

MEETING OF THE PARLIAMENT

Wednesday 1 April 2009

Session 3

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Scottish Parliament

Wednesday 1 April 2009

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

Time for Reflection

The Presiding Officer (Alex Fergusson): Good afternoon. The first item of business is time for reflection. Our time for reflection leader today is the Rev Frank Campbell, from Ale and Teviot United Church in Roxburgh.

The Rev Frank Campbell (Ale and Teviot United Church, Roxburgh): When I received the kind invitation of the Presiding Officer to be with you on this occasion, I admit to a few glorious moments of bursting with pride—until, that is, my eyes clocked the date of the appointment. Then I wondered what you were trying to tell me.

The term “fool” is not one that the Presiding Officer would accept being flung around this chamber on 1 April, or indeed on any other day, but the great figures of the Bible had no qualms at all about using it, even about themselves. The apostle Paul, writing to a troublesome church at Corinth, called himself a fool for Christ and talked about the foolishness of the gospel. What was all that about? Certainly, many Christians have experienced being made fools of for our faith, but it goes way beyond that.

In John 10:10 in the Amplified Bible, we hear Jesus say:

“The devil comes only to steal, kill and destroy, but I have come that you might enjoy life, in abundance, to the full, till it overflows.”

All right, Jesus, but how did you do that? The answer to that is what so many of us find foolish, if not, in fact, incredible. Jesus became like us and shared our earthly life, for a time, so that afterwards we would become like him and share his heavenly life forever.

Jesus tackled the problems of sin and suffering head on. As his close friend Peter wrote:

“Christ carried our sins in His body to the cross, that we might die to sin and live in right standing with God, and by His wounds we are healed.”

That seems bizarre, but it is the heart of the Christian gospel. We did the crime, Jesus did the time. Jesus took the pain, we enjoy the gain. Jesus became the whipping-boy for our selfishness, so that we could walk free. Jesus suffered the agony, so that we could be freed from disease.

Coming soon to a church near you is Easter—the most dramatic turnaround of events in all history. By the foolishness of the cross, Jesus made a fool out of the devil and all the garbage that he likes to dump on us human beings.

Now you and I have the authority of heaven to live long, live strong, prosper and be in good health, and Jesus has paid for it all—paid on the nail.

His blessing, his joy, his peace, his wisdom, be with us all.

Business Motion

14:33

The Presiding Officer (Alex Fergusson): The next item of business is consideration of business motion S3M-3843, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a revised business programme for this afternoon.

Motion moved,

That the Parliament agrees the following revision to the programme of business for Wednesday 1 April 2009—

delete

followed by Finance Committee Debate: Inquiry into Methods of Funding Capital Investment Projects

and insert

followed by Ministerial Statement: Dunfermline Building Society

followed by Finance Committee Debate: Inquiry into Methods of Funding Capital Investment Projects

followed by Ministerial Statement: The Scottish Government's Response to Audit Scotland's Report on Drug/Alcohol Services—[Bruce Crawford.]

Motion agreed to.

Scottish Parliamentary Standards Commissioner

The Presiding Officer (Alex Fergusson): The next item of business is consideration of motion S3M-3832, in the name of Tricia Marwick, on behalf of the Scottish Parliamentary Corporate Body, on the announcement of the appointment of the Scottish Parliamentary Standards Commissioner.

14:34

Tricia Marwick (Central Fife) (SNP): The motion in my name, on behalf of the Scottish Parliamentary Corporate Body, invites members to agree that the SPCB appoint Stuart Allan as the new Scottish Parliamentary Standards Commissioner.

The Scottish Parliamentary Standards Commissioner Act 2002 provides that the commissioner is to be appointed by the SPCB with the agreement of the Parliament.

Last week, the Parliament debated the motion on the appointment of a new Scottish Public Services Ombudsman. It was made clear then that, although the Parliament is not subject to the code of practice on ministerial appointments to public bodies, we follow the guidelines to ensure that best practice is observed and the process is fair.

