I absolutely accept the assurance that Mr Ewing has just given to the Parliament on his involvement—it was not resolved at the point at which the First Minister told Parliament that it was. To claim that the matter was resolved is to say that Major Dixon is not telling the truth.

Last Saturday, *The Herald* newspaper reported that civil servants telephoned the Inter Faith Council only after First Minister's question time. The paper reported that Major Alan Dixon confirmed that

"he only received a call from a civil servant at around 12.30pm, which would have been just as FMQ's ended."

As you know, Presiding Officer, my office has given you and the First Minister's office copies of the correspondence that I had. There is therefore absolutely no doubt that the situation was not resolved before 12.30 pm last Thursday, but the First Minister made exactly that claim on four separate occasions. Therefore, the First Minister misled Parliament. In the absence of any statement from the First Minister, neither I nor Parliament can know the reason for that. Regardless of the reason, the issue is a serious one for the Parliament. For nothing to happen as a result would have profound implications for the way in which we conduct our business.

I have taken advice on how such issues were handled in previous sessions of Parliament. There is ample precedent for clarifying statements and, indeed, for straight apologies to be made when something that was originally said was incorrect. In the absence of any such appropriate statement from the Government, I ask you, Presiding Officer, to protect members from being misled.

Richard Baker (North East Scotland) (Lab): Further to that point of order, Presiding Officer—

The Presiding Officer: I have not responded to the last one yet, Mr Baker.

Members are aware that the content of ministers' responses to questions are matters for the ministerial code. As such, it is for ministers to respond to any complaint that is made under the ministerial code; it is not a matter for me.

Richard Baker: On a point of order, Presiding Officer. In that case, I ask you to reflect further on whether the First Minister was in breach of rule 7.3.1 of the standing orders, given that there is no clarity—even following Mr Ewing's statement—that the First Minister did not mislead Parliament. Mr Scott's comments show clearly that the First Minister misled Parliament. I can confirm independently that Labour colleagues were contacted on Friday to be told that the issue had not been resolved. Indeed, I was informed by the Scottish Inter Faith Council that new funding arrangements were agreed only last night.

I ask you, Presiding Officer, to use your offices to ensure that all correspondence on the issue from the Scottish Government is placed in the Scottish Parliament information centre. Finally, will you consider advising Parliament on whether the Standards, Procedures and Public Appointments Committee should discuss introducing rule changes so that in future you have authority over not only the asking of questions, but the answers?

The Presiding Officer: Thank you for your point of order, Mr Baker. I am not of the opinion that there has been a breach of the standing orders in this matter. As for taking the matter to the Standards, Procedures and Public Appointments Committee, that is for you to pursue, not me, and you are free to do so.

Nicol Stephen (Aberdeen South) (LD): On a point of order, Presiding Officer.

The Presiding Officer: Is this essential, Mr Stephen? If so, I will take your point of order, but we are eating seriously into the time for the budget debate.

Nicol Stephen: The issues raised are serious. Any member of the Scottish Parliament—in particular, any minister—knows that misleading Parliament, whether deliberately or not, is a very serious issue. Presiding Officer, I ask you to confirm that in the circumstances, the correct action is for the minister to contact your office and arrange to come to the chamber to correct the error at the earliest possible opportunity. I know from experience as a minister that there is clear precedent for such action.

The MSP involved, often at the prompting of the Presiding Officer, has in the past always dealt with such matters speedily and apologised to the Parliament. I ask you, Presiding Officer, to defend

the interests of this Parliament and help to ensure that action is taken on the matter speedily and appropriately.

The Presiding Officer: Thank you.

“as has been ruled from the chair on many occasions in the past, matters that are covered in the Scottish ministerial code are not for me. That includes the principle that ministers should give accurate and truthful information to the Parliament.”—[*Official Report*, 11 February 2004; c 56903.]

Those are not my words; they are the words of my predecessor, George Reid.

Perfectly legitimate points have been made this afternoon; it is up to ministers to determine how they respond to them. If members wish to take the matter further through the Standards, Procedures and Public Appointments Committee, they are welcome to do so.

I suggest that we move on to this afternoon's debate—

Margo MacDonald (Lothians) (Ind): On a point of order, Presiding Officer. With all due respect, although I accept that responsibilities are inherent in the ministerial code, it is your responsibility to ensure the probity of proceedings in this Parliament.

The Presiding Officer: It is the duty of all members to ensure probity in the proceedings of this Parliament.

I will reflect on these points of order later this afternoon and, if there is anything further to say, I will say it at decision time. I now seriously suggest that we move to the business in hand.

Budget (Scotland) (No 2) Bill: Stage 1

The Presiding Officer (Alex Fergusson): The next item of business is a debate on motion S3M-3161, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill.

I remind members that the Presiding Officers no longer give a one-minute warning. We are now seriously short of time for the debate, so I ask all members who are called to speak to stick strictly to the amount of time given to them. In the event of their running over time, they will be cut off.

14:43

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): The budget bill that we published last week is designed to address the needs of the people of Scotland in these challenging economic times. The budget is underpinned by the purpose of this Government to focus on increasing sustainable economic growth in Scotland, but it also recognises the greater challenge that we now face.

Although our latest gross domestic product figures show marginal positive growth, there is little doubt that Scotland is about to enter a recession, the depth and duration of which are likely to be significant. Our employment rate is still significantly above that of the United Kingdom and many other advanced economies, but unemployment is rising and jobs throughout Scotland are under threat.

Few could have forecast the severity of such problems, yet 14 months ago, this Government took decisions in its economic strategy and its first budget that have established secure foundations in helping us to stave off the worst effects of the economic downturn for individuals and businesses the length and breadth of Scotland.

Our objective in the 2009-10 budget is to build on the decisions that were made last year by Parliament to reduce business rates for small companies, to put in place the resources to freeze the council tax and to invest in our public services. However, we must accept that, in these challenging economic times, we have to do more. As a result, I pledge this Government's willingness again to work constructively with the Parliament to create agreement on a budget that will meet the expectations of the people of Scotland in the economic downturn. We repeat our agreement, enshrined in the concordat, to work with our local authority partners in a relationship of equals to deliver improved outcomes for the people of Scotland in the face of a weaker economic climate and a tight public spending environment.

Over and above the spending commitments that we outlined 14 months ago, the Government has brought forward an economic recovery plan to keep our economy moving. At the heart of the programme is a package of accelerated capital spending to provide strong economic stimulus. The Government has already put in place a major programme of capital investment in excess of £3.5 billion this year and next and we have also, since the summer, brought forward £100 million of affordable housing spending to help get our economy moving. Seventy million pounds of that extra money will be invested in the forthcoming financial year and will provide a much-needed boost to the construction industry across Scotland; £25 million has been provided to the home owners support fund to extend the existing mortgage to rent scheme; and a further £25 million has been made available to local government to kick-start a new generation of council house building.

As I have made clear previously to Parliament, the Government welcomes the United Kingdom Government's pre-budget report announcement, which has led us to bring forward up to a further £260 million of capital investment. In the budget that is before Parliament, we have set out more details about how in the next year we will use the facility to the maximum and push ahead with spending £230 million of that money throughout Scotland.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Will the cabinet secretary confirm that, despite the economic storm that Scotland is facing, there is less than 1 per cent difference between the budget that he announced in 2007 and the budget that is proposed this afternoon?

John Swinney: I have heard the same point being made in countless press releases and speeches over the months, but its reiteration by Mr Rumbles in the chamber does not make it any more substantial. It denies the fact that the Government has changed its programme to bring forward increased capital investment. I would have thought that such a move would be popular across the chamber, even on the Liberal Democrat benches.

We plan to ensure that local authorities receive £90 million of that funding, much of which will be focused on new and refurbished schools. In addition, colleges and universities will benefit from £13 million of improvements.

We plan to invest £29 million next year in road improvements and enhanced park-and-ride facilities to cut congestion, and Scottish Enterprise will accelerate £30 million of investment in key projects that will deliver wider benefits to the economies of Glasgow, Edinburgh and elsewhere, including investment in the Edinburgh BioQuarter,

the Scottish Exhibition and Conference Centre in Glasgow and Fife energy park.

The money will not only generate work and support jobs—4,700 in total, on the basis of our detailed plans—but provide a much-needed lifeline to our economy at a crucial time. However, that capital expenditure, which amounts to £300 million, can be accelerated only if Parliament supports the Government's budget.

Our economic recovery programme includes measures to support business and economic development. I have already mentioned the action taken by this Government to reduce the business rates burden on Scotland's small businesses. As we were pressed to do last year by the Conservatives and as agreed by Parliament, we will complete the implementation of the small business bonus scheme in April 2009. At the same time, we have taken ahead a programme of reforms to the planning system to ensure that it is not a barrier but an aid to economic growth.

With this budget, we will invest in improving advice to businesses. For example, with the additional investment, we will enable Scottish Enterprise to recruit manufacturing professionals to double the size and capability of the Scottish manufacturing advisory service. That very proposal was advanced by the Labour Party in earlier debates.

In addition—and on top of the £180 million that we have committed to spend from the 2007 to 2013 European programmes—we intend to bring forward a significant share of the remaining £385 million of European structural funds to support 300 high-quality projects nationwide that will stimulate the Scottish economy.

The budget will also provide investment in infrastructure, research and development and other underlying factors of success for Scottish businesses, all of which will help to improve their ability to survive these challenging times, and £2.5 million to intensify our activity and support for homecoming 2009.

On top of the help that we are providing for businesses, the budget will deliver for individuals across Scotland. Our greatest challenge will be to support individuals who face the risk of unemployment; that is why we are developing and enhancing the partnership action for continuing employment—PACE—initiative. Members from across the political spectrum have argued, rightly, that that valuable initiative must be equipped to meet any increase in unemployment. Earlier this week, we announced that 80 Skills Development Scotland staff will work alongside employees of Jobcentre Plus to deliver services to individuals from a range of different locations, including Jobcentre Plus offices, careers centres and, where

required, employers' premises. As a result, a more seamless service, bringing together skills development and employability support, will be established to help to minimise the time that people who are affected by redundancy are out of work.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Are SDS staff in the PACE teams any different from the staff who did the same job when Careers Scotland was part of Scottish Enterprise? After 18 months of this Administration, the regional structure that will enable Skills Development Scotland to plan for the delivery of skills has still not been agreed. When will that happen?

John Swinney: The process is under way. However, as I have just explained to Parliament, the Government's key focus is on ensuring that individuals who need support are able to get it and that those who face redundancy are supported in the most effective fashion possible.

At stage 3 in last year's budget process, Iain Gray invited Parliament to support an amendment that sought further measures to boost skills and employability. The Government accepted that and responded during the summer by approving a range of projects, totalling around £55 million, to assist training and skills development and to build on the success of our modern apprenticeship and other schemes to help more people in Scotland to get into and progress through the workforce. We continue to share Iain Gray's view on the importance of investing to support individuals and their skills; the budget reflects that commitment.

Far too many vulnerable Scots are facing soaring energy bills this winter. That is why last year the Government put in place an extra £10 million for the free central heating programme, and why we are providing an extra £5 million in this budget to expand the scheme. Through the budget, we will invest to improve support and advice for individuals in other ways. We have expanded the open market shared equity scheme for first-time home buyers nationwide; in this budget, we propose to increase spending on the scheme to £60 million. Over the next two years, we will invest £7.5 million to help those in poverty, who are at greatest risk from the effects of the economic downturn, to maximise their income. I was delighted when earlier this week the Minister for Enterprise, Energy and Tourism announced a new credit union fund, to help that vital sector to grow and to assist individuals in addressing the global economic downturn.

Through the budget, we are providing an extra £3 million for legal advice and representation for people facing repossession and other debt problems and an additional £1 million to fund face-to-face guidance for individuals; that is on top of

the campaign that we have introduced to promote the national debtline service. We are also making available £70 million of new money to allow local authorities to freeze the council tax again in 2009-10. That will give Scottish families a financial saving at a time when household budgets are under significant pressure.

While investing to support economic recovery, the budget will provide local authorities, NHS Scotland and others with a rising share of Scottish public expenditure to support the delivery of vital public services and growth across Scotland. It will provide for a continuation of our commitment to deliver 1,000 new police officers on the streets of Scotland, as the Conservatives pressed us to do last year, and will deliver £1.7 billion of investment in our university and college sector.

For the first time, the budget will provide financial support, through a capital city supplement, to address the issues that Margo MacDonald has raised. I am pleased to confirm that a £3.5 million capital city supplement has been agreed, to recognise the unique demands that are placed on the city of Edinburgh as our capital.

The budget will provide investment in energy efficiency. The Government's commitment to make better use of energy is clear from the renewable energy framework, the climate change challenge fund, the saltire prize, the announcements of almost £1 billion of private sector investment in renewable projects and the new energy assistance package. In that context, we have met representatives of the Scottish Green Party to discuss their proposals for a step change in investment in home insulation, which would make links between addressing fuel poverty, reducing fuel bills for all and tackling climate change, in addition to promoting jobs in the insulation sector.

We are in active discussions with the Scottish Green Party about how best to implement an area-based home insulation scheme. We agree on the need to develop a scheme that provides a simple, straightforward offer of advice, assistance and essential insulation measures to deliver savings through economies of scale. We will seek to bring forward proposals for a loan mechanism to support the roll-out of such an initiative. Once agreed to and evaluated, that would identify the best way to deliver schemes across the whole of Scotland in an ambitious timescale. That would be supported by the Scottish Government, and it would be designed to attract additional independent funding into the bargain.

The budget reflects the needs of the people of Scotland and the economic challenges that we face. We make clear today our willingness to agree on and discuss with members of the

Parliament from across the political spectrum the issues that arise from the general principles of the Budget (Scotland) (No 2) Bill, if they are agreed to by members. To bring that about, I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No 2) Bill.

14:57

Andy Kerr (East Kilbride) (Lab): I listened with interest to what the Cabinet Secretary for Finance and Sustainable Growth said. Time will tell whether his words about addressing the needs of our times and the greater challenges that we face, and about providing the "secure foundations" that he seeks to lay down, come to reality. I recognise—I hope that on reflection the finance secretary does, too—that much of what he said comes out of the Chancellor of the Exchequer's pre-budget report, which allows many of the initiatives to take place. Good use of European money also supports some of initiatives that the cabinet secretary announced today.

I do not remember a reference to working constructively last year, but Mr Swinney and I will work on that this year and we will see whether it goes a bit better. I make the position of the Labour Party clear, as we have done from the outset of stage 1: we will allow the budget bill to proceed today, but that is in order to allow the Government to improve—in our view—its budget. We cannot, of course, give any guarantees or assurances whatever about the position that we will adopt at stage 3, which is the final stage.

We accept, as the finance secretary said, that we live in exceptional times, so we wish to do everything we can to ensure that the budget is amended to address adequately the exceptional challenges that our country faces. We will engage fully in that process, as we have done before. On that point, I would like everyone in the chamber—and those in the press gallery—to remind themselves about the substantial engagement of the Labour Party in the budget last year, although it was to no avail regarding the amendments that we pursued. Last year, unlike some other parties, we lodged a considerable number of detailed and costed amendments that covered the breadth of Government activity. Those amendments were right then, and they are right now.

Derek Brownlee (South of Scotland) (Con): Would Mr Kerr like to remind Parliament just how much he proposed to take out of the local government budget last year?

Andy Kerr: I am happy to place on the record the fact that our amendments secured the resources that were required to take forward the initiatives to which they related. We were right

about those amendments then, and I am absolutely convinced that we are right now.

The amendments that we lodged last year covered, for example, increased support for modern apprenticeships, the creation of 100 skills academies, the creation of an air services fund, the setting up of a town centre turnaround fund, the ending of water charges for pensioners, support for vulnerable individuals, increased support for primary care in the least well-off parts of Scotland, support for children with special needs and support for nursery places for vulnerable two-year-olds. Other amendments—which the Conservatives did not support—aimed, for example, to provide for additional police recruitment. All those good ideas were brought forward in good faith. They were all costed, and we indicated where funds could be found for all of them. However, they were rejected out of hand by the Government and its alter ego, the Tory party.