On the SPCB's behalf, I thank Louise Rose, the independent assessor, who oversaw the process and has provided the Parliament with a validation certificate that confirms that the process complied with good practice and that Mr Allan is appointed on merit after a fair, open and transparent process.

We received 45 applications for the post, which shows the high level of interest in it. We unanimously recommend that, from a strong field of candidates, Mr Allan be appointed. He will bring to the post significant experience of investigating complaints about standards. He is the chief investigating officer and is responsible for investigating and reporting to the Standards Commission for Scotland when councillors or members of devolved public bodies might have contravened the relevant codes of conduct.

The Scottish Parliamentary Standards Commissioner is a part-time appointment of between five and 10 days a month. Similarly, the role of chief investigating officer is part time, and Mr Allan will continue in that role until his appointment ends in January 2010.

Mr Allan's appointment as Scottish Parliamentary Standards Commissioner will be for

two years, with the possibility of reappointment for a further year. That recognises that the Parliament has established the Review of SPCB Supported Bodies Committee to consider the future structural landscape of SPCB-supported bodies, which include the standards commissioner. The appointment period provides flexibility should the committee make recommendations on the post.

Stuart Allan qualified as a solicitor in 1973 and has spent his career in public service. He has acted as an adviser to several organisations, including the Convention of Scottish Local Authorities, the Scottish Office and the Assembly of European Regions. He has also acted as returning officer and regional returning officer at local government, parliamentary, Scottish Parliament and European elections.

In 2001, the Scottish ministers appointed Mr Allan as the first chief investigating officer under the Ethical Standards in Public Life etc (Scotland) Act 2000. In 2004, he was reappointed for a second term and, in 2007, he was reappointed for a third term. He will demit office in January 2010.

The Scottish Parliamentary Standards Commissioner is an independent investigator of complaints that we as members might have breached the code of conduct for members of the Scottish Parliament, which gives guidance on how we perform our parliamentary duties. Following an investigation, the commissioner prepares a report to the Standards, Procedures and Public Appointments Committee that sets out the details of the complaint and the investigation, the facts that the commissioner found and his conclusion. Any sanction is for the committee and the Parliament to decide.

The post is important. SPCB members are confident that we have made the right choice in nominating Stuart Allan. I believe that he will prove to be an effective, pragmatic and fair commissioner. I am sure that the Parliament will want to wish him every success in his new role. The Parliament will also wish to recognise Dr Jim Dyer's contribution as the commissioner in the past six years.

I move,

That the Parliament agrees, under section 1(2) of the Scottish Parliamentary Standards Commissioner Act 2002, to appoint Stuart Allan as the Scottish Parliamentary Standards Commissioner.

14:38

Marilyn Livingstone (Kirkcaldy) (Lab): On the Standards, Procedures and Public Appointments Committee's behalf, I thank Jim Dyer for his hard work and dedication as Scottish Parliamentary Standards Commissioner. He has reached the end

of his second and final term, after six years in the position.

I am sure that my fellow committee members join me in welcoming the appointment of Stuart Allan to the post as Mr Dyer's successor. We welcome Mr Allan's expertise as chief investigating officer to the Standards Commission for Scotland and the experience that he gained as an adviser to the Scottish Office and the Assembly of European Regions. I declare an interest: I know Stuart Allan from his time at Fife Council. I support my colleague Tricia Marwick's comments and acknowledge his expertise in and commitment to standards in public life.

The committee is eager to work with the commissioner to maintain high standards in the Parliament and to uphold the code of conduct for members.

Dunfermline Building Society

The Presiding Officer (Alex Fergusson): The next item of business is a statement by the First Minister on the Dunfermline Building Society. The First Minister will take questions at the end of his statement, so there should be no interventions or interruptions during it.

14:39

The First Minister (Alex Salmond): Thank you, Presiding Officer, for the opportunity to make a statement to Parliament on the Dunfermline Building Society.