We even supported proposals from the Lib Dems and the Tories, when their ideas were worthy of our support. However, the Scottish National Party Government opted not to engage with Labour in constructive debate. Why? It was because, as we all knew, a deal had been done: a tawdry deal with the Tories was in the bag, which made the First Minister's threat to resign look particularly weak. It looks even weaker in the context of some of the First Minister's recent announcements. We wait with interest to find out whether history will repeat itself, although Derek Brownlee's conduct leads me to conclude that it will.

We want to participate in the budget process and we will continue to ensure that we do so meaningfully. It is not about playing games, political name-calling and winning debates, but about ensuring that we all vote for a budget that can protect Scottish jobs and our economy. If Parliament had accepted all the Labour amendments to the budget last year, our country and our economy would be in a much stronger position to withstand the current economic downturn. We could not have been clearer during the previous budget process, and we will be clear during the current process.

The first stage of the budget process began before much of the current economic situation had been visited on us, and before the impact of the downturn was being felt. During scrutiny of the bill, the scale of the global financial crisis and its social and economic impacts on investment, employment and Scottish families' incomes became increasingly clear. That has made it necessary to build on the United Kingdom Government's macroeconomic response to the crisis wherever possible, by making microeconomic decisions to prioritise spending to boost the economy and to

avoid cuts in spending that would affect jobs and services that meet vital social needs. Let us not forget that such services will be under further pressure as a result of the global economic downturn.

Many members, including members of the Government, have welcomed measures that the UK Government has taken. The VAT cut has helped families and capital spending has been brought forward to allow jobs to be created immediately. Money has also been made available to support unemployed people.

Jeremy Purvis: What net benefit to the Scottish economy has the VAT reduction brought?

Andy Kerr: The VAT reduction has put billions of pounds into the hands of people in the UK, including hundreds of thousands of pounds into the hands of Scottish people, so that they can spend money and ensure that our economy turns around. The move was welcomed by many people, but not by Jeremy Purvis's party. We should acknowledge that putting finances into the hands of people in Scotland and the UK will help to stimulate economic growth.

Of course, the UK Government has gone further: it has increased the minimum wage for apprentices and has adopted many other measures, including increased child benefits, child tax credits and winter fuel payments. Tough decisions have been made in a tough economic climate in order to address the conditions that we face. I contrast the UK Government's approach with that of the SNP Government, which has made fiscally neutral transfers of capital. We need more action on the economy.

We understand that the SNP has had to deal with a fluctuating situation and we want to assist it in ensuring that we get the budget right. We all share the view that when the SNP took control of the Government in Scotland it fully understood the financial situation that it was inheriting. The Labour-Lib Dem Administration had built up considerable resources to enable us to deal with a tighter fiscal climate. We will be interested to find out what has happened to the £900 million in end-year flexibility money that has been returned to Scotland.

We want to work constructively with the Government and we want to ensure that the measures that it takes in the budget address concerns that we share about the economy. That is why we have welcomed comments by the cabinet secretary that relate to Labour's 15-point plan. Although the plan was developed in October for immediate implementation, we are pleased that there has been some action now and again. For example, we welcome Mr Swinney's comments on

the Scottish manufacturing advisory service, credit unions and PACE.

However, in our plan we also said that we want the Government to unblock the public building pipeline by putting the Scottish Futures Trust on hold and reverting to public-private partnerships and traditional procurement practices. Far from doing that, the Government has delayed projects, including the replacement Low Moss prison. The cabinet secretary said that 4,700 jobs would be created by the budget, but he must acknowledge that jobs in the Scottish economy are being lost as a result of the dithering over, and lack of detail about, the SFT.

Brian Adam (Aberdeen North) (SNP): Will Mr Kerr confirm that if the budget is not passed, the £300 million of capital expenditure that is being brought forward will be at risk?

Andy Kerr: That is absolutely the case. It is an obvious point to make.

If we are talking of fiscal follies, it is a good time to mention the local income tax. [*Interruption.*]

The Presiding Officer: Order. One debate at a time, please.

Andy Kerr: If there is anything that the SNP should do to support Scottish business and the economy, it is to remove the threat of the local income tax.

We heard about the £100 million advancement on house building. We are relieved that that is in the budget for this year but, of course, very little of that money has made a real impact so far—to date, £18 million has been allocated. There is more to be done, and not much of it has been spent on new build. We still await the redrafted skills strategy, which is an essential part of the economy's recovery, and we seek the inclusion in the budget of the additional measures that would help home owners to avoid repossession that we have laid out in our plan.

To a degree, the Government has been complacent about the downturn. It is now beginning to respond to it, but we want much more ambitious leadership to protect jobs. The SNP Government has at its disposal powers that cover planning, transport, skills, education and the environment. The Cabinet Secretary for Finance and Sustainable Growth mentioned them and we want them all to be used to boost the economy. He has the privilege of dealing with the biggest-ever Scottish budget. If we add to that the nearly £1 billion that has been passed on by the UK Government Treasury from EYF funds that Labour built up, and the savings that are being made from cancellation of the Edinburgh airport rail link, the Government has even more money available to it,

although—sadly—it has a track record of broken promises and financial mismanagement.

Most people appreciate that we are all in this together. Labour has played its part in protecting jobs. It has put £2 billion into the pockets of Scottish families to stimulate the economy, cut interest rates and VAT and put in place protections for people who face mortgage difficulties. There is a need for similar action from the Scottish Government. It should help business by ending the uncertainty over local income tax and it should create jobs by bringing forward investment in new schools. It should enter the real world and stop wasting time on its so-called Scottish Futures Trust. We need that action.

The key test is whether Mr Swinney will, in the face of the economic situation, change the budget more fully to address some of the concerns that we have raised. As I indicated, we are ready and willing to offer our support to any serious proposal that will boost the economy, but any such proposal must match the scale of the challenge that is before us. We want action on apprenticeships; we want increased investment in PACE, public infrastructure and housing to tackle the challenges that many of our town centres face; and, of course, we want increased support for the NHS and local government.

I look forward to the discussions with Mr Swinney. I hope that they will be more fruitful and beneficial to Scotland than was the Government's response last year.

15:08

Derek Brownlee (South of Scotland) (Con): There we have it: Labour is in turmoil on the budget yet again. Under Iain Gray, the red flag has been replaced by the white flag. At least this year Labour members will abstain on the Government motion rather than on their own amendment—or are we about to see the unthinkable from the unthinking: will Labour members vote for the SNP budget? Despite all the posturing and the threats of the nuclear option, they do not have the guts to vote it down. They are happy to play fast and loose with people's lives and services while Scotland suffers from Labour's recession. For weeks, there has been talk about splits in the Labour Party—splits between Andy Kerr and David Whitton on how hard a line to take. Today we have the answer: even Andy Kerr does not seem to agree with Andy Kerr.

The test at stage 1 of the budget is simple: can the budget be improved or amended, or is it so flawed that it ought to be rejected in its entirety before the Government has the opportunity to respond to the points that the Opposition has raised? That is the same test as we set last year.

We Conservatives are at least consistent in our approach from one year to the next, even if other Opposition parties are not.

Over the past weeks, all the Opposition parties have had discussions on the budget. Supporting it at this stage allows those discussions to continue and the Government to respond, which is the responsible way to proceed.

Andy Kerr: Does Derek Brownlee accept that all our detailed amendments—which showed where the money would come from—were defeated by the alliance between the Tories and the Government? That was the predestined outcome of last year's budget.

Derek Brownlee: I seem to remember that one amendment was agreed to—with the support of the Tories and the SNP, but without Labour's support—so it is a bit of nonsense to suggest that we are to blame for the fact that Labour's amendments were not agreed to.

Let me make it clear that the test at stage 3 will be more onerous. The budget that we will vote on in two weeks' time will be the final package—the Government's response, in a Parliament of minorities, to the suggestions of all other parties. We want movement from the Government on the budget, so we are fully prepared—as I am sure all parties are—to have a constructive discussion with the Government. We will not support the budget at stage 3 if we are not satisfied that the final package is best for Scotland and that it will make progress towards securing Conservative policies and tackling Labour's recession. We will vote against a budget that removes any of the concessions that we secured last year and we will vote against a budget that goes back on commitments on police numbers, drugs policy or cuts in business rates.

This April, like last April, more than 100,000 small businesses in Scotland will pay substantially less in business rates, thanks to measures that the Conservatives secured last year. We know just how much Labour hates those cuts in business rates—Labour members voted against them again this year, so only the casting vote of the Finance Committee convener saved businesses from real Labour. If Labour members think that they can take away from small businesses across the country the tax cuts that the Conservatives secured last year, they have another think coming. If SNP members think that, in return for Labour obsequiousness, they can give away the tax cut, they will have something else to think about.

Let me remind members on the Labour benches what their current leader—not their former leader—said in the equivalent debate last year. In his criticism of that SNP budget, Iain Gray said:

“the priority is always the tax cut. ... The Government has broken promise after promise to achieve just two promises—the council tax freeze and the business rate cut. ... That is why the principles of the budget, unamended, are unsupportable.”—[*Official Report*, 23 January 2008; c 5302-3.]

In their leader's own words, Labour members will support today what was unsupportable last January and what was thought to be unsupportable last month. On the budget, Labour is in turmoil, inconsistent and incompetent. Andy Kerr might like to reflect on the fact that Iain Gray, in his speech on the stage 1 debate on the Budget (Scotland) Bill last year, took a perfectly different position from him.

Michael McMahon (Hamilton North and Bellshill) (Lab): As Derek Brownlee is running out of time, can I invite him to talk about the SNP's budget, which is what today's debate is about?

Derek Brownlee: Let me deal with why what Labour does is so important.

Labour members will not vote down the budget. They know it, the media know it and the Government knows it. We know it because, despite their huffing and puffing last year, when the chips were down Labour members did not have the guts to vote no. They gave the Government a free pass last year and are preparing to do so again. I remind members that, if Labour does not vote against the budget, the bill will pass regardless of what anyone else does. What we have heard over the past year about cuts, the demands for more spending on health, councils, schools and transport, the whingeing about the tax cuts for small businesses and the complaints about the council tax freeze have all been just talk. Labour members complain about cuts, but will not seek to reverse them. They demand more money but cannot say from where it should come.

Without any irony, Labour is today demanding that the Scottish Government sort out Labour's recession.

“Labour blasts SNP budget plans as too little to stop recession”, said a recent headline in the *Daily Record*. There we have it: first, the recession was all due to global problems, but now it is all the fault of the Scottish Government. Only Labour and Gordon Brown seem to escape responsibility. Labour members say that they want a budget that will secure jobs, but what they mean is that they want to secure 46 jobs—those of the 46 Labour MSPs. Iain Gray is no more keen to face the country than Gordon Brown is, which is why Labour will never vote no to the budget.

We want the Government to take action to mitigate the impact of Labour's recession, but let us not kid ourselves: the Scottish Government

cannot stop the recession in its tracks. Labour is reverting to type in blaming everyone else for Labour's failures. The Scottish Government cannot inflate the economy on a fixed budget. If Andy Kerr is looking for a fiscal stimulus, he might like to reflect on the financing position of this Parliament and this country. We on the Conservative benches are ready and willing to have constructive, responsible and grown-up negotiations with the Government on making the budget better. I have made the case for a sensible approach to the budget. Let us now hear the case against.

15:15

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): In a Scottish Enterprise briefing on Monday, I was informed that 470 jobs have been lost during the past six months in the Borders alone. In devastating news for the people involved, a further 35 job losses in the Borders were announced yesterday, with the danger of more being announced in the next few days. Almost 600 job losses in a rural area such as the Borders is testament to the awful economic situation that Scotland faces. While some sectors and businesses are, thankfully, trading well—we give them credit for that—an “economic storm” is engulfing Scotland, as John Swinney said before Christmas.

Yesterday, my colleague John Lamont called on the Scottish Government to do more to support the Borders in response to the news. I agree with him, which is why I am opposing the budget as presented to Parliament this afternoon, as an insufficient response. It is not enough to support the Borders economy or the economies of all other parts of Scotland. It is a shame that the cabinet secretary's colleagues do not believe that the budget needs to do more. The SNP is not the do-nothing party; it is the don't even try party.

Yesterday, the Royal Bank of Scotland published stark information on the Scottish economy. During December, Scottish manufacturers' production volumes fell at their fastest rate in the survey's 11-year history. New-order books have seen their ninth successive decline. The report also tells us that, in December, firms reported a fall of 14 per cent in new orders from export markets, which is the steepest fall in the history of the series. Incoming new businesses, such as financial services, and the travel, tourism and leisure sectors, which are crucial to the Scottish economy, recorded faster rates of decline than were reported in November. The output index was also deeply concerning, showing a faster and deeper decline in Scotland than the United Kingdom average.

Parliament is faced with the question of an appropriate response. The cabinet secretary did not deny that his budget, with the choices that the Scottish Government has made, is less than 1 per cent different from that which was announced in the spending review in 2007. The “economic recovery plan”, as the Government describes it, contains some measures that we support, but it seeks to correct damage that was already done before we got to this point. That is why we believe that the budget is wholly insufficient.

Acceleration of construction is of course welcome, but the Government cannot rest there. It has spun relentlessly that the budget will support 2,000 construction jobs as part of the 4,700 jobs it seeks to support. However, recommendation 8 of the Scottish Council for Development and Industry's policy paper, “Building Scotland's Future—Ten Point Plan for Construction” states:

“There is agreement amongst buyers and suppliers that delays and uncertainty over the establishment of the Scottish Futures Trust is holding up investment in infrastructure and damaging construction industry. We need the Scottish Government to clear up uncertainty and get on with the job of renewing our schools, hospitals and transport infrastructure.”

It should have been a wake-up call in the autumn when *Construction News* published articles under the headline, “Scottish Futures stalemate is exacerbating downturn”.

The aspects of this budget that deserve support do so because they will correct the damage that the SNP has already done. The money that was withdrawn from economic development support, the real-terms cut in university funding, the stand-still budget for colleges and the delays in the pipelines of projects are all the same if we use the Scottish Government input-output model for Scotland that it used to calculate the 4,700 jobs, all of which equates to more jobs having been lost or put at risk as a result of the SNP's budget decisions than the budget is alleged to support.

Brian Adam: Will the member give way?

Jeremy Purvis: I will give way in a moment, if I have time.

Even in matters on which there is broad agreement, such as the acceleration of structural funds, the proposed action will simply correct an 18-month delay in approvals for the structures for delivery of structural funds. The Government has not yet agreed the mechanism for signing off applications. [*Interruption.*] The cabinet secretary says that that is total rubbish, so he needs to get to his feet and deny that the Government has delayed the structures for the delivery of structural funds. The Government has also put in place a process whereby each Government department—

John Swinney: Will the member give way?

Jeremy Purvis: In a moment.

I would like the cabinet secretary to deny that each Government department has to have a view of each and every application before the minister signs it off. If that is not delaying access to the delivery of structural funds, I do not know what is. I invite the cabinet secretary to deny it.

John Swinney: I will deny it, all right. This Government took decisions on structural funds in the summer, when it had been in office for not 18 months. Mr Purvis must withdraw his absolutely ridiculous claims. He should spend the next two minutes telling us from where the £800 million of cuts in his ridiculous proposals would come.

Jeremy Purvis: I am grateful to the cabinet secretary for denying that that process has been put in place, as it contradicts what Jim Mather has told not only the councils but Scottish Enterprise. *[Interruption.]*

The Deputy Presiding Officer (Alasdair Morgan): Order.

Jeremy Purvis: The Government will have to apologise for misleading Parliament not only last week, but again this week.

People in all parts of Scotland know that confusion over the review of skills and the delivery of Skills Development Scotland is causing considerable delays. The Government has not even agreed a regional delivery plan for skills and training.

Brian Adam rose—

Jeremy Purvis: What is the appropriate response? So far, the UK Government, with the support of the Scottish National Party, has reduced VAT, a measure that one of the leading retailers in the UK described as a wasted opportunity and a colossal waste of money. What the economy needs is a direct fiscal stimulus, which would be provided by a direct cut in income tax. In response to the UK pre-budget report, Stewart Hosie supported that call, as have retailers, business groups and individual businesses.

The signals are clear on what will happen if we do not take such a measure. The information on the economy that the UK property consultants King Sturge published this week shows that gross domestic product in Scotland is estimated to fall by 1.9 per cent, whereas GDP across the UK as a whole is estimated to fall by 1 per cent.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Will the member give way?