Everyone in the chamber will have followed closely the developments of recent days around the Dunfermline, one of Scotland's key financial institutions. The United Kingdom Government's announcement at the weekend that elements of the Dunfermline were to be transferred to the Nationwide Building Society presented questions, challenges, and—indeed—opportunities. I am pleased that we have the time to discuss them today.

Aspects of the announcement should concern everyone in the chamber. First, I will recap on some key facts. The Dunfermline has a proud history at the forefront of the financial sector in Scotland. It employs more than 500 staff in 34 branches around Scotland. In the accounts that it published in March 2008, the society confirmed assets in the region of £3 billion. The Dunfermline has provided loans of more than £675 million to the business sector and has around a 22 per cent market share in lending to the Scottish social housing sector. No-one in the chamber can therefore be in any doubt that the future of the Dunfermline is of vital importance to Scotland.

The UK Government has announced that, because of a significant deterioration in the society's financial position over the past few months, the Dunfermline's core member business has been transferred to the Nationwide Building Society. To be precise, the Dunfermline's retail and wholesale deposits, branches, head office and originated residential mortgages other than social housing loans and related deposits have been transferred to the Nationwide. The transfer follows a process that the Bank of England conducted over the weekend, under the special resolution regime provisions of the Banking Act 2009.

The Dunfermline's social housing portfolio was placed into a bridge bank that is wholly owned by the Bank of England to allow HM Treasury and the Bank of England time to secure a permanent solution, working with other stakeholders. Under the terms of the agreement, the Dunfermline's deposit business will continue to operate normally.

Branches and telephone banking will continue to open and customers can access their account in the usual way. Savers can be assured that their money is safe.

A court order was made on Monday 30 March to place the remainder of the Dunfermline's business into the building society special administration procedure and to appoint KPMG as the administrator. That part of the business includes the society's commercial loans, acquired residential mortgages, subordinated debt and most Treasury assets.

I can now tell members the full extent of the Scottish Government's involvement in recent weeks. Our officials met representatives of the Dunfermline on Monday 2 March. They informed us that the society needed extra capital if it was to meet the Financial Services Authority stress test requirements and qualify for entry into the credit guarantee scheme. The society was about to declare a loss for 2008 in the region of £26 million, largely as a consequence of write-downs in its commercial loan book.

Although the Dunfermline had substantial reserves of more than £100 million, which it had accumulated over time, it was required to satisfy FSA capital adequacy ratios in order to access Treasury support schemes, if required, and to enable its directors to provide a going-concern opinion on the 2008 accounts. Last October, the capital that the society required to meet the FSA requirement was originally estimated at £20 million. However, more recently, the FSA had indicated that the figure would have to rise significantly in light of adverse market conditions.

As the chamber knows, the Scottish Government has no responsibility for financial regulation. However, we have responsibility for employment in Scotland and, indeed, for social housing provision. On Monday 16 March, we confirmed to the FSA and the Treasury that the Scottish Government was willing to provide a capital investment of £25 million to the Dunfermline, subject to guarantees on social housing loans, if that would help to find a solution. We put forward a number of proposals, the most likely being that we would use our end-year flexibility money that is held by the Treasury to provide that capital sum. For obvious reasons, we sought to keep the offer confidential.

From then on, Scottish Government officials were in constant contact with the FSA and the Treasury to seek to reach a positive conclusion. I spoke to Adair Turner of the FSA on Sunday 22 March and met the Chancellor of the Exchequer in London on Wednesday 25 March. It was extremely difficult to obtain from the FSA information on the level of capital required. However, others were willing to help. A consortium

of seven building societies was prepared to inject up to £30 million in capital. On Friday 20 March, when we were told of that potential interest from Scottish mutuals, our officials immediately informed the FSA. In the event, the Treasury took the view that value-for-money considerations decided the outcome in favour of a break-up of the society. We have requested, but have yet to see, the details of that case.