Jeremy Purvis: I am sorry, but I am running out of time.

If a fiscal stimulus that is funded through better use of Government money in Scotland, and which protects front-line services, is not provided we will have to rely on the Labour and SNP VAT reductions that are costing the economy and are costing jobs.

The Deputy Presiding Officer: The member's time is up; I am sorry. We must move on to the open debate.

15:22

Alex Neil (Central Scotland) (SNP): We are all agreed on the severity of the economic downturn and the increase in unemployment that we are seeing. Today, Honeywell has announced further job cuts in the plant in my area in North Lanarkshire.

Despite some disagreements on detail, it appears that all the parties—bar one—as well as the independent member, are prepared to work together to get a budget that will maximise our efforts, within the very limited powers of the Parliament, to minimise unemployment and the other effects of the economic downturn.

It is ironic that the party that at Westminster is generally regarded as having a superior economic spokesman who talks a lot of sense about British economic policy has, as its spokesman here, the Herbert Hoover of Scottish politics. If Vince Cable had listened to the speech that Jeremy Purvis has just made for the Liberal Democrats, he would have been absolutely appalled at the level of economic illiteracy that was demonstrated.

Mr Purvis talked about saving front-line services, but how could he save front-line services when he intends to cut £800 million a year from front-line services? The Liberal Democrats have not told us what they would cut. Does Jeremy Purvis want to cut the Borders railway or the budgets of Scottish Enterprise or Skills Development Scotland? What do the Liberal Democrats want to cut? At a time when we face an economic downturn, the last thing that the party of Lloyd George and Beveridge should be advocating is a deflationary policy.

The real irony is that even if the Liberal Democrats got their way, it would be this time next year before they could make the cuts they want to make, because it would take a year to cut the variable rate of income tax. The idea that the Liberal Democrats could do anything this year is absurd; they have the most ridiculous economic policy in Scottish economic history. The most sensible thing the Liberal Democrats could do is to go home and think again—

Kenneth Gibson (Cunninghame North) (SNP): Disband.

Alex Neil:—or they could, as has been suggested helpfully by my colleague, disband. No one would notice.

The priority of all members—except the Liberal Democrats—is the level of employment in the months and years to come. Whoever is to blame for the current situation, and whatever forces are at work, we must do everything within our limited powers to bring more jobs to Scotland, and to save as many of the jobs that are already here as we can.

Within our fixed budget—within the Scottish block—and without the borrowing powers that even the Northern Ireland Assembly has, there are two things we can do to assist the situation, both of which this Government is doing. The first is to try to reallocate expenditure from areas that cannot make a big contribution to those that can. The announcements in the six-point plan and elsewhere are classic examples of how the Government is using every spare penny to maximise spend on investment and jobs.

The second approach, which required Westminster's permission—to be fair, we have received that permission—was to bring forward capital expenditure from future years into this year and next year. As the finance secretary said, in addition to bringing forward European moneys, we have nearly £300 million of additional capital expenditure this year and next year, which will help the Scottish economy to weather the storm.

I hope that we can get unity before we get to stage 3 of the budget bill—we have given up on the Liberal Democrats, but I am sure that we can get unity among the other parties and the independent member. I would not like to be Jeremy Purvis explaining to Margo MacDonald why she cannot get the city supplement for Edinburgh next year; that supplement will not be available if the bill is voted down.

We must do everything we can—this is no time for petty politics. People out there are losing their jobs day in, day out. It is the responsibility of all members to do everything they can to minimise economic dislocation—to use the technical term—or, in terms of the humanitarian consequences, to minimise the prospect of people ending up on the dole. I appeal to every member to vote for the budget for Scotland, even if there are differences about the detail.

15:28

John Park (Mid Scotland and Fife) (Lab): I welcome the opportunity to speak in the debate. Like many other members, I am clear that the budget must be about helping Scots to meet the economic challenges that they face. Over the past year, there have been many challenges in

Scotland and the United Kingdom. Food and fuel prices have increased significantly. Thankfully, they appear to be levelling out now. Finance has become more difficult to raise, not only for individuals but for businesses. Thankfully, interest rates have fallen sharply, which has, for example, helped people who are on standard variable rate mortgages.

I welcome the measures that the UK Government has outlined today to guarantee loans to small businesses, which I hope will go some way to protecting employment in that sector. I doubt that members will disagree that the best way to ensure that people can contribute economically is to safeguard employment. As Mr Swinney and Mr Neil pointed out, we are debating the budget at a time when many Scots are, understandably, concerned about their jobs. I am sure that there are MSPs who have faced redundancy and who understand what a difficult time it can be. I am sure that many have, like me, worked with people facing redundancy and know what a stressful time it can be. It is hard for the individual, it is hard for their family and it is hard for their friends.

In my time as a trade union official, I worked with the PACE teams and similar partnerships to help people who faced redundancy. For many workers who are made redundant, it is the first time that they have had to think about seeking work elsewhere. Many are skilled but do not realise how important their skills are in helping them to find new employment; many have skills but do not have the vocational qualifications to prove what they can do; and many will seriously consider moving into new sectors and retraining. For some, unfortunately, that will be the only option.

The earlier that PACE teams can get to workers in such situations, the more effective is their support. To get to workers earlier, PACE teams must be effectively resourced to engage with employers on a consistent basis. Local intelligence, an understanding of the communities in which they work and good links with employers and businesses, trade unions and local colleges can be built up in a week. However, that must be effectively resourced.

I have witnessed many success stories following effective responses from PACE teams. I have seen workers move from electronics companies into the finance sector. I have seen workers find employers by adding new qualifications to their existing skills. I have even seen some workers opt for a complete change in career or start their own businesses. However, there is not always a success story, and support for people who face redundancy can and must be improved. We must help those who face redundancy into a job or training scheme, not on to the dole.

The Parliament has an obligation—more than an obligation, a duty—to help people who face losing their job. In that, we cannot fail. The public would never forgive us, and rightly so. In previous years, the financial services sector absorbed many of the people who left the various manufacturing sectors. We do not have that luxury now, as we simply do not have sectors that are growing in the way that the finance sector was growing when manufacturing employment was contracting. Nevertheless, there are opportunities in sectors such as the renewables sector, which has huge growth potential and will need skilled workers in the future. We must make the transition as seamless as possible.

We had significant skills gaps before the current economic slow-down, but we must invest more in skills and training and support the provision of such opportunities by employers. When the global economy starts to pick up, the countries that have not invested in that way will be unable to take full advantage of the green shoots of recovery. With its investment in skills and training, the Scottish Government has one of the most effective levers to help people through redundancy. It is no secret that that is one of our main areas of focus in the budget. Both Andy Kerr and David Whitton have had initial discussions with John Swinney on the issue, and our discussions with the Government will focus on it in the coming weeks.

Apprenticeships are vital for people who are leaving school and they give young adults the best start to their working lives. Apprenticeship training ensures that they have transferable skills, which gives them a competitive edge in the jobs market. It also increases our national skills base, meaning that we are competitive, productive and effectively equipped for the global economy.

I am genuinely concerned that the budget will lead to job losses in the public sector, particularly in local government. That is why adult apprenticeships are so important. Adult apprenticeships will help those who face redundancy who want to retrain either in their current workplace or with a new employer. The UK Government is upping apprenticeship numbers to 250,000 a year, but in Scotland we are not even close to our expected share of that figure. In fact, in the construction sector, over the past year, the number of apprentices in Scotland has dropped from around 5,000 to less than 2,500, and apprentices in the construction sector will face redundancy. We must guarantee that they can finish their training so that they can take full advantage when the sector picks up.

Derek Brownlee's speech was interesting. Politics is all about choices. The difference between Labour and Derek Brownlee and some of his colleagues is in the choices that we made to

campaign on the minimum wage and related issues while he and his colleagues campaigned on other issues. We have now chosen to engage with the Government because of the situation that we find ourselves in, and support for people who are made redundant, to enable them to acquire skills and retrain, will be at the centre of those discussions. That is what the people of Scotland expect in these trying times.

15:34

Alex Johnstone (North East Scotland) (Con):

It is nice to speak in a budget debate again, yet we find ourselves speaking about much the same things that we spoke about last year. However, as last year was a spending review year, that is perhaps no surprise.

I am willing to welcome the fact that we have heard commitments from the Cabinet Secretary for Finance and Sustainable Growth that he will continue to push forward with the small business bonus scheme and that he hopes to achieve the target of 1,000 new police officers. The people of Scotland will welcome those commitments. I am also glad that, today—obviously, a day on which the cabinet secretary wants Conservative votes—he was willing to acknowledge that the Conservatives have been pressing for those things over the past 12 months and more.

I want first to talk about transport, although I will broaden the subject out to deal with a range of other infrastructure issues. Expenditure on transport is underpinned by this budget. Like me, many people who are concerned about transport have spent the past month talking about issues such as the strategic transport projects review and the national planning framework. I have concerns about how some of the projects in the strategic transport projects review will be prioritised and funded. I also have concerns about how we will fund some of the projects in the national planning framework. However, we must remember that those projects are plans for the future and will be dealt with under future spending reviews and budgets.

The Government is taking the correct action by bringing forward planned expenditure wherever possible. That is worthy of support, because it is the right way to use public money at this time of crisis, as we get twice the value. In the intermediate term, when we are trying to create jobs in a marketplace that is destroying them no matter how hard we try to prevent that happening, it is important to preserve our important construction industry by ensuring that the jobs that we want it to do anyway are done as early as possible. That will create work and opportunities, and ensure that we have the infrastructure that will

enable Scotland to bounce back from this disastrous recession as quickly as possible.

We must welcome the opportunities that are presented to us and the decisions that have been taken in that regard. However, with an eye on the longer term, I have concerns about a range of infrastructure issues. We have spoken at length about the Forth road bridge, and we will do so again tomorrow, but the issues around the funding of the bridge and what can be done to fund other projects that might be displaced by that particularly expensive one must be dealt with. However, the Government continues to fail to address the fact that funding mechanisms are falling behind the requirements. We need a much more adventurous approach than the one that the Government insists on pursuing.

I cannot let this opportunity to speak in a budget debate pass without talking about what other parties have contributed to it. The Labour Party's position—if we skip the details—seems to be simply, “It would be a lot better if the Labour Party was in power.” Of course, the Labour Party is in power south of the border and some might suggest—maliciously, perhaps—that it is implicated in getting us into the position in which we find ourselves. I will therefore take its argument with a pinch of salt.

Andy Kerr: We have heard that before, particularly from Mr Brownlee. France and Spain have suffered economic downturns of 9 per cent and 15 per cent respectively, and Germany's downturn is similar to that of the UK. How is the downturn Labour's fault if those other countries, which are not run by Labour, seem to have the same problems as the UK?

Alex Johnstone: That is another denial. I did not expect anything else.

The other issue that I want to address comes from Jeremy Purvis's speech—or perhaps I should say that it did not come from Jeremy Purvis's speech. I have listened to many of Mr Purvis's speeches on the economy and related issues in recent months, and the centrepiece of each has been the 2p cut in income tax. However, I discerned a decided change of emphasis today. The truth is that a 2p cut in income tax would require an £800 million cut in Scottish expenditure. I fundamentally believe that tax cuts can be used to boost the economy, but the mechanism that is available to the Parliament and the Government in putting forward its budget is such that every penny of that £800 million cut would have to come out of public expenditure.

I understand from discussions that have taken place in the Parliament that capital expenditure is protected within the budget, so if we take that out,

a 5 per cent across-the-board cut in revenue expenditure in Scotland would be required.

Jeremy Purvis *rose*—

Alex Johnstone: I must finish—the member can correct me later if I am wrong.

That would cost us jobs, development and the opportunity to bounce back from the recession. In particular, the £800 million pales into insignificance beside the £8.3 billion of spending commitments that have been made.

15:40

Joe FitzPatrick (Dundee West) (SNP): As members have mentioned, this budget is particularly relevant and important, given the current economic uncertainty. Members such as Alex Neil and John Park have said that we need to put aside party politics and headlines as we embark on what is likely to be a period of economic decline. I am pleased that most of the parties in the chamber have, on the whole, stepped up to the plate, which has led to a constructive approach to this year's budget in the Finance Committee and in the Parliament. The sole exception is one of the fringe parties, which has abandoned all attempts at being constructive to aim for headlines with its frankly ludicrous cuts proposals. I would say that the Liberal Democrats' sums do not add up, but one actually requires figures before attempting to add them up, and the Liberals do not seem to have any. To be fair, one figure is being bandied about, although not often by the Liberals—the £800 million of cuts, and even that figure has doubled from the original estimate of £400 million.

A 2p tax reduction, as the Liberal Democrats have proposed, makes good headlines, but it does not make financial sense. The Liberals are forgetting the difference between a normal Government with its full range of economic levers and this Parliament with its artificial ceiling, which means that we must work within the financial constraints that are placed on us by the settlement that we receive from Westminster. To put it another way, we must work within the envelope.

Any reduction in the Scottish variable rate must be matched by cuts in spending. At every opportunity, we hear of the Liberal Democrats' proposed plan for a reduction in the SVR, but details of the cuts are always absent. Mr Purvis is not solely to blame for that covert approach to the Liberal Democrat cuts—he is only following the example of his illustrious leader Nick Clegg, who, when asked on “Newsnight” where the proposed £20 billion of UK cuts would come from, said:

“I'm simply not going to tell you the rest because if I did that, first, if they were a good idea the other parties would nick it.”

There we have it: a party that is so concerned about the economic downturn that it will not tell us what it thinks should be done in case it has any good ideas.

I might be a little harsh—we have heard some proposals from the Liberals. Presumably, they are the ones that the Liberals think are so bad and so barmy that no one would think of stealing them.

As far as I can make out, the Liberal Democrats plan to scrap new quangos—creative Scotland and the SFT—which they claim would be a cut of £40 million. However, creative Scotland is expected to cost £7 million to set up, and the budget line for the SFT is only £3.1 million, so that is about £10 million, which is far short of the suggested £40 million. I am not sure that everyone got the memo on that, however, as Liberal leader Tavish Scott recently proposed the creation of a new transport quango—although, again, we have heard no costings for that proposal.

The Liberals have also said that they would demutualise Scottish Water, cutting £180 million from the budget. Although demutualisation might well achieve the £180 million saving that they claim, it would inevitably lead to higher water rates, which would create a tax rise rather than a tax cut for Scots. In addition, it would take two years to achieve, so it would produce no savings for this year's budget.

Jeremy Purvis: Can the member confirm that the Scottish Government is currently reviewing Scottish Water's funding mechanisms? With regard to a tax cut that has been voted on, can he explain why the SNP voted for the VAT cut?

Joe FitzPatrick: That tax cut is being funded by the UK Government from borrowing. Mr Purvis needs to understand that the UK Government can be flexible within its budget, but we cannot. As I have already said, this Parliament has to work within the economic envelope of the settlement that we are given from Westminster.

The Liberal Democrats' detailed cuts add up to a total of £220 million, which is far short of the required £800 million. The remaining £580 million comes under the heading "miscellaneous" and is made up of vague efficiency savings, cuts to infrastructure budgets and, of course, the secret idea that is so good that they cannot tell anybody about it.

Where would the extra £580 million of Lib Dem cuts fall? The Lib Dems could start with a couple of infrastructure cuts. Scrapping the Borders railway and the Inverness bypass would cut £120 million and £115 million respectively. They could save £187.5 million a year by getting rid of concessionary fares. They could cut £12 million from alcohol programmes, and scrapping free eye tests would save them another £29 million. They

could then end the council tax freeze, which they continue to oppose. That would take £70 million from the pockets of hard-pressed Scottish households. Finally, they could get rid of the central heating scheme, which costs £46 million a year. However, even after all those cuts, the sums would still not add up, because the total would be only £799.5 million. Clearly, most members would consider the cuts that I have outlined unacceptable, but if the Liberal Democrats were to achieve their 2p cut, they would have to go even further.

The Scottish Government's proposed budget is a good budget for my constituents and for families and businesses throughout Scotland. It is the right budget to ensure that Scotland can weather the current economic climate. I urge the Parliament to support the bill and let the Government get on with the job. I hope that all Opposition parties, including the Liberal Democrats, will enter serious negotiations with the Government so that we can get a budget—

The Deputy Presiding Officer: I am afraid that the member's time is up.

15:46

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): As Andy Kerr said, and as everyone in the chamber would agree, the economic climate means that we should take today's debate on the budget seriously and address the needs of our times. I and my Labour colleagues certainly want to do that—perhaps Derek Brownlee missed the point when he rehearsed his speech.

I want a budget that will create jobs, lead to the building of houses and other infrastructure in Scotland, protect people who are on the lowest incomes and improve public health.

Derek Brownlee: Will the member demand a budget that increases the number of national health service beds? How much extra spending for the NHS is she seeking?

Cathy Jamieson: In order to engage in the debate in a meaningful way, I will focus on some of the broad themes and areas in which the Government could improve the budget, rather than simply create a shopping list of individual issues. That is the right approach to take at this stage.

I hope that Derek Brownlee agrees—I think that everyone else in the chamber does—that we want our health service to be world class. We welcome the proposals to accelerate the capital spend on facilities, but in order to make use of those facilities we must ensure that health boards are properly funded and ready to use them when they come on stream. In that context, I hope that the

Cabinet Secretary for Finance and Sustainable Growth will examine the link between capital allocations and future revenue costs. The Government should ensure that the money that is identified in the budget for health boards goes to the front line as quickly as possible instead of being held at the centre, and that health boards have the flexibility that they need to manage effectively, protect existing employment in the health service and ensure that staff are in place for the new facilities.

Also in the wider context of health, given the widespread concern about hospital acquired infections, the budget should ensure that there are adequate—

John Swinney: Perhaps I could give Cathy Jamieson some information. She raised a substantial point about health boards getting money from the centre. As set out in the spending review, the defined health boards budget for 2008-09 increased by more than £1 billion through transfers from centrally held budgets. The health boards figure has to be viewed in that wider context.

Cathy Jamieson: I hear what the cabinet secretary says and I appreciate his comments, but I report to him that the matter is a concern for health boards and has been raised with me.

I return to the point that I was about to make. I hope that the Government will ensure that the budget includes adequate resources to deal with hospital acquired infections. It has been suggested that part of the deal between the SNP and the Tories involves bed-by-bed monitoring—however many beds there end up being—and evaluation of the pilot project that is under way. People should not get involved in a bidding war on the issue—it is too important for that—but the Government could and should consider what more can be done to ensure that we effectively tackle *Clostridium difficile* and other hospital acquired infections.

My colleague Jackie Baillie will say more about the detail of that, which I cannot cover in the short time that is available to me, but I refer members to our 15-point plan, which we have placed a copy of in the Scottish Parliament information centre for members' reference. I hope that ministers will seriously consider the points that it raises, including those on simplifying the NHS landscape to ensure that, rather than the current plethora, one person is responsible for co-ordinating and taking action on hospital acquired infection; ensuring that a system of random inspections is introduced; ensuring that we seriously consider the introduction of sensor-operated hand-washing facilities in our hospitals; and ensuring that single rooms are available where they are needed to isolate people with infections. I do not expect the cabinet secretary to be able to respond in detail to

our proposals at the moment, but I hope that he will discuss them with his colleagues.

As I said at the outset, we are now in a very different economic climate, and we must seriously consider bringing forward further investment in housing. Of course, house building has an impact on the construction sector in particular—that links to issues that John Park raised—but it can also ensure that we deal with the real pressures in our local communities. Many people who previously wished to take on home ownership might no longer wish to do so in the current climate. There is an opportunity now to rethink the balance in bringing forward housing spend.

I want to raise another issue before I finish. The housing associations are particularly concerned about the housing association grant scheme, which they believe is posing difficulties, and they are finding it hard to borrow to provide their contributions. Will the Government consider and comment on that?

In addition, there are concerns that part of the affordable housing investment programme is sitting in the housing and regeneration part of the budget. Of course, that represents the largest part of housing investment, but a smaller part of the housing budget—in particular the allocations for Edinburgh and Glasgow—is separately accounted for in the local government section of the budget, under the transfer of management and development funding. While the AHIP figure has increased substantially—by some £78 million—the sum for Glasgow and Edinburgh does not appear to have risen at all. That ought to be looked at—

The Deputy Presiding Officer: I am afraid that the member's time is up. I am sorry.

15:52

Liam McArthur (Orkney) (LD): My colleague Jeremy Purvis referred to the cabinet secretary's comments prior to Christmas on the scale and extent of the economic difficulties that we face now and over the coming months. Adopting the role of economic weatherman, Mr Swinney predicted an "economic storm". Since then, we have witnessed the chill winds of recession beginning to lash our economy. The latest purchasing managers index report from the RBS makes for incredibly sombre reading on all fronts, not least on business confidence about prospects for the foreseeable future.

Scottish Liberal Democrats certainly do not take issue with the cabinet secretary's powers of prediction; rather, we question the adequacy of the Government's response to the circumstances that we now face. Ministers can legitimately claim that they had little control over those circumstances, but individuals, families and businesses rightly

expect them to respond to them to the fullest extent.

Like the SNP's Treasury spokesman in Westminster, Stewart Hosie, we believe that tax cuts are part of the solution. Money should be put back into people's pockets at a time when they most need it. We agree that the UK Government's temporary VAT reduction is unlikely to be effective, despite the costs that will be borne now and in the future to fund it. Perhaps as it was the only tax cut on offer at the time, Mr Hosie and his SNP colleagues at Westminster felt compelled to vote in favour of it. Nevertheless, there is a growing sense throughout the business community that the VAT reduction will have too little impact at too high a price.

Liberal Democrats have called for genuine tax cuts that will put money back into people's pockets. As Mr Hosie recognises, many small businesses in this country pay personal tax and would benefit greatly from such a move. As cash flow becomes tighter and access to finance becomes far more difficult, businesses and households are looking for that sort of response from the Government.

Gavin Brown (Lothians) (Con): Have any business organisations in Scotland supported the Liberal Democrat-proposed Scottish tax cut?

Liam McArthur: We will take the views of the chief executive of Next as some sort of corroboration of our proposed approach.

Despite what Mr Swinney said, his assurances about constructive engagement ring rather hollow. Ministers' initial position, of course, was that the Liberal Democrats were at fault for not telling them how to do it—a stipulation that they happily waive in negotiations with their Tory partners. Then it was the fault of HM Revenue and Customs, which told ministers that they had run out of time to introduce measures this year. Why wait so long to ask the question and why ask the question if the ever-tactful minister for "Newsnight", Mr Neil, has denounced tax cuts as lunacy?

What has been the Government's response to the economic storm? Mr Swinney alluded to the Budget (Scotland) (No 2) Bill, which was introduced last week, and the prescience therein. Dismantling the enterprise networks and slashing their budgets has been an important part of the strategy. The decision to strip out skills from the remit of the enterprise agencies makes little sense and will result in large set-up costs for a stand-alone agency. It also fails to acknowledge the inherent link between skills and economic development. During the past year, I have been told by Scottish Enterprise staff that they have resorted to consulting a thesaurus, desperate to find alternative words for "skills", so that they can

successfully propose packages of support for key businesses that are crying out for help in recruiting and retaining staff.

Ministers persist in arguing that there have been no cuts in budgets, a line that the management of Highlands and Islands Enterprise no longer attempts to sustain. Ministers seek to fold in all sorts of other budget lines, trying to mask what they have done, but leaving utter confusion over the true extent of the cuts, which are having a real impact now. For example, HIE can no longer offer small-scale funding packages, which have been crucial in the past. In the midst of an economic storm, for many good and viable small and medium-sized enterprises in the Highlands and Islands, such funding could be the difference between keeping afloat or shutting the doors. The cabinet secretary will recall that HIE's predecessor used to provide loan finance to help businesses.

Alex Johnstone: Will the member take an intervention?

Liam McArthur: Sorry, but I am running out of time.

In good economic times, with banks falling over themselves to lend, the need for HIE to perform that role was rightly considered superfluous. Now, however, it does not even have the option.

The creative accounting that ministers have used in HIE's budget is as nothing compared to the dodgy dossier that the Tories prepared ahead of this debate and to which Alex Johnstone referred. Last year, I suggested that the Tories were the junior partners in a coalition with the SNP that dare not speak its name. As costs are cut and efficiencies are made, the Tories have been reduced to the role of a Government research unit.

Derek Brownlee: Will the member take an intervention?

Liam McArthur: Sit down.

On the basis of that document, however, the Tories may eventually be outsourced altogether. Mr Brownlee's speech raised serious questions about what the Tories think of as their role in holding the Government to account. The Tories' response to the current economic situation involves bed tagging and mountain bikes, which are worthy, but hardly radical. While Tories at Westminster call for bolder action from Government, including on loan finance, in Scotland they meekly seek assurances that last year's concessions will not be taken away. I genuinely enjoy Mr Brownlee's speeches in the Parliament—his speech this afternoon was an absolute classic—but after spending the early part of the week in Aberdeen meeting oil and gas sector representatives, I reflect that, although a derrick is invaluable in that sector for hoisting

heavy loads, the cabinet secretary appears to have found that particular Derek rather more useful for propping things up.

Last year, the First Minister threatened to resign if anyone voted against his proposals. He has had another Rita Hayworth moment this week. No amount of flouncing and posturing from the First Minister will disguise the fact that the budget is an insufficient response from the Government to the economic storm.

15:58

Kenneth Gibson (Cunninghame North) (SNP):

It was good to hear so many consensual, or almost consensual, speeches following the cabinet secretary's speech, in which he discussed building on the secure foundations that the Scottish Government laid last year. I commend the UK Government for the additional £230 million that it will enable the Scottish Government to spend in the forthcoming financial year. We have concerns that that might be followed by £509 million in cuts in the following two years, but at least it will be good while it lasts. The move will mean additional money for housing and for tackling fuel poverty and that we will be able to do more for people who lose their jobs. We will also be able to invest more, particularly in infrastructure.

I listened closely to Andy Kerr's speech and noticed that he wants the Scottish Government to take action similar to that being taken by the UK Government. We would like to do that, but I do not believe that we have the power to cut VAT or that we have control over interest rates. If we had the £2.5 billion borrowing consent that Northern Ireland has—even though it has barely a third of our population—we could go a long way further.

Andy Kerr: I simply make the point that this Parliament has substantial powers over the microeconomic conditions of our economy in planning, transport and other areas that the SNP can influence.

Kenneth Gibson: I accept the member's point, but he spoke specifically about taking action similar to that being taken by the UK Government. He also talked about in-year flexibility, which was an important point. I hope that Mr Kerr will support my view that the £1.22 billion that the Treasury is withholding from Scotland—not from the SNP Government—should be released. Part of that money is the threatened loss of £400 million of council tax benefit money if Scotland abolishes the unfair council tax, should the Parliament vote for it. That is the case despite post-devolution Treasury documents that state that the money—the Scottish block—is an integral part of Scotland's funding arrangements.

Also included in the figures is £120 million of Barnett consequential from the £1.2 billion spend from the reserve on prisons south of the border. It is clear that increases in spending on prisons south of the border generate 100 per cent Barnett consequential.

Scotland has lost £342 million from its budget because of changes in the health baseline that the Chancellor of the Exchequer made when he introduced the comprehensive spending review. Some £184 million has been withdrawn from lottery funding for good causes to fund the London Olympics, and we have heard about the threatened loss of £165 million in Barnett consequential because of London Olympic regeneration spending. There was also a loss from the Department for Environment, Food and Rural Affairs of £8.1 million in compensation for farmers and crofters when Gordon Brown postponed the election in October 2007. There is potential for Scotland to obtain more resources so that we can deliver more effectively for the Scottish people.

What can I say to comrade Brownlee except, "What a wonderful speech"? Let us be honest, though—what about that desperate load of nonsense from Jeremy Purvis? Frankly, it was utterly pathetic and dreadful. How can a party talk about cutting £800 million from the budget, which will cost thousands of jobs, without having the guts to say exactly where those cuts will be made, how many jobs they will impact on and how many people will lose their livelihoods?

We have heard two Liberal speeches already, but I hope that Jeremy Purvis will address the key question today in his winding-up speech. We have heard whining, greeting and girning from the Liberals about wanting more money for the Borders, more money for housing, more money for this and more money for that. They want more money to be spent everywhere, but not only will they not say where it will come from, they want to cut £800 million. Then Jeremy Purvis says that the £230 million in additional resources will make only a 1 per cent difference. If he adds that to the £800 million that he wants to cut, it is £1 billion.

With the Liberal Democrats, it is like going back in a time machine to 1970s students unions and listening to bearded sandal wearers debating. If they continue in that vein, they will go the same way as their Social Democratic Party allies of former years—into political oblivion. If people do not believe that, let us look at what happened last year in Glasgow East when Robert Brown said that they were Labour's main challenger: the Liberal Democrats won 4 per cent of the vote. In Glenrothes, they won 2.5 per cent of the vote—in a county where they have four of the 10 first-past-the-post Westminster and Scottish Parliament seats. In my constituency, in a council by-election

last December, they won 3 per cent of the vote, although it did not help that their candidate was photographed with his pet horse for his election leaflet.

The Liberal Democrats still appear to be in the huff about not being in coalition government. Both the Labour Party and the SNP now know that we do not need them any more; we can have minority Administrations without the Liberal Democrats and their fantasy economic politics. They are in a moribund party that makes the days of Nicol Stephen and Ming Campbell look like halcyon days compared with the new era of Tavish Scott and Nick "Who?" Clegg.

We have an opportunity today to move forward on a budget that will deliver—within our settlement—the best possible deal for the people of Scotland. We must approve it so that we can do that. We cannot possibly continue with nonsensical arguments about cutting budgets with no detail of where they should be cut, and I do not want to hear any more carping from the sidelines. The SNP, the Labour Party, the Greens and the Conservatives have big issues to debate and discuss. I would like the Liberals to get on board, but if they will not, perhaps they should stay silent instead of wearying us with a winding-up speech that will again seek—

The Deputy Presiding Officer: Time is up.

16:04

Jackie Baillie (Dumbarton) (Lab): I welcome this opportunity to debate the Scottish Government's budget. Given the other contributions to the debate, it will come as no surprise to the cabinet secretary to learn that I do not believe that, at the moment, the budget goes far enough in tackling the economic crisis.

The one thing on which we have all agreed is that we live in challenging economic times. At such times, people in the communities that we represent rightly turn to Government, no matter whether at Holyrood or at Westminster, to help them weather the storm. As a result, the measure of the budget must be how it helps Scotland through the storm over the next year.

The UK Government's actions to protect the economy have been well documented. Even today, a further package of support for businesses has been announced. The extent of the Scottish Government's intervention must be greater, but I leave it to others—indeed, they have already started to do this—to outline the measures that are required to help our businesses, our high streets and individual sectors of the economy, such as construction. I will touch on local government before focusing on health spending.

I hope that the cabinet secretary recalls my welcome for the reprofiling of the £260 million of capital consequentials resulting from UK spending decisions. Perhaps he also recalls my question about the mechanism by which £90 million of that money would be allocated to local government: would he target priorities by taking bold decisions to maximise impact or would he end up spreading the jam thinly across the 32 authorities, negating the cash's overall potential impact? Contrary to what he said to the Finance Committee, he has chosen to sacrifice maximising impact by spreading the jam thinly, and I have to record my disappointment with that decision.

The Finance Committee expressed concern about health efficiency targets and the emerging evidence that efficiencies might be coming from front-line services instead of the backroom bureaucratic functions that ministers have highlighted. As I am sure that the cabinet secretary does not wish there to be any detrimental impact on front-line services, I ask that he reconsider the issue. Specifically, he might wish to look closely at the fact that, in spite of the 4.3 per cent increase in the overall health budget in 2008-09, health board budgets rose by only slightly more than 3 per cent. That means that the Cabinet Secretary for Health and Wellbeing has retained £350 million centrally for her disposal, effectively holding back the money from health boards and front-line services. I have to wonder whether that is the best use of that money.