It should be remembered that, although a payment of £1.6 billion has been made to the Nationwide by the Treasury in return for taking responsibility for all depositors' accounts with the Dunfermline, any losses will be met from the Dunfermline's reserves and other holdings. Any further loss would be set against the financial services compensation scheme, 90 per cent of which would be funded by the financial sector itself. As a result of that, the Treasury's potential exposure has been estimated by informed observers at £10 million.

Apparently, the FSA finally estimated a capital requirement figure of £60 million, and the Treasury doubted the Dunfermline's ability to service that amount. However, we had argued that a lower interest rate on our proportion of the capital required could be justified, because of the very low risk on social housing loans and the desirability of supporting our social housing policy objectives. The Treasury and the FSA made their decision on Friday 27 March, calling in Nationwide and, I understand, three other potential acquirers of the Dunfermline's assets.

The chancellor spoke to me on Saturday at lunch time. On Saturday afternoon, the FSA wrote to the Dunfermline effectively to instruct the directors to call a meeting and vote through a special resolution. The other building societies were told on Saturday morning that no public money was available for investment in the Dunfermline. Given that our offer of investment was still on the table, I have written to Lord Turner to question whether the FSA's letter provided a full and accurate account of the position. I will make that letter available in the Scottish Parliament information centre. That is the position in which we find ourselves as of today.

The Government is working on a number of fronts to ensure that Scotland's interests are taken properly into account. I and the Cabinet Secretary for Finance and Sustainable Growth have been in close contact with Dunfermline and Nationwide all this week. I spoke to the chief executive of the Nationwide on Monday morning. Mr Swinney and I met Stuart Bernau, executive director of Nationwide, this morning, and we have held constructive discussions about the impact of the merger on Scottish jobs and the future of Dunfermline's operations. The dialogue this

morning confirmed that there will be opportunities for Dunfermline staff to apply for vacancies within the Nationwide's network. Mr Bernau confirmed the Nationwide's intention to invest in the Dunfermline brand going forward.

Nationwide is a highly reputable organisation with an impressive track record. I welcome its announcement that there will be no compulsory redundancies among Dunfermline branch staff in the next three years. However, I am clear that we must continue our dialogue in the interests of the longer-term future of those staff. There must also be abiding concern about the retention of functions, and therefore staff, at the Dunfermline's headquarters.

We are working to consider the implications for the Dunfermline's social housing portfolio. We must ensure that the upheaval of recent days does not jeopardise the successful delivery of our policy objective of increasing the availability of affordable housing in Scotland, and that the risk of an aggressive repricing of loans to the sector is minimised. The chancellor has promised dialogue with us and others on the future of the social housing portfolio, and we look forward to engaging with him.

We need to think creatively about what sort of model best serves the interests of the social housing sector in Scotland. Recent events potentially present an opportunity for solutions that could not only secure the future of lending to the sector, but offer us a framework for building on that provision. Our central objective is to secure at current rates the £500 million of existing Dunfermline lending to the social housing sector, and the £200 million of undrawn facilities on offer. We also want to secure a stream of further lending into the sector going forward. The Chancellor of the Exchequer has indicated to me that he shares those concerns and our objectives in this matter.

Responsibility for the position of the Dunfermline rests with the management of that institution—the present management and particularly the recent past management. Its exposure to the commercial property market and some aspects of its mortgage book, together with its difficulties with a major information technology project, left the society vulnerable. However, many aspects of the society—indeed, the bits that have gone to Nationwide—are highly attractive, for example the more than 300,000 depositors who have invested their money in a Scottish institution with a long and proud history going back 140 years. As was confirmed to me this morning, Nationwide has inherited a domestic mortgage book and a loyal staff of the very highest quality.

As I have said, we will work our hardest to secure the best outcome possible from the present position. However, there must be concern over

whether the process has been adequate. Clearly, Dunfermline found it impossible within the tripartite arrangement to obtain constructive dialogue about how to solve the institution's problems. Those frustrations would be shared by ourselves and other participants and potential investors. Throughout the process, those at the Dunfermline Building Society seemed to be the last people to hear of their fate.