Finally, I turn to hospital-acquired infections, which is an area of particular constituency interest. Although I acknowledge the Conservatives' suggestion of bed management pilots as a contribution to the debate, I point out that Scottish Labour has today published a comprehensive 15-point strategy to tackle HAIs, which has been shaped by the families affected by C diff and endorsed by two of the UK's leading experts in this field: Professor Hugh Pennington and Professor Brian Toft. Professor Pennington has said:

"This package draws on tried and tested international practice. Its implementation will make a real difference and should—over time—bring Scotland in line with the other countries that have controlled their HAIs far more effectively.

Its implementation is needed now—not only are the current problems severe by any standard, but we have to be prepared for the emergence of new challenges because microbes evolve in real time."

One priority in the plan is the introduction of a more ambitious target for reducing the number of C diff cases. Although the current Government target of cutting such cases by 30 per cent over the next three years sounds impressive, it is less than the 38 per cent reduction that has already been achieved by the NHS in England.

We want to cut the number of C diff cases by 50 per cent by March 2011. Underpinning that objective are practical measures including the provision of quality hand-washing facilities that are temperature controlled and sensor operated. It concerns me that Scottish airports have better hand-washing facilities than Scottish hospitals. Other measures include the creation of isolation facilities for all C diff and MRSA patients, which would essentially mean the provision of sufficient en suite single rooms in order to end sharing.

Alex Neil: Does the member welcome today's announcement that MRSA has reached its lowest ever recorded level?

Jackie Baillie: I do indeed, but the member should realise why we are so concerned about this issue. If we compare this quarter with the previous quarter, we will see that the underlying trend of C diff is rising. I welcome the reduction in MRSA, but I want to see the same happen with C diff.

I understand that microbiologists have identified a new strain of C diff—type 078. We have not yet been told whether there have been any cases of the new strain in Scottish hospitals, but the fact that bugs evolve in real time should concern us all. It is time for the Parliament to unite to take robust action to make 2009 the year in which Scotland shapes up and gets serious about hospital-acquired infections.

I will finish with the words of Professor Brian Toft:

"The proposed package of proposals to address C.diff in Scottish hospitals is both comprehensive and practical. It should be implemented without delay."

The budget effectively sets out the Government's priorities; I commend the plan that Scottish Labour has published to the Parliament and the Government.

16:10

Patrick Harvie (Glasgow) (Green): There are many reasons why Greens might choose to criticise and oppose the budget as it stands. As the Transport, Infrastructure and Climate Change Committee discovered, this is a business-as-usual budget. At a time when we face economic crisis, climate crisis and impending energy crisis, the case for a fundamental change of direction for our society and economy is irresistible.

In the previous session, when the Executive had a majority, there were occasions when we voted no, voted yes following constructive changes or abstained when the arguments were finely balanced. We reserve the right to take any such position in this session. SNP members have warned Parliament not to jeopardise the budget. In the past, I have argued that in a period of minority

government all members and political parties have a serious responsibility to enter into constructive dialogue during the budget process and actively seek agreement. However, we should also remember that it is the cabinet secretary's responsibility to build consensus—or, at the very least, a majority. That requires him to compromise and to take seriously others' constructive suggestions.

Our approach has been to bring constructive suggestions into direct dialogue with the Government, not to drop in last-minute demands that are unrealistic, unachievable or unwise—a strategy adopted by some that seems to be designed as a positioning exercise rather than to advance serious proposals. We prefer to pursue detailed discussions, months in advance, and to maintain an active interest in the delivery of the budget as the money goes out the door. Last year we took that approach, which led to constructive work on the Government's limited spending on walking and cycling; on third sector budgets, which now support credit unions, among others; and on the climate challenge fund, which is empowering communities across Scotland to cut greenhouse gas emissions in radical and creative ways, tackling climate change and building resilience for the age after peak oil. Despite those and other agreements last year, there were too many areas, notably on transport, where we could not drop our criticisms; like others, we abstained in the final vote.

This year we are taking the same constructive approach. We seek sufficient changes to the 2009-10 budget to allow us to support it, but such changes will have to be significant. Our first priority—which every political party should be able to support, budget or no budget—is a dramatic increase in the rate of home insulation throughout Scotland. We have looked at what our colleagues in Kirklees Council down south have delivered by taking an area-based approach—working street by street and door by door. Rather than setting up a phone line and waiting to see who calls, they have knocked on doors and done the work. We need a universal approach, with no means testing, because otherwise—no matter what mechanisms are used to target fuel poverty—some people will fall through the cracks. The service must also be free: to ensure that we get the maximum uptake, we must remove the barriers of cost.

We have argued that scaling up the Kirklees programme to the whole of Scotland would have multiple benefits. Clearly, it would address the problems of climate change and peak oil—Scotland's total greenhouse gas emissions would be cut by about 6 per cent once the job was done. It would also help us to tackle fuel poverty by saving every household in Scotland hundreds of pounds a year. It would provide investment in jobs

and skills for which other political parties have rightly called—supporting what we argue should be a green investment-led recovery from the current economic crisis. Support for our proposals has come not only from environmental non-governmental organisations such as the John Muir Trust, Friends of the Earth Scotland, WWF Scotland and Energy Action Scotland, which we might expect to support us, but from the business sector—the Scottish Building Federation, Scottish Business in the Community and the Scottish Renewables Forum.

We believe that the work needs to be done on a dramatic scale. Our estimate is that it would cost about £100 million a year, on top of what is spent already, to achieve a 10-year programme to cover the whole of Scotland. I entirely accept that the Government may have a different estimate, and if it can produce figures showing the number of jobs already done, which would not have to be included, let us hear them. If it can produce a different estimate of the cost savings using an area-based approach, which has an economy of scale built into it, let us hear what it is. We will not know that the Government is committing to such a project until we hear what the figures are.

The cabinet secretary understands the value of our proposal, and I think that he would like to be able to deliver it. He needs to make it clear to the Parliament that he intends to do so. He might have misspoken in his opening speech, so I will be clear. There are two elements to what we are arguing for. First, there is the advice, audit and insulation programme, which must be free, universal and area based, with the intention to cover the whole of Scotland over an ambitious timescale. That needs a clear commitment and Government funding. CERT money on its own—for meeting the carbon emissions reductions target—will not be sufficient.

The second element is a loan scheme, similar to the RE-charge scheme—for renewable energy—that operates in Kirkcaldy, which removes the barriers of installation costs at hard-to-treat properties by enabling people to put off repaying them until they sell their properties. I know that the cabinet secretary's colleagues are working on the detail of that, but I need to hear his intention to introduce such a scheme.

There are people who argue that the environment slips down the agenda in a recession, but I ask: when better than during a recession to stop wasting energy and wasting money? Let us hear the cabinet secretary commit to building the 21st century infrastructure that we need.

16:16

Willie Coffey (Kilmarnock and Loudoun) (SNP): I am pleased to support the cabinet secretary on the occasion of this, his second budget presentation. The debate might not have the same historic significance as last year's debate had, but it represents a milestone for us—not just for the cabinet secretary and the SNP Government, but for the Parliament. Big political events such as the SNP's first budget get publicity but, as members know, it is the daily, weekly, routine work of the Parliament that provides the effective governance that Scotland needs in these difficult times.

When the cabinet secretary introduced his first budget in January 2008, the economic signs were already ominous, but that was still a month before the announcement of the nationalisation of Northern Rock. Since then, the economic crisis has continued to unfold. The UK chancellor, the Prime Minister, the President of the European Commission and the governor of the Bank of England have all described the period as exceptional, as have members of the Parliament today. In such times, the pressure is on our still-young Parliament to rise to the challenge. External events—over which the Parliament has too little control—will make our task more difficult, but our challenge is to help Scotland steer a course through those events.

I was entertained by my colleague Kenny Gibson—who is no longer in the chamber—when he described the by-election candidate's leaflet. I was reminded of the song "My Lovely Horse" from "Father Ted". I also enjoyed the speech by Derek Brownlee—he has also left the chamber—who is always entertaining. I should also mention John Park, whose speeches I always enjoy, too. He always makes a case for investment in skills and training, and I like to listen to what he has to say on those matters.

Members are sometimes tempted to argue by anecdote, selectively picking service delivery issues and local budget pressures as if they never arose under previous Administrations. The Parliament must rise above that if we are to meet our communities' needs as they view the economic carnage that surrounds them. With some notable exceptions, there has been a great deal of consensus around budget priorities. There is a big difference between this year's debate and last year's.

We need to do more to provide housing for our communities, not only because that would be a good policy decision but because it would provide much-needed jobs for the construction industry. The budget allows for accelerated spend on affordable housing. In another first for devolution, the Scottish Government will make effective use of

all potential developers, including local authorities, and I am sure that many members will welcome that approach.

Although there is much agreement, the debate on training and skills development risks becoming a new form of demarcation dispute. The cabinet secretary has made it clear that the Government will continue to increase provision, focusing on key areas of the economy. I welcome that commitment, and I welcome the Government's decision to avoid being overprescriptive about how provision will be delivered. Like many other members who have an interest in the issue, I have doubts about the benefits of rigid central targets for particular forms of training. Education, training and skills development should meet not arbitrary targets but the needs of individuals and the economy.

In last month's debate on the local government settlement, members made pleas for more resources and spending. However, we must use the financial cards that Scotland has been dealt. We would all do more if we had more resources. I am pleased, for example, that the Scottish Government has addressed the £40 million gap in funding for free personal care, which is a problem that the Government was handed. However, underfunding of children's social work services, which has been a problem for years and has not been addressed by successive Governments, requires attention.

The cabinet secretary has committed to a review of the local government distribution formula—Sir Humphrey might describe his decision as "brave". Such a review is needed. I understand that the current arrangements have been in place since the 1980s, although they have been tinkered with. Some members who complain that their council is comparatively underfunded should perhaps explain to their electorate why the issue was not addressed when their party was in government. The issue could have been addressed much earlier.

Andy Kerr: I understand that there have been 32 reviews and attempts to reform grant-aided expenditure, all of which moved less than 1 per cent of the budget around local authorities in Scotland. It is an extremely difficult job to balance the needs of remote and rural communities, urban communities and areas of social deprivation.

Willie Coffey: I agree that it is a difficult job, but it is commonly acknowledged that the issue must be addressed. I look forward to progress being made.

In my local authority, East Ayrshire Council, the removal of ring fencing has released £1 million for deployment in different ways. I look forward to hearing the council's plans for addressing the local

community's needs. That is the nature of the agreement that we struck with local authorities, to which they were happy to sign up.

The Government has made important decisions that benefit my constituents, which are reflected in the budget. Resources for housing have been increased, threatened accident and emergency services have been saved, dental services have been improved and so on. In addition, the council tax freeze and the business rates reduction, which have been built into the budget, will help hard-pressed families in my constituency.

I regret that the devolution settlement does not provide the Parliament with the flexibility that independence, which is the best way forward for Scotland, would bring. However, the cabinet secretary's plans are informed by the SNP's vision of a better, more successful and more stable Scotland, which can build on its strengths. I commend the motion in the cabinet secretary's name.

The Deputy Presiding Officer: I call Frank McAveety, whom I thank for agreeing to speak for five minutes so that Margo MacDonald can speak for three.

16:22

Mr Frank McAveety (Glasgow Shettleston) (Lab): I did so with great reluctance.

I was intrigued by Kenny Gibson's allusion to a candidate who was photographed with his horse for a leaflet in Ayrshire, but we will leave the matter for examination at another time.

It is understandable that more heat and perhaps a little more light have been generated in this year's budget debate than was the case last year. The fault lines are clear. Conservatives have spent most of their time attacking Labour front-bench spokespersons, and SNP members have spent most of their time picking on Jeremy Purvis. Given the current economic circumstances, I would have thought that we were all Keynesians now, with the exception of the Liberal party, which favours tax cuts above reflation of the economy.

Jeremy Purvis: Will the member give way?

Mr McAveety: I want to make some points. I might be able to allow an intervention later in my speech.

The budget raises many issues that we need to address. I hope that the process will enable our minority Government to acknowledge that members of all parties have a genuine interest in getting the best deal, both for their constituents locally and in the national interest.

I am concerned about some of the comments that have been made. Derek Brownlee was

perhaps making an effort to camouflage the deal that he has struck with the SNP. He came across as a Conservative Rab C Nesbitt, whose tattered vest is still as shabby and still smells as much as last year's tattered vest. Behind the scenes, a deal has been struck between the Tories and the SNP to try to ensure that the budget bill is passed with minimum fuss. That is a reasonable objective, but it is not what the Administration and the Parliament should be doing.

We need to ensure maximum scrutiny of the Government's intentions to make sure that they reflect the diversity of opinion in the Parliament. That is reflected in Margo MacDonald's understandable endeavours to ensure some allocation of budget for Edinburgh. Such an allocation would be welcome for Edinburgh, but a number of other cities in Scotland could benefit from the same approach. I am not necessarily arguing a case solely for Glasgow. In recent years, we made progress on an urban policy that reflected the different pressures and strains in different cities throughout the country, and I regret that we have moved away from that policy.

I note with interest that the proposed arrangement essentially involves reallocating to Edinburgh business rates money that is collected nationally—an approach that, 12 years ago, I suggested should be piloted for Glasgow. There are issues that we need to explore further, and I hope that the minister will respond to them. The situation is a bit like Dickens's "A Tale of Two Cities":

"It was the best of times, it was the worst of times".

Perhaps Margo MacDonald feels that these have been the best of times for her.

The other thing that has worried me about the tone of the debate in recent weeks is the First Minister's attempt to make the budget process almost a showdown again. Liam McArthur referred to the Hollywood legend Rita Hayworth. Perhaps he and I have different perspectives on the matter. The First Minister reminded me more of Jack Palance throwing a gun down on the floor and saying "Pick up the gun!" to see who responds. If the poor wee goat herder picks it up, he will be obliterated. That might be the First Minister's agenda, but is not how Government—certainly not minority Government—should be run.

We need to address a number of fundamental issues. I will touch on some of the areas for which I have responsibility and make some suggestions. It might not be possible to address them fully in this budget round, but they are worth reflecting on. Everyone recognises that the economic difficulties that we are in require innovative solutions. They will not all be big, macroeconomic solutions at the European, UK and Scottish levels; we need to

lever the resources in where we can make a real difference.

Let us take sport as an example. Absolutely every member of the Parliament has in their area sports pavilions that are shabby, unkempt and could do with having some minor pieces of work done on them. Hutchison Vale Community Sports Club in Edinburgh has been campaigning heavily for the upgrading of sports pavilions through the relationship that it has been trying to establish with the City of Edinburgh Council and other partners. I ask members to imagine the benefits of such upgrading to the areas served by the sports pavilions and, more important, the even greater benefits to small businesses. Sustaining that economic activity strikes me as an innovative suggestion that could benefit both rural and urban Scotland.

None of us has any perfect school buildings. We can leave the big debate about how we fund capital infrastructure for another day, but let us consider the school grounds that many of us have in our areas. In my area, there are a number of old school grounds that date from 1902 and 1918. We need to address how we can fund them more effectively and ensure that kids maximise their use.

It is rather sad that, in the year of homecoming, we have reduced the budget for hospitality training and for investment in marketing, which is needed to ensure that we maximise the year's potential. I share the consensus that we want to benefit from it. I want to—

The Deputy Presiding Officer: I call Margo MacDonald.

Mr McAveety: Sorry.

16:28

Margo MacDonald (Lothians) (Ind): I thank Frank McAveety for his good intentions.

Before I discuss my plea to the cabinet secretary on measures to mitigate the effect of economic recession on Scotland's capital, I repeat a plea that I made privately to the First Minister last week. My plea was that he build a consensus with the other party leaders in the Parliament to seek from Her Majesty's Government an immediate amendment to the Scotland Act 1998 to endow the Parliament with the borrowing powers that are required to manage and balance, to best effect, our responsibilities to develop Scotland, with sensible economic and financial management practices.

Today, as always, the Opposition has repeated at every opportunity the mantra that the £33 billion that the finance secretary has to spend is more—much more—than his predecessors had. Let us be

a bit more honest with ourselves and with the Scots who are trying to work out to whom they should look for leadership in what Will Hutton of the Work Foundation described last night as Iceland on Thames and in Edinburgh. After we fulfil the commitments that, in effect, are decided by our statutory obligations, John Swinney can only move money around at the margins. That is why we need borrowing powers and an unemotional, unsentimental examination of how well the much-vaunted but busted UK economy is likely to provide the customised policies that would allow Scots to maximise their economic potential in the different circumstances that will follow what might be a decade of very low growth.

The finance secretary must do what he can to stimulate Scotland's economy with imagination and by making full use of our existing structures. He must protect the parts of our economy that are likely to provide the recovery and growth points. Edinburgh is one of those. On average, Edinburgh has contributed 13 per cent of Scotland's GDP, and much more than that in specific sectors. A recent study by Oxford Economics entitled "Which parts of Great Britain are vulnerable to the credit crunch?"—this answers some of Frank McAveety's points—shows the City of Edinburgh Council as the only Scottish local authority that is vulnerable. Edinburgh is ranked 14 out of 50 in the index of local authorities that are vulnerable to high numbers of job losses. Edinburgh's score in the vulnerability index is not much below that of greater London.

When the finance secretary and I met to discuss my suggestions about Edinburgh, I freely acknowledged that he has neither the statutory powers nor the resources to pull the sort of rabbit out of a hat that Lord Mandelson has demonstrated in providing £20 billion in support for small businesses. However, I indicated that my support could rest on the finance secretary's willingness to show flexibility on Edinburgh's financial position if the effects of the recession produce a situation of disproportionate unemployment—

The Deputy Presiding Officer: We must now move to the wind-up speeches. Mr Purvis, you have six minutes.

16:31

Jeremy Purvis: Before last year's debate, the Government helpfully sent all its back benchers a paper entitled "Budget Essentials from the SNP". The paper contained warnings about what would happen if the budget was not passed and which programmes would be scrapped. Many of the items that we heard about in last year's debate have also been mentioned today. The paper helpfully suggested:

"You may want to pick projects that affect the area or interests of the Opposition speakers."

I have seldom taken part in a debate in which I have been the focus of so much attention. I have been criticised for being both anti-Keynes and Herbert Hoover in one go. I have never been compared to so many historical figures. However, let me deal with one aspect of that curious take on history by looking back at the last time that this country faced such an economic storm, which was during the depression. That is no exaggeration, given the figures since Christmas, which have highlighted the difficulties that our economy faces. Whereas President Herbert Hoover increased taxes in the lead-up to an economic depression, those tax increases were reversed by President Roosevelt on the advice of Keynes. The Keynesian fiscal stimulus also included investment. I point out to Frank McAveety that Keynes also said:

"When the facts change, I change my mind. What do you do, sir?"

It has been asserted in the debate that, with Scotland having a fixed budget, it is impossible to reduce tax. However, three-year cuts in council tax and business rates were introduced in advance of the downturn.

Joe FitzPatrick: Will the member give way?

Jeremy Purvis: I will if I have time.

Altogether, those tax cuts will cost around £1 billion within a fixed budget, but the Government has claimed that they can be made at the same time as front-line services are protected. That has been the Government's position, which the Conservatives have supported. It is argued that, in principle, it is impossible to cut taxes on a fixed budget, but that is not the case.

When the Government came into office, it increased the levels of efficiency savings by 0.5 per cent, which is broadly the equivalent of a £400 million cut over the spending review period. Again, it is not the case that, in principle, efficiency savings cannot be increased without putting front-line services at risk, as has been asserted by the Government with the support of the Conservatives.

Most recently, parties at Westminster have had an opportunity to vote on a tax cut in the form of a reduction in VAT. The UK Government's VAT cut has been shown widely by commentators and others to be both highly costly and ineffectual. As Joe FitzPatrick said, the VAT cut was voted for by the SNP on the basis that it was a result of borrowing at a British level. Of course, the VAT cut will be paid for by the increase in national insurance when that comes through in due course, in the hope that the economy will be—

Joe FitzPatrick: Will the member take an intervention?

Jeremy Purvis: I will take an intervention on that point. I hope that the member admits that the VAT reduction for which his Westminster colleagues voted is to be funded by a tax increase.

Joe FitzPatrick: Mr Purvis is aware that we are talking about the Scottish budget, which is a fixed budget. Where would the £800 million of cuts that would be required to fund his 2p tax cut come from? Where would the Liberal Democrat cuts fall?

Jeremy Purvis: I am genuinely grateful to the member for admitting that what the SNP voted for in December is to be paid for by an increase in tax on Scottish families.

In principle, a tax cut within a fixed budget is possible, and greater efficiencies can be funded without front-line services being put at risk. That is the Government's policy.

Our policy is that Scottish Water's funding structure should change—that was in our manifesto, as all members know—and we have brought to the Parliament proposals on the new quangos that the Government has set up.

We have also argued that an infrastructure programme that provides better value for money can be delivered. One example is the Borders railway in my constituency, which members have mentioned. As a result of a decision that was taken by this Government, the Borders railway is to be funded entirely through borrowing, at a capital cost of £295 million. We estimate that the interest rate will be between 2 and 5 per cent over 30 years. It is curious that although the largest and longest rail project in the UK can be funded entirely through borrowing, the new Forth crossing cannot be funded in that way. We want to know the life cycle estimate, but the Scottish Government is not providing that.

There can be annualised efficiency savings; that approach can be taken, and we have to take it. Without a direct and specifically Scottish fiscal stimulus for the Scottish economy that is deliverable through structures that the current Government has put in place, the halving of council revenues from building control and planning applications that has already happened will be a drop in the ocean in comparison with the other revenue reductions that public services in Scotland will face for the next generation. If SNP members do not think that the storm that is affecting Scotland at the moment will have a considerable long-term, knock-on effect that must be addressed now, they will reap the criticisms of future generations.

16:37

Gavin Brown (Lothians) (Con): The Conservatives have been very constructive in their approach to the budget this year. That is important because the Scottish Parliament has an opportunity through responsible negotiations to secure a sensible budget for the people of Scotland.

Our discussions have two main aims: to push for Conservative policies to be included; and to push for other measures that will help the economy and mitigate the effects of the recession that we face. Any concessions from last year are utterly non-negotiable and any breaking of those promises will result in a vote against the budget at stage 3. Between now and then, a failure to support our proposals to help hard-pressed families and businesses will mean that we will not support the budget at stage 3.

I will discuss some of the comments that have been made in the debate. Mr Kerr talked about the successful VAT cuts that have been made by the chancellor and the Prime Minister. Is Mr Kerr the only person who has not read recent reports about retail? Has he not seen the report from the British Retail Consortium that retail sales since the VAT cut have been the worst in 14 years? The figures are only the worst in 14 years because the survey has been operating for only 14 years. On a like-for-like basis, sales are down 3.3 per cent, which is bad enough, but when we add into the mix the fact that many retailers were offering 50, 60 and 70 per cent discounts, the news is very bad indeed.

Although they did not mention it today, we have heard many times from Labour members that the VAT cut is worth £270 to the average Scottish family over the course of 13 months. The only problem is that a family wishing to take advantage of that £270 must spend £10,000 in order to do so and, in the current climate, not many families are capable of doing that.

Let us turn to what the Liberal Democrats had to say. I feel slightly guilty about saying anything about the Liberal Democrats after the savage kicking that they have taken from members of all parties; were I to comment on their position, it would be a bit like swatting a butterfly. However, there is a point that it is important to make about their proposed 2p cut in income tax. It is not 100 per cent clear whether they still want the 2p cut in Scotland as well as the cut in the rest of the UK—they seem particularly cagey about that. The proposal to cut income tax in Scotland by 2p might well have been ditched. When I asked Liam McArthur whether he could name one Scottish business organisation that was in favour of the proposal, he cited the example of Next which, the

last time I checked, was not a Scottish business organisation.

The reason why cutting income tax by 2p is such a bad idea is that, by definition, it would mean that £800 million would be cut from public services. The Liberal Democrats do not have a clue where any of the money would come from, other than from the Scottish Futures Trust. I am happy to take Mr Purvis's intervention so that, even at this late stage in the game, he can tell us where the money would come from.

Jeremy Purvis: If I may, I will ask the member a question—it is his speech, after all. How many business groups and retailers are saying that what the Conservatives have asked for from the budget is the proper response to the economic situation that Scotland faces? Our call for a review of Scottish Water, the money from which the Conservatives would wish to use for tax cuts, is an example of an issue on which there could be consensus between our parties. Perhaps there is more between us than there is between the Conservatives and other parties in the Parliament.

Gavin Brown: Mr Purvis asked which businesses and business organisations have said that they approve of Conservative plans on the budget. I can answer that in three words: small business bonus. From 1 April 2009, practically every small business—of which there are more than 120,000 the length and breadth of Scotland, some of which are in his constituency—will not pay a penny in business rates. Our plans have received support not only from businesses but from every business organisation in the country.

Last year, we achieved a number of successes, as the Government has pointed out. There are extra police on the street to prevent and detect crime, the small business rates cut has been accelerated and we now have a drugs strategy that places an emphasis on recovery rather than on damage limitation or damage maintenance. We look forward to more progress being made on those policy areas this year. We have also made our own suggestions which, as others have mentioned, include our policy on hospital-acquired infections, as part of which we want an electronic bed management system to be operated on a ward-by-ward basis. Not only would that proposal, which could gain cross-party support, save lives and help to make patients healthier and keep them out of danger; it would, in the long run, be good economically for the national health service.

Once again, the Conservatives have taken an extremely responsible approach to negotiations on the budget. We are pushing for measures to help the economy and for other Conservative policies. Our position at stage 3 will depend entirely on the Government response between now and then.

16:43

David Whitton (Strathkelvin and Bearsden) (Lab): In summing up on behalf of the Labour Party, I think that it is important to re-emphasise that this is a Parliament of minorities. In order for the SNP to get its budget bill passed, there must be negotiations, some give and take, and perhaps even an acceptance that another policy or point of view is better than its own.

As the Scottish media do their best to hype up the budget discussions into something akin to an old firm clash or even a Scotland v England encounter, they are being aided in their endeavours by our very own Dr No, the First Minister, and his financial muscle man, Mr Swinney. [*Interruption.*] I thought that I was being kind. "We will resign if we don't get our budget passed," they say, which is not the most constructive way of entering into negotiations, but the First Minister has form on that. In the fantasy financial world that he inhabits, it is okay to ask the Treasury for more than £2 billion from future budgets to build a bridge, to announce his plan before he has received a reply and, when the plan is refused, to state that he will not take no for an answer. I hope that Mr Swinney will be more constructive in his talks with us in the days to come.

Everyone in the chamber realises the seriousness of the situation affecting the global economy; we read every day of its impact here in Scotland and in the rest of the UK. Reports this week from the chief economist of the Royal Bank of Scotland show construction orders falling to another record low, and the purchasing managers index Scotland report also shows record drops in Scotland's services sector and manufacturing sector. As the rate of unemployment starts to rise, there has been a worrying indicator from the tourism and leisure sector, where the rate of job shedding has been faster than ever previously recorded.

Doing something about those challenges is not only a job for Mr Swinney and his Government but a job for us all. My colleague Mr Kerr has already outlined the actions that the Labour Government at Westminster is taking to help hard-pressed families and businesses through these troubled times. I do not know about saving the world, but it can be fairly argued that the Prime Minister and the chancellor have certainly saved Scotland's two biggest banks. The sum of money that has been pumped in to do that is more than the annual budget of the Scottish Government. If we then add the extra money for small businesses, for pensioners and for those with families, Scotland has cause to welcome the devolution dividend.

In his speech, Mr Brownlee said a couple of interesting things. One phrase that I noted was

“what Labour does is so important”.

I could not agree more. He went on to comment on a *Daily Record* headline. It is a long time since I contributed to such headlines—at least 20 years I think—but the particular headline that Mr Brownlee mentioned seemed to me to be spot on. However, I will take issue with Mr Brownlee and his colleagues on one issue. If this is a Labour recession, why are the economic situations in Germany, Spain, France and even Ireland all getting worse?

The SNP has had plenty to say about Mr Purvis, so I will not add to his afternoon of misery.

Patrick Harvie offered some interesting thoughts on an insulation programme. We on this side of the chamber would certainly carefully consider any project that seeks to create green jobs.

Alex Neil, Joe FitzPatrick and Kenny Gibson all did a number on Jeremy Purvis and the Liberals' tax-cutting proposals which, as we now know, would take £800 million out of the Government's budgets. The attacks would have some credibility if the attackers did not also support the introduction of a local income tax, which would leave a black hole in local government finances of a similar size. I would like to be a fly on the wall when negotiations on the local income tax proposals begin.

I said in a previous debate that we on this side of the chamber will be a responsible Opposition. It is to Mr Swinney's credit that, at least this year, he has asked us in for talks about the budget. In his speech earlier, Mr Kerr detailed the ideas that we presented last year. All those ideas were ignored because of the backroom deal done with the Tories and nothing that I have heard this afternoon makes me believe that efforts have not already been made to stitch something up again.

However, as has been described, Scotland is in a completely different economic situation now. The media constantly ask, “What do you want?” Our leader, Iain Gray, made the answer perfectly plain last week by calling for a budget for jobs and the economy. Mr Kerr has repeated that call again today. We are being consistent in our demands.

When we brought forward our 15-point plan to help Scotland to weather the economic storm, it was met with derision by SNP members, yet many of the measures that we suggested have now been adopted by the SNP. Indeed, Mr Swinney has even gone so far as to describe the plan as “very helpful”. That was a real change in tone, which I hope Mr Neil was paying attention to.

As outlined by John Park, more apprenticeships and skills training are still at the top of our shopping list, as is investment in PACE teams. Cathy Jamieson has detailed the kind of measures

that we want to see on housing. I draw particular attention to concerns about housing association grants and allocations for affordable housing programmes in Edinburgh and Glasgow.

Jackie Baillie made important points about health board allocations and the measures that are required to tackle hospital-acquired infections. I think that everyone in the chamber would support such measures.

In an all-too-short speech, Frank McAveety presented some excellent ideas on sports pavilions and the need to repair them. I would have thought that the construction apprentices mentioned by John Park could tackle that job, albeit under supervision.

The common thread of Labour's speeches has been that we want a budget that, as far as possible, protects front-line public services and brings forward investment for new schools, houses and hospitals. As we have heard, Mr Swinney has a budget of more than £33 billion to spend. We understand that much of that is already committed, but we know that he has some flexibility. Mr Kerr has outlined where the finances for some of what we are asking for could come from.

Margo MacDonald: Will the member give way?

David Whitton: Very briefly, and only because it is Margo MacDonald.

Margo MacDonald: Is the Labour Party inclined to support the suggestion that I am about to put to the minister, which is that the non-domestic rates revenue that leaves Edinburgh every year should remain in the city if the effect of the tsunami is as bad as the prognosis from Oxford Economics?

David Whitton: I am sorry, but I must disappoint Margo MacDonald. I do not think that we would support that suggestion, as the current economic situation is affecting not just Edinburgh but every town and city in Scotland.

The budget is a true test of the SNP Government. More than ever, Scotland needs a budget that will help our people through tough economic times. If the Government can agree with us the way forward to boost jobs and protect public services, it will have our support. If we believe that it plans to put jobs and services at risk, we will vote against it. The true test will come when we return in a fortnight's time to debate the bill at stage 3. We will know then whether our discussions with Mr Swinney have borne fruit.

16:51

John Swinney: David Whitton has certainly increased the chances of those discussions being fruitful by changing his description of me from “Ebenezer Scrooge”—which is what he called me

in the last budget debate, if my memory serves me right—to “muscle man” of the SNP Administration. I suspect that that is a tribute to the regime that has been keenly observed since 1 January 2009.

I reassure Margo MacDonald that the Government will consider carefully the economic impact of the wider economic climate on Edinburgh. As I have said today, the capital city supplement is designed to support Edinburgh in performing some of the activities that we all expect the city, as our capital, to perform in what is undeniably a difficult climate.

Patrick Harvie set out—as he has set out clearly in private and public discussions—the Scottish Green Party’s thinking on its contribution to the budget process. The Government is keen to continue its discussion with the Green party on an area-based house insulation scheme. I was interested to hear Mr Whitton’s comments a moment ago about the value of such an initiative. In my view, such a scheme would be available to all homes in the areas that were initially chosen. After that, following evaluation, we would identify the best way in which to deliver such schemes throughout Scotland over an ambitious timescale.