Some might argue that, regardless of the process, the present outcome was the only one possible. If the process had been more orderly, however, I believe that it could have produced a better outcome for the members of the society, for the headquarters staff of the Dunfermline and for Scotland.

Iain Gray (East Lothian) (Lab): I thank the First Minister for allowing early sight of his statement.

This afternoon it is surely most important to welcome the fact that the assets of the customers, savers and mortgage holders of the Dunfermline Building Society have been protected. Secondly, we welcome the guarantees that have been given to branch staff, and, finally, we welcome the continuation and, we hope, development of the Dunfermline brand in the mutual sector.

We agree with the First Minister that the responsibility for the Dunfermline's position rests with the management of the institution. However, the First Minister persists in suggesting that there could have been a better outcome. Exactly what that outcome would have been remains unclear. We know that the Scottish Government was willing to make £25 million available, but the judgment of the Bank of England, the FSA, the Treasury and commentators was that even with a capital injection of £60 million the society would not have had a long-term future without the backing of a larger society and the removal of its toxic debt. As we now know, the net financing required was £1.6 billion.

The First Minister seeks further details of the value-for-money case for the FSA's solution. Will he also publish details of the range of proposals that the Scottish Government made, the mechanisms that the Government proposed and legal advice that it was given in that regard?

In recent days the First Minister suggested that financing should have been made available to enable the Dunfermline Building Society to continue. Was he arguing that £1.6 billion should have been made available to the very management that had got the society into the mess that it was in? It might be the case that most of the net financing will be recovered in the long run, as the First Minister said, but does he acknowledge that this is a rescue package that,

once again, was made possible only by access to the larger resources of the UK Treasury?

The First Minister: I am not sure that Iain Gray fully understands the nature of the payment to Nationwide of £1.6 billion. The payment was made because Nationwide has taken on the army of depositors and the liabilities, but many of the assets have been retained in the tripartite arrangement. As I said, informed commentators—I was referring to Robert Peston, who finds things out long before anyone else does—have estimated that the final liability for the Treasury might be as low as £10 million.

The Nationwide, which is a highly reputable institution, has got the most amazing deal out of the process, as it acknowledged this morning. It is delighted with the quality of the asset base and indeed of the staff who have come into the society. There is no doubt that that is a great investment from the Nationwide's point of view.

The preferred outcome, not just for me but for many members and, I think, for the Chancellor of the Exchequer during the negotiation, was for the Dunfermline to trade on with an independent, sustainable future. The losers in the outcome are the members of the society, who did not even get a vote on its future, and the risk to headquarters staff in Dunfermline is real, despite the Nationwide's best efforts, as is the risk to Scotland of losing an independent financial institution.

Iain Gray asked what my preferred outcome would have been—it would have been to make the investment that was required to allow the institution to go forward into the future. If anything like the protection of assets that has, in effect, been available to the Nationwide had been available to the Dunfermline Building Society—perhaps even a tenth—that is exactly what could have happened.

Annabel Goldie (West of Scotland) (Con): I thank the First Minister for providing an advance copy of his statement. It is extremely sad that the Dunfermline Building Society, a name that is synonymous with Scottish prudence and thrift, became engulfed in significant financial difficulties. The Scottish Conservatives hope that the financial security of investors and organisational stability for borrowers and employees will be safeguarded by the takeover. We wish the Nationwide Building Society well in that endeavour.

Separate from the detail of the financial issues is the negative impression that has been created about chaotic communication between the Scottish Government and the Westminster Government and between the Westminster Government and the society. The First Minister referred obliquely in his statement to a process that was less than orderly. Given that the Scottish

Government became involved in the issue on 2 March, what was the agreed communications route between the Scottish Government and the Westminster Government and, if no one raised that essential issue, why not? Why did 24 hours apparently elapse between the critical decision being taken at Westminster and the First Minister getting a telephone call at lunch time on Saturday? What did the chancellor say to the First Minister during that phone call and what did the First Minister say to him?

The First Minister: I welcome the fact that Annabel Goldie thinks that the demise of the Dunfermline Building Society is a matter of sadness. I think that it is, too, and most people in Scotland will share that opinion.

As I said, we were informed of the Dunfermline's difficulties on 2 March, when the first meeting of officials took place. The Dunfermline had been in contact with the FSA and more widely with other parts of the tripartite arrangement for many months before that. The society came to us eventually because it found that the process was not leading to a solution of its difficulties. I do not agree that, once we were involved, the contact between us and the UK Government was not effective. We contacted the FSA and had a meeting with the chancellor. We put forward our point of view. As the chancellor said to the House of Commons on Monday, the UK Government accepted that our offer of capital was made in good faith to try to contribute to a solution. We were never under any illusion that our offer would not have to be part of a wider arrangement. My meeting with the chancellor last Wednesday was highly constructive. If I had had to guess last Wednesday, I would have said that we were working towards the recapitalisation of the society.

Eventually, the Treasury came to a different conclusion, based on a value-for-money case. I hope that we will see that case, because I would like to estimate it. There might be a difficulty for the Treasury in how it regards value for money. If Robert Peston is correct and the eventual Treasury exposure is as little as £10 million, it would be difficult for any alternative solution to look better from a Treasury point of view. However, from the point of view of the members of the society, the headquarters staff, and the Dunfermline as a financial entity in Scotland, £10 million seems a pretty small exposure, so other potential solutions could have been considered. The chancellor and I engaged constructively but, eventually, he came to a different conclusion from me. My suspicion is that he came to that conclusion with regret and on the basis of that value-for-money calculation. However, I just do not think that that value-for-money calculation gives value to Scotland or is effective in its interests.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Customers of Northern Rock could have warned the First Minister not to use Robert Peston as his adviser on the best interests of customers of the Dunfermline Building Society. Regrettably, another formerly trusted, responsible and respected institution in the Scottish financial services sector has been laid low.

Depositors, savers and staff need assurance that, in times of turmoil, Governments north and south of the border will work fully within their respective roles and together. The First Minister said in his statement that the Scottish Government would have used end-year flexibility money to provide the capital that he said he would put into the society. In order that that commitment is not provided to a potentially large number of other institutions and bodies on a regular basis, will the First Minister publish the Scottish Government's definitive plans for the end-year flexibility money that he cited?

We recognise and respect the social housing landlords in Scotland with whom the Dunfermline Building Society has had a relationship. What is the Scottish Government's position on seeking to secure the social housing debt to which the First Minister referred, which is now the subject of a bidding process by the bridge bank? Will the Scottish Government commit to use the same funding that the First Minister said would be available to cover the Dunfermline Building Society's losses to secure the social housing portfolio debt? Will he publish details of the commitment, using EYF money, that was provided on 16 March?

The First Minister: I was not claiming Robert Peston as my financial adviser; I was merely saying that he is usually informed before the event of any announcements—so it appeared on Monday morning. I suspect that his calculation of the £10 million potential liability was made up not by him, but by whoever briefed him from his usual sources—let us put it that way.

I listened to the House of Commons debate on Monday afternoon and I thought that Willie Rennie, the local member of Parliament for Dunfermline, put forward the correct case. He acknowledged the willingness of a range of institutions to help the Dunfermline Building Society, including other building societies and the Scottish Government. He also asked whether more could not have been done to protect the society's independence. I thought that he asked the right questions and I hoped that the Liberal Democrats might ask those questions today.

As far as the social housing book is concerned, I am not certain that the member understands. I suspect that the auction on the social housing book is about how big a discount various

institutions are looking for to take on the book, which is rock solid in terms of safety, but is low-margin business. The Scottish Government's interest in that aspect—which is, incidentally, shared by the Chancellor of the Exchequer, as he told me at our meeting; he has an equal concern about it—is to protect the availability of finance at the current rates that the Dunfermline Building Society was offering to RSLs across Scotland. Obviously, we hoped to make an investment contingent on the social housing book. I think that that would have been a valuable thing to do, if it could have protected the society's independence.