The Government will also produce proposals for a significant loan mechanism to improve hard-to-treat properties that do not have lofts or cavity walls to insulate. That will be properly funded by the Scottish Government as part of a scheme that is designed to introduce additional, independent funding. I confirm to Parliament our ambition to bring forward such a scheme. We will have further discussion on those issues.

I say to Mr Brownlee, Mr Johnstone and Mr Brown, who spoke for the Conservatives, that there is no question of our budget proposals bringing into question the issues that we agreed on last year, which were part of the budget bill that was passed by Parliament in 2008. We will continue with our commitments to deliver 1,000 police officers and to ensure the implementation of the entire small business bonus scheme. There is a general view in Parliament that the constructive discussions that took place last year on drugs policy have left Scottish policy in a stronger position than it was in before those discussions. Of course, we remain open to discussion on those matters.

Mr Whitton talked about the approach that is being taken in our discussions with the Labour Party. He said that the Labour Party was not invited to talks last year because a deal had been done with the Conservatives. I can say only that the logic of that remark is that, if the Labour Party has been invited to talks this year, a deal has not been done with the Conservative party.

I am delighted with the discussions that we have had with the Labour Party. Those discussions reflect the fact that the Government recognises that it operates without a majority and must secure parliamentary agreement to our proposals. In that respect, a number of the speeches by Labour members have helped. John Park spoke about the role of PACE and the importance of support for skills. The points that I made about PACE in my opening remarks were designed to reassure the chamber that the Government is alert to the challenge of supporting individuals who become unemployed. The Government will do everything that it can to support them.

Duncan McNeil (Greenock and Inverclyde (Lab)): The minister might not be aware that, this morning, the chief executive of the Scottish Building Federation gave the Local Government and Communities Committee the shocking news that the industry’s intake of apprentices this year will be down by 700 and that hundreds of apprentices face redundancy. Irrespective of the budget process—although perhaps through it—can we be assured that the Government will intervene in this matter?

John Swinney: The Government is anxious to maintain the levels of skills in key areas of the economy. The evidence that has been given by the Scottish Building Federation is consistent with information that that organisation has given directly to me. We will continue to reflect on those points.

Jackie Baillie and Cathy Jamieson talked about health-care and hospital-acquired infection. I was able to clarify with Cathy Jamieson the point that the initial allocation of funding to health boards in the current financial year has already substantially increased because of decisions that the Deputy First Minister took to distribute central resources to health boards. Obviously, that is done with all urgency within the financial year.

The Government takes the issue of hospital-acquired infection enormously seriously, which is why spending has increased by 260 per cent in that area. I acknowledge the publication of the Labour Party’s 15-point action plan, but I point out that, today, we have disclosed figures through Health Protection Scotland that show that MRSA rates are now at their lowest since surveillance reporting began and that C diff rates are down by 17 per cent on the previous quarter and 2 per cent on the same quarter last year. Sustained activity is required, and the Government will ensure that that happens.

Jackie Baillie: Will the cabinet secretary acknowledge that, if the C diff rates are compared with those in the same quarter in the previous year, the downward trend that he describes is not shown?

John Swinney: I will not give a definitive answer to Jackie Baillie as the precise figures that I referred to a moment ago are no longer in front of me, but I think that they confirm the point that I was making. I will confirm that in writing to Jackie Baillie.

Margo MacDonald: Will the member give way?

John Swinney: I am afraid that I will have to decline that invitation, as I must put on the record two important points.

Everyone understands that we are involved in a zero-sum game. We have a fixed financial envelope so, if we make changes within that, we have to take resources from another part of the budget. I look forward to the discussions that will take place with other political parties, and I can assure Parliament that we will engage in those discussions in a constructive way, recognising that, if we are to afford new priorities, we have to be prepared to take resources away from another area of public expenditure, as Willie Coffey said.

An important process must be undertaken in Parliament. The members of the public who elected us expect us to do as much as we can to support them through the economic recovery. That is the approach that will be taken by ministers.

Business Motions

16:59

The Presiding Officer (Alex Fergusson): The next item of business is consideration of business motion S3M-3212, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a business programme.

Motion moved,

That the Parliament agrees the following programme of business—

Wednesday 21 January 2009

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Ministerial Statement: Mortgage to Shared Equity – Mortgage to Rent

followed by Scottish Government Debate: Common Agricultural Policy Health Check

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 22 January 2009

9.15 am Parliamentary Bureau Motions

followed by Stage 3 Proceedings: Scottish Parliamentary Pensions Bill

followed by Scottish Government Debate: Scottish Government's Response to the Scottish Council of Economic Advisers' Annual Report

11.40 am General Question Time

12 noon First Minister's Question Time

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

2.55 pm Stage 1 Debate: Flood Risk Management (Scotland) Bill

followed by Financial Resolution: Flood Risk Management (Scotland) Bill

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Wednesday 28 January 2009

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Stage 3 Proceedings: Budget (Scotland) (No.2) Bill

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time
followed by Members' Business
 Thursday 29 January 2009
 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—[*Bruce Crawford.*]

Motion agreed to.

The Presiding Officer: The next item of business is consideration of business motion S3M-3210, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a timetable for consideration of the Climate Change (Scotland) Bill at stage 1.

Motion moved,

That the Parliament agrees that consideration of the Climate Change (Scotland) Bill at Stage 1 be completed by 8 May 2009.—[*Bruce Crawford.*]

Motion agreed to.

Decision Time

17:00

The Presiding Officer (Alex Fergusson):

There is one question to be put as a result of today's business. The question is, that motion S3M-3161, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (Aberdeen North) (SNP)
 Ahmad, Bashir (Glasgow) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Allan, Alasdair (Western Isles) (SNP)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brocklebank, Ted (Mid Scotland and Fife) (Con)
 Brown, Gavin (Lothians) (Con)
 Brown, Keith (Ochil) (SNP)
 Brownlee, Derek (South of Scotland) (Con)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Campbell, Aileen (South of Scotland) (SNP)
 Carlaw, Jackson (West of Scotland) (Con)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Coffey, Willie (Kilmarnock and Loudoun) (SNP)
 Constance, Angela (Livingston) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Margaret (Glasgow Baillieston) (Lab)
 Don, Nigel (North East Scotland) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Eadie, Helen (Dunfermline East) (Lab)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 FitzPatrick, Joe (Dundee West) (SNP)
 Foulkes, George (Lothians) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Highlands and Islands) (SNP)
 Glen, Marlyn (North East Scotland) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Annabel (West of Scotland) (Con)
 Gordon, Charlie (Glasgow Cathcart) (Lab)
 Grahame, Christine (South of Scotland) (SNP)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Harper, Robin (Lothians) (Green)
 Harvie, Christopher (Mid Scotland and Fife) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Hepburn, Jamie (Central Scotland) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Adam (South of Scotland) (SNP)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Johnstone, Alex (North East Scotland) (Con)
 Kelly, James (Glasgow Rutherglen) (Lab)
 Kerr, Andy (East Kilbride) (Lab)
 Kidd, Bill (Glasgow) (SNP)

Lamont, Johann (Glasgow Pollok) (Lab)
 Lamont, John (Roxburgh and Berwickshire) (Con)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lochhead, Richard (Moray) (SNP)
 MacAskill, Kenny (Edinburgh East and Musselburgh) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 Marwick, Tricia (Central Fife) (SNP)
 Mather, Jim (Argyll and Bute) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West of Scotland) (SNP)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Tom (Hamilton South) (Lab)
 McConnell, Jack (Motherwell and Wishaw) (Lab)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McKee, Ian (Lothians) (SNP)
 McKelvie, Christina (Central Scotland) (SNP)
 McLetchie, David (Edinburgh Pentlands) (Con)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McMillan, Stuart (West of Scotland) (SNP)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mulligan, Mary (Linlithgow) (Lab)
 Murray, Elaine (Dumfries) (Lab)
 Neil, Alex (Central Scotland) (SNP)
 Oldfather, Irene (Cunninghame South) (Lab)
 Park, John (Mid Scotland and Fife) (Lab)
 Paterson, Gil (West of Scotland) (SNP)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Robison, Shona (Dundee East) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Alex (Gordon) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)
 Smith, Elizabeth (Mid Scotland and Fife) (Con)
 Somerville, Shirley-Anne (Lothians) (SNP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Stewart, David (Highlands and Islands) (Lab)
 Sturgeon, Nicola (Glasgow Govan) (SNP)
 Swinney, John (North Tayside) (SNP)
 Thompson, Dave (Highlands and Islands) (SNP)
 Watt, Maureen (North East Scotland) (SNP)
 Welsh, Andrew (Angus) (SNP)
 White, Sandra (Glasgow) (SNP)
 Whitton, David (Strathkelvin and Bearsden) (Lab)
 Wilson, Bill (West of Scotland) (SNP)
 Wilson, John (Central Scotland) (SNP)

AGAINST

Brown, Robert (Glasgow) (LD)
 Finnie, Ross (West of Scotland) (LD)
 Hume, Jim (South of Scotland) (LD)
 McArthur, Liam (Orkney) (LD)
 McInnes, Alison (North East Scotland) (LD)
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
 O'Donnell, Hugh (Central Scotland) (LD)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Jamie (Caithness, Sutherland and Easter Ross)

(LD)
 Tolson, Jim (Dunfermline West) (LD)

ABSTENTIONS

MacDonald, Margo (Lothians) (Ind)

The Presiding Officer: The result of the division is: For 107, Against 16, Abstentions 1.

Motion agreed to.

That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

Post Office Closures

The Deputy Presiding Officer (Alasdair Morgan): The final item of business is a members' business debate on motion S3M-2753, in the name of Jim Hume, on post office closures. The debate will be concluded without any question being put.

Motion debated,

That the Parliament deplores the decision taken by Post Office Ltd to remain committed to its original post office branch closure programme across the South of Scotland despite the numerous strong objections made by individuals, businesses and community groups; further deplores the loss in particular of Greenlaw Post Office, which was shown to be a thriving and profitable business; notes with deep concern the detrimental impact that this loss of service provision in Greenlaw will have on the economy of the immediate local community and surrounding area, individuals and small to medium-sized businesses reliant upon a service that is very localised and customised to their specific needs and that provides face-to-face personal support and advice to elderly, disabled and vulnerable people, and considers that urgent action should be taken to retain effective and comprehensive postal services in Greenlaw and the rest of the South of Scotland.

17:03

Jim Hume (South of Scotland) (LD): It is obvious that everyone has been waiting for this debate all day.

The debate highlights the role within any community of our post office branches. Sadly, the network change programme remained relatively unaltered after consultation and many communities throughout the South of Scotland will find that they have reduced postal services in the future. It is disappointing that the Post Office Ltd has effectively ignored the unanimous voice and the movement against the closures.

In 2006, the Scottish Executive commissioned a report into the role that is played by post office branches. It examined why rural communities use their post offices in communities such as West Linton, Kirkconnel and Rogart. It concluded that the post office provided access to services for communities that are restricted from using other services because of their geographical location, regardless of people's income or physical wellbeing. That is a fact that I know well, as my grandmother ran the Stenton post office in East Lothian.

Members: Hear, hear.

Jim Hume: Hear, hear.

The report concluded that post offices provided financial inclusion by offering access to bank services, and that the more vulnerable members of a community appreciated having a local service

within walking distance or a short bus ride away. Elderly and disabled people found the personal service from their post office branch to be a lifeline, especially where there was a poor bus service. The post office was cited as the hub of the community, providing a place to meet and an informal communication network—that is particularly true of rural and remote communities. The report showed that the postmaster and staff played an important part in the community. Participants in all three studies reported that the advice and support that those individuals provided went beyond counter duties to include wider community roles. They were figures of trust.

The report also showed that the post office branches complemented other businesses. People who use post office branches often stop at other shops along the high street. In addition, residents use post offices as local communication networks. Through notices, post offices often act as one-stop advice shops for visitors and tourists. Indeed, research that Postwatch commissioned at about the same time concluded that, whether the community was affluent or disadvantaged,

"the closure of the rural post office appeared to have had far-reaching effects upon both particular individuals and the community ... It became apparent that the post office played an extremely important role in the rural community, a role that transcended the provision of post office services or even the goods sold at the store which was often attached."

Three years later, those two pieces of research can be translated on the ground, using evidence that was obtained from constituents, local organisations and community groups throughout the consultation period. I believe that the Post Office based its network change programme on clinical factors and in no way took into account the demographics of individual communities.

During the consultation period, there was a huge public outcry against the proposed closures, from not only individuals, but organisations and local authorities. Some of the Post Office's decisions are hard to swallow, including the closure of busy, well-used branches such as Greenlaw, Hutton and Morebattle post offices and the closure of Sheuchan Street post office in Stranraer, of which I am sure the Deputy Presiding Officer is well aware.

The closure of Greenlaw post office is particularly difficult to fathom. A significant number of small businesses in the town rely on the post office and its current opening hours to conduct their business. They need a next-day delivery service for orders that are received before specified times during the day. Transporting large numbers of parcels to the nearest alternative post office will not be practical because people will have to spend time away from their business and because it is difficult to park near the post office in

Duns. Scottish Borders Council is seriously concerned about the adverse effects that the proposed closure will have on all businesses in Greenlaw and the job losses that will occur if it goes ahead. The fact that there is no Parcelforce facility in the area increases small businesses' reliance on the post office, and a reduction in access to post office services might affect both the number of businesses that locate in the area and their viability. Greenlaw post office is also used by tourists who base themselves at the local caravan park.

Elderly people who rely on carers to accompany them to the post office will be severely disadvantaged if the proposed new hours are not aligned with carers' visits. The bus service to the nearest alternative post office operates every two hours, and the journey to carry out a simple transaction will take a minimum of 2.5 hours using public transport. The proposed stopping area for the mobile van is problematic because it is used as a general car parking space and it might not always be available for the mobile service to use. It is also on a hill, which will present access difficulties for the elderly, the disabled and parents with prams and young kids.

The only reason that I can think of for reducing services at the likes of Greenlaw post office and Sheuchan Street post office in Stranraer is to justify mobile and hosted services, but they might be unsustainable. Post offices throughout the South of Scotland are now playing the waiting game and many of them are in the dark about when they will close. I make a plea to the Post Office to ensure that the closure of vital community services is not a starter for 10, that replacement mobile and hosted services are kept under constant review, and that provision is increased where necessary.

I make a plea to the Minister for Enterprise, Energy and Tourism to do everything in his power to help to reinstate essential post offices such as those at Greenlaw and Sheuchan Street—it is hoped that the latter will be made into a Co-operative. My fear remains that, where replacement services are drastically reduced, customers will find it impossible to fit into the restricted service and the Post Office will use further reductions in customer use as a reason to get rid of mobile and hosted services. That is ever more a possibility with the part-privatisation of the Post Office.

17:09

Christine Grahame (South of Scotland) (SNP): I congratulate Jim Hume on securing the debate.

In 2007, I held a consultation across the Borders in which some 40,000 residents were contacted. More than 13,000 responses were received—the 35 per cent response rate is much higher than many people would expect. Some 98 per cent of respondents said that the post office was essential to their community and 84 per cent said that there would be difficulties in accessing post office facilities if the local post office closed, particularly for the elderly, the disabled and families with push-chairs. Jim Hume referred to that. Across the Borders, there is never a guarantee that low-floor buses will be available either to or from destinations.

The loss of sub-post offices will remove social inclusion. Many Borders businesses are growing through their internet business, and they require to be able to send and receive parcels at times that suit them.

The survival of communities is an issue. If the last shop in the village has an attached post office and that goes, the community will suffer.

Individual wellbeing is also an issue. Post offices are great places to meet. Jim Hume referred to communication networks. Post offices are a great source of gossip about who is or is not well, who is divorcing, who is remarrying and who is pregnant, and even invented stories. They are a great well of information.

To be more serious, the loss of a post office will contribute to global warming. People will have to get in their cars to travel to the nearest post office. The alternatives are mobile post offices, do-it-yourself or hosted post offices, or none at all.