We continue to engage with the Treasury, at its invitation, on how we can obtain those objectives on social housing. The member has my assurance that the Government has that very much in mind.

The Presiding Officer: We come to back-bench questions. We will get everybody in as long as everybody is fairly short and sharp.

Tricia Marwick (Central Fife) (SNP): I welcome the First Minister's very full statement. Is he aware of the fury in Fife that the Dunfermline Building Society, which had been in existence for 140 years, has been asset stripped by the UK Labour Government? What further discussions will the First Minister have with the Nationwide about the future of the Dunfermline Building Society's staff? In particular, does he share my concern for the short-term future of the headquarters staff at Pitreavie and the longer-term future of the branch staff? Will he seek clarity on the position of the Dunfermline Building Society's agencies that are located throughout Fife? In all the comments that I have heard over the weekend, no one has mentioned the position of the solicitors and other firms that have acted as branches of the Dunfermline. Will he therefore seek clarity on their situation and on whether Nationwide intends to retain the agencies and the staff who work there?

The First Minister: In very constructive discussions this morning, Nationwide undertook to have a continuing dialogue. Tricia Marwick's latter point is important and we will certainly pursue it with Nationwide.

The Dunfermline Building Society has around 500 staff, with approximately half in the headquarters operation and half in the branch operation. As I said, the future of the branch staff has been guaranteed for the next three years. Nationwide made it clear this morning—it should be remembered that it employs 500 people in Scotland—that any available job opportunities across the Nationwide network in Scotland would be available to Dunfermline Building Society staff.

It is early days. Nationwide has been in charge of the Dunfermline now for three days—this is its third day in situ. Nationwide has made it clear that

it cannot give a guarantee on compulsory redundancies. However, as the company said to Mr Swinney and me this morning, it is highly impressed by the quality of the staff and even more impressed, I think, by the quality of the asset book that it has acquired. In terms of its residential mortgages, its army of depositors and its deposit-to-loan ratio, which is crucial in the financial sector these days, it is an extremely valuable part of the organisation. That is why there will be, I think, regret: given that it was possible to offer such a deal to Nationwide—which is a highly reputable organisation—it might have been possible to find a way for the Dunfermline to continue to utilise its assets and to employ its staff independently in the future.

Helen Eadie (Dunfermline East) (Lab): I declare an interest as a Labour and Co-operative Party member who always values the chance to advocate mutuals.

On Monday morning, I woke up to the good news that a deal had been done with the Nationwide. I felt a huge sense of relief that the savings of savers with the Dunfermline Building Society, including members of my family, would be safeguarded. I welcome the fact that, like the Dunfermline Building Society, the Nationwide is a mutual, and I warmly welcome the fact that the Dunfermline Building Society brand is to be built on by the Nationwide and that we may witness an expansion of the society's brand name, which could lead to the saving of some of, if not all, the head office jobs. I welcome, too, the very swift action of Alistair Darling at the Treasury and of his Westminster colleagues Jim Murphy and Gordon Brown.

In the dialogue over the past few days, the previous management of the Dunfermline Building Society sent mixed messages. What are the Government's thoughts about that? Was it, too, concerned and not confident about the society? Is it concerned that MSPs including me and Jim Tolson, who, along with Willie Rennie, wrote to the chief executive the moment the news first broke two weeks ago, did not receive answers to our letters? What is the alternative solution?

The First Minister: Frankly, I simply do not understand that last point. I understand that Mr Rennie was in close contact with the management of the Dunfermline over the past two weeks. That is what I heard in the media, at least, and I am sure that it must have been the case, given that he is a local member of Parliament.

A financial institution that is experiencing difficulties must be careful about how widely it canvasses such difficulties, because it could provoke the very thing that it wants to avoid, which is a lack of confidence and a run on deposits. It is absolutely correct that the Dunfermline was

publicity shy over the past few months, because it was trying to work through its problems under the structures that were available to it.