In Clovenfords, for instance, people cannot always be there to meet the post office van. The allocated hours may not suit local businesses. The interchange of local information and casual checks to see whether people have been out and about are lost, as nobody will hang about in the wind and the rain. The time allocated for the mobile post office's arrival at Clovenfords is fixed. It is supposed that it will take the same time in the winter and the summer for the van to get from one community to another. Anyone who knows about the weather in the Borders will know that there is absolutely no prospect of that happening. People will stand in the snow, sleet, wind and rain waiting for a van that may or may not turn up.

The loss of the Crown post office in Galashiels compounds the loss of the post office in Clovenfords. The Crown post office was consigned, as many have been, to the back of WH Smith. People have had the privilege of negotiating all the cramped sales aisles to stand in a long and slow-moving queue, and they have been lucky if there have been two counter clerks.

What has happened was predictable following the deregulation of postal services in January 2006. That allowed a number of private companies to provide postal services throughout the United Kingdom. One cannot disentangle the demise of the Post Office from the demise of the Royal Mail, which are both—for the time being—fully owned subsidiaries of Royal Mail Group Ltd.

Under section 4 of the Postal Services Act 2000, the Royal Mail is required to provide a universal postal service. TNT Post and UK Mail do not have that requirement and do not provide a universal service. They have substantial lucrative contracts with the likes of the Department for Work and Pensions that they offload to the Royal Mail, which performs the loss-making final door-to-door delivery. There is no level playing field. The solution that has been promoted by—members will not be happy about this—the unelected and discredited Lord Mandelson is to privatise that part of the business. Undertakings that no more than 33 per cent will go into private hands—probably to the likes of the Dutch firm TNT—compound Labour's mismanagement of the post offices and Crown post offices. It is to the shame of the Conservatives and the Liberal Democrats that they support that part privatisation in principle. Such a move would destroy the Royal Mail rather than save it as a publicly owned organisation. We all know—because we have been told—that the closures and reductions in the Borders and elsewhere are not over; undoubtedly, more lie ahead.

If the Westminster Government thinks that passing part ownership to Dutch competitors is the way forward, I, too, am a Dutchman. Why can it find £600 million and rising to bail out commercial companies such as banks and underwrite loans authorised by them, but baulk at a few hundred million pounds to help post offices survive and provide the means for them to thrive? I request answers on a postcard, which will probably be delivered by Royal Mail with the UK Mail logo on it.

17:14

Elaine Murray (Dumfries) (Lab): I did not sign Jim Hume's motion because I have not been involved in the campaign to retain Greenlaw post office, which is not in my constituency. However, many similar issues arise in my constituency.

I want to talk about my experiences of responding to Post Office proposals for changing postal services in my constituency and, in particular, about use of the word "consultation", which ought not to be used when there is no intention to change proposals after taking into account responses from members of the public.

I accept that there is sometimes a need for change, and that in a significant number of small post offices the transactions are so few that the operation of the service has become extremely uneconomical—for example, Westerkirk post office in my constituency averaged only two transactions per week. It is reasonable to suggest that alternative ways of offering the service ought to be introduced.

Margaret Mitchell (Central Scotland) (Con): Does the member accept that the viability of many post offices has been threatened by the Labour Government policy of withdrawing many services? Peter Mandelson has supported the post office account, which at least goes some way to help with the situation.

Elaine Murray: I will not take lectures from the Tories on privatisation. If Mrs Mitchell wished to speak, she should have pressed her request-to-speak button, rather than use my speech to make that intervention.

In some circumstances, the overwhelming objections of local people to the closure of a popular and viable post office have been ignored totally, despite the use of the word "consultation" to describe the process. Almost exactly three years ago, on 11 January 2006, I led a members' business debate on the closure of Dumfries's Crown post office, which happened despite thousands of local objections. Lincluden post office in north-west Dumfries and the Sheuchan Street post office in Stranraer, which Jim Hume mentioned, will also close soon—again, against the will of the local communities and despite representations from local elected representatives.

I want to highlight how the village of Ecclefechan has been treated. At the last census, the village had a population of 750, but it has since expanded and, with its situation by the side of the M74 and easy links to cities—particularly Carlisle, but also Glasgow and, to a lesser extent, Edinburgh—Ecclefechan has the potential to expand further. The village has a popular sub-post office and a sub-postmaster, Bryan Currie, who was appointed by Royal Mail at the end of 2007. Members will therefore imagine how disappointed he and his wife Donna were to discover only a few months later that the Post Office intended to close the branch and replace it with an outreach service at the local Costcutter store. Despite overwhelming objections and alternative suggestions from my colleague Councillor Archie Dryburgh and I, that the sub-post office should remain and operate the outreach service for other villages, the proposals remained unchanged.

The only consolation for villagers, of which the Post Office made much play, was that the hours of operation would increase to 46 hours a week over six days. Members will imagine the fury of local

people when, last week, the Post Office revealed that it had changed its mind and that Ecclefechan will now be offered an outreach service for a mere 12 hours a week over four days. A letter that I received yesterday advised me that

“having taken the responses to the local public consultation and all relevant factors into account Post Office Ltd has decided to carry out a further local public consultation”.

It is as if that was somehow a favour in response to what we have all been saying.

In the next paragraph, I was advised that

“the proposal to close this branch is not being re-consulted on as that decision has now been made by Post Office Ltd.”

I accept that there must be changes and that many ways in which we buy things have changed, which has implications for post offices. Nevertheless, that is no way to treat a small community or to consult local people.

17:18

John Lamont (Roxburgh and Berwickshire) (Con): I, too, congratulate Jim Hume on securing this important debate. Although I support the general thrust of the motion, the issue in my constituency and throughout the Scottish Borders and the south of Scotland is about more than just the post office in Greenlaw, which is mentioned in the motion. Greenlaw is one example, but the motion could have mentioned Morebattle, Bonchester Bridge, Clovenfords or Hutton, which are all communities that have been adversely affected by decisions to close their local post office.

During the consultation process, I hosted several public meetings throughout my constituency so that people could voice their concerns about the proposals. The meetings at Greenlaw and Morebattle were particularly well attended, with more than 150 residents attending each meeting. For the benefit of members who were not present at those meetings, I say that it was clear to me that the overwhelming majority of residents did not want the proposed changes. Despite that, the Post Office announced in the autumn its decision to go ahead with the closure of the Greenlaw post office and several other post offices in the Borders, despite our local campaign against the closure plans. It appears to me that the consultation process was a complete sham, in which no weight whatever was given to the views of local people.

From the hundreds of people who signed the petition, wrote in individually or came to the public meeting, it was clear that the local post office branches were enormously valued and that people did not want the proposed new outreach services. However, all that weight of opinion was set aside in the name of achieving the Labour Government's

targets for closures. During the process, local people and their representatives treated the Post Office and its consultation process with respect. Unforgivably, however, the Post Office has treated them with contempt. I feel particularly sorry for the staff who are so well regarded in their communities. It is a great injustice that the post offices have been taken away from them.

The Westminster and Scottish Governments need to do more. In particular, more must be done to allow the post office network to provide additional services, such as road tax and currency, in order to allow the Post Office to compete with other providers. Rather than simply close post offices, the Labour Government needs to expand the services that they can offer. Postmasters need to be free to compete in the marketplace, rather than have more and more services withdrawn from them.

As Christine Grahame pointed out, the impact of the closures will be far-reaching. We should not underestimate the social impact of the changes. Post offices in rural communities are often the community's focal point, where people meet and talk. That is particularly the case for post offices that are connected to the local shop. I hope that the Scottish Government will actively work to preserve post offices in the future, so that communities in my constituency and across Scotland do not face further closures.

17:21

Jamie Hepburn (Central Scotland) (SNP): I congratulate Jim Hume on securing this debate. All members here have concerns about the closure programme. We are all concerned that there are to be about 2,000 post office closures across the United Kingdom and we are especially concerned that it seems that a disproportionate number will be closed in Scotland. Ultimately, we are concerned not only about the effects of closures but about the process that leads to them. I will turn to that a bit later.

Obviously, I am not a member for the South of Scotland. I do not have any particular links to Greenlaw, but my wife's family are from Kelso in the Borders. I understand—at least, I think I do—some of the problems that are caused in distinctively rural settings by post office closures. I can also well understand the problems that are caused by massive round trips to buy a stamp or post a letter because of the closure of a local post office. That situation is not, of course, peculiar to the South of Scotland or to rural Scotland, but I can understand such areas' distinctive problems.

When a post office closes in Greenlaw or in other communities across Scotland, each community is affected in its own peculiar way. I

was involved in a campaign to save five local post offices in my area. I found that, although there were differences between the post offices, a common theme was the real fear that removal of the post office would rip the heart out of the community.

My experience in Central Scotland was that the consultation left a lot to be desired. From what other members have said, the experience in the South of Scotland was similar. I found the process to be hugely flawed. John Lamont fairly described it as a sham. I found that it was invariably a predestined matter in that when a post office was proposed for closure there was no real consideration of local concerns—the vast majority of proposed closures went ahead anyway. I found the consultation to be a con in that when one branch was saved, another would close elsewhere. That might not have been a literal equation, but it was invariably the case that when one branch was saved, another would close.

I was concerned that no consideration was given to the environmental impact of the closures. A Post Office official confirmed that position to me during my campaign, when she said that the Labour Government in London had not requested that the Post Office undertake any environmental impact assessments. When post offices close, increased use will be made of the car and bus, especially by elderly and vulnerable people, to reach the nearest alternative post office and that will have an environmental impact. It is a shame that Royal Mail did not consider that during its closure process.

Of course, the real blame lies not with Post Office but with the UK Government. When Labour came to power, the Post Office was profitable. The Government now claims that there is a £100 million shortfall each year and that the Post Office is losing profits, which shows that the UK Government views it as a business rather than as a public service. However, I believe that one can no more say that the Post Office is losing profits than one can say that our schools or our hospitals are.

I would like to be able to talk about some of the services that are being stripped away, but I do not have the time. I conclude simply by saying that I look forward to hearing what the Minister for Enterprise, Energy and Tourism has to say.

17:25

Robin Harper (Lothians) (Green): I welcome the debate and thank Jim Hume for focusing our attention on the impact of post office closures on communities in the South of Scotland. The story of Greenlaw post office is common to the whole of Scotland and it is clear that, like me, other

members have received many letters and e-mails on the issue.

We are in danger of creating rural ghost towns and villages. The bank goes; the general store goes; the bus service goes; and then the post office closes. Post offices provide a vital public service that benefits local communities socially and economically. They help to keep our local communities sustainable by enabling people and local businesses to access a range of important products and services in the one place within an accessible and often short distance from their home or local shop. As we know, in many rural communities, the local post office is also the local shop, providing essential groceries. I realise that I am reinforcing points that have already been made, but I feel that it is important to do so.

Given all that, it is clear that the issue of post office closures goes far beyond the services provided by post offices themselves. They are embedded in the lives of rural and urban communities and are essential for local businesses. According to reports by organisations such as the New Economics Foundation, urban post offices save small businesses substantial amounts of money each year, and a large number of local businesses have reported that the closure of an urban or rural post office has had significant negative impacts on their business, their clients or their area.

This erosion of our local services, shops and businesses comes precisely at a time when we need to rebuild the sustainability of our communities and local economies. The argument that our online and technological changes have made post office branches no longer necessary is far too simplistic. Local communities are not desperately trying to save their post offices because of nostalgia for a supposedly less efficient age; instead, their actions are based on sound economics and important community-based arguments.

If we are to build a sustainable Scotland, we need sustainable communities that incorporate sustainable local economies. Unless we and local communities support rural and urban post offices, that simply will not happen. That is where I am dismayed by the SNP Government's failure to act. Although members on all sides of the chamber have complained about local post office closures, not one member from another party signed my motion calling on the Scottish Government to take immediate action by writing to Westminster with an offer to fund the financial shortfall in Scotland in exchange for a commitment that no further Scottish post offices would be closed. In the great scheme of things, the sum of money required would have been relatively minor. That inaction has been regrettable, given that we all agree that

post offices offer a vital public service and that countless MSPs, including those present in the chamber, have condemned the post office closure programme. I look forward to the minister's response.

17:29

The Minister for Enterprise, Energy and Tourism (Jim Mather): I, too, congratulate Jim Hume on securing this members' business debate, which has again demonstrated the value of such debates in highlighting issues of national importance. Although the subject merits more than a seven-minute winding-up speech, I will attempt in that time to capture the range of issues that have been covered; reinforce the Scottish Government's position that sustainable post office services are crucial to Scotland's economic and social wellbeing; highlight our activity to date; and make it clear that we must encourage Post Office Ltd to place its customers' needs and expectations at the heart of its purpose and to engage effectively on that basis.

As every member has eloquently pointed out, the issue is important because post offices lie at the heart of our communities. Responsibility for them, however, lies with Westminster—the comments made by John Lamont and Robin Harper need to be coloured by that fact. I will establish that this Government has remained actively engaged throughout the development and implementation of the network change programme and we insist that, as long as it is responsible, Westminster must place the needs and interests of the people of Scotland at the heart of everything that it does in relation to our post offices.

We recognise that the post office sector is changing: the number of customers is falling; our habits are changing and will continue to do so; and many products that were traditionally associated with the post office are available through other retail outlets. We recognise that together those factors have resulted in escalating financial pressure. However, Elaine Murray made a telling point about the public consultation—there must be a better way, because the reductions are dramatic and are hitting us hard.

We have been active on the issue. Our aim has been to look for ways in which the Scottish Government can make a constructive contribution to the restructuring exercise. That is evident from the statement that the Cabinet Secretary for Finance and Sustainable Growth made in the Parliament when the UK programme was announced. He has encouraged MSPs, local authorities and community planning partnerships to examine the proposals carefully and has met the Royal Mail Group, the postal regulator—the Postal Services Commission—and the National

Federation of SubPostmasters in order to improve the transparency and fairness of the process. He has also written to the Secretary of State for Business, Enterprise and Regulatory Reform to draw attention to the concerns that have been voiced here today. I have met the general secretary of the National Federation of SubPostmasters and have written to Pat McFadden. I firmly believe that post offices can and do play a key role, irrespective of where the powers lie.

The closure programme is unfolding at the moment, but we recognise that it is crucial for local people to have continuity in the provision of public services. I wonder whether we could not have had a more creative outcome that placed users at the heart of the decision-making process, instead of making consultation just an add-on. The Post Office should consider what customers want from post offices: affordable and timely delivery of letters and packages; local access to advice, guidance, key services and licences; local access to basic banking services; provision of a centre to support local commerce and a community hub that helps to justify the presence of other businesses; and continuous evolution and development of services to boost amenity and the wellbeing of the community. Jim Hume spoke about a totality that transcends the sum of the services that are provided and energises the community.

The best commercial decisions are made in partnership with customers. Services that are built around customer need become indispensable to customers—that is what enables businesses to endure and grow. I am sceptical about whether a standardised approach to restructuring, replicated across the country, will help post offices to evolve and grow as major businesses.

In essence, we want to facilitate events that allow current and potential post office customers and others who might use the service to sit down around the table and evolve alternative business models. We have proposed that approach for some time, but it was pushed into the long grass while we waited for the Hooper review to come to fruition. We know that there is a good deal of good will in other entities—Government, voluntary agencies and the public sector. We want to create a climate, as we have in other sectors, in which a better way forward can be developed. It is clear that the post office network has a key economic and social role to play in helping us to create a more successful country and that it already makes a critical contribution to achieving sustainable economic growth. I am encouraging our public service providers and other potential allies to collaborate to ensure that we get not only efficiency but a basis for protecting and growing public services.

I am committed to doing everything that I can to ensure that the post office services that are available to customers across Scotland endure and grow. That is the key message that has come from colleagues tonight. The point that Jim Hume made about the impact on people of staff providing support that transcends post office services is absolutely right.

Analysis shows that the post office serves the local population, the business community, potential inward investors, visitors and export customers from the area. Post offices have a crucial role to play, and we are determined to make the time and effort to tie the issues together and to identify potential other players. For instance, is there something that companies such as eBay and Amazon could do to facilitate things? Could we do more with general practitioners, the police service and the voluntary sector, for instance? Can we achieve more activity through co-operatives and social enterprises around the hubs that are post offices?

Once we unleash the imagination, ingenuity and good will of well-motivated people—which, coming from a rural constituency, I know exists in every area of Scotland—we can move things forward, and I will make every effort to ensure that that happens.

Meeting closed at 17:36.

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