The position of depositors is crucial. The deposit protection scheme, which provides the fundamental guarantee for depositors, is paid for by the financial sector. Over last year and this year, the Dunfermline will have paid £7 million or so into the scheme to protect depositors. The provision of assurance to depositors is hugely important.

Amid Helen Eadie's welcomes for everything, could she not have spared a minute to consider that if it had been possible, the outcome of sustaining the Dunfermline as an independent institution—which many people across the political spectrum would have regarded as the most desirable outcome—would indeed have been the best possible outcome for Fife and for Scotland?

Gavin Brown (Lothians) (Con): The First Minister said that the Dunfermline's social housing portfolio has been placed in a bridge bank that is wholly owned by the Bank of England to allow the Treasury and the Bank of England time to secure a permanent solution, working with other stakeholders.

Given that the Scottish Government has a responsibility for social housing provision, what steps has it taken to ensure that it is a stakeholder? The First Minister mentioned that the Chancellor of the Exchequer had made a promise of dialogue, but is there a clearly agreed line of communication? Is the First Minister confident that the Scottish Government will be able to offer input and to influence matters?

The First Minister: Gavin Brown should read the chancellor's statement from Monday, in which he said specifically that the Scottish Government would be consulted on the future of the social housing book. There was complete agreement between me and the chancellor that the question of how to protect the interests of the social housing book was a key part of the problem with which he was wrestling.

The Dunfermline is the second-largest social housing lender in Scotland—it has some 20 per cent of the market. As I said, that 20 per cent is rock solid, but the margins are extremely fine. That is fantastic for the RSLs and social housing providers, but it is not a hugely profitable part of the society. The fact that the Bank of England kept the social housing book in the bridge bank would indicate that the bidders for the social housing book were either looking for a discount, given current market rates and availability of money, or that they were not prepared to guarantee the rates at which the current RSLs and social housing bodies are getting money. Our objective, as far as

that is concerned, has been to guarantee the quantity—the £500 million, plus the £200 million facilities—and the rates at which those facilities have been offered. That remains our objective, and we will do everything possible to ensure that that is the outcome. In addition, we will perhaps be looking for an opportunity to expand social housing finance provision in Scotland and to get something really positive out of what is otherwise, in many senses, a disappointing situation.

Jim Tolson (Dunfermline West) (LD): As the local member for Dunfermline West and the area that contains the building society's headquarters, I think that it is at this point extremely important to look forward rather than back. My particular concern is the protection of local jobs in the headquarters, and jobs in the branches throughout Scotland.

As the First Minister and the cabinet secretary did, I had the pleasure this morning of meeting Mr Stuart Bernau of Nationwide Building Society. He was able to assure me about several issues, including local jobs at the headquarters. Although the Nationwide cannot guarantee that all jobs will be retained—some small parts of the headquarters function may go elsewhere—it seems to me from my discussions with that gentleman this morning that the majority of jobs can be protected.

However, as the First Minister will be aware, we recently set up the financial services task force. I have asked Mr Bernau and his colleagues whether they would be willing to meet the task force soon, probably in Dunfermline, and they assured me that they will do so. Would the First Minister, or his Government officials, also be willing to meet in Dunfermline as part of the task force in the near future?

The First Minister: Yes—that would be highly appropriate. Mr Bernau's conversation with me and Mr Swinney this morning was very positive and constructive. Indeed, perhaps because of the timescale involved, he was able to go somewhat further than the chief executive managed to go in our conversations on Monday. I said that there are opportunities. Of course we have to look forward, take all the opportunities that we can and try to create something positive out of a disappointing situation.

As the local member, Mr Tolson will know that there is not the same guarantee for head office staff—we should not give the impression that there is—as there is for the branch staff. Nonetheless, we had positive and constructive dialogue and a commitment to continue that dialogue over the next few weeks on the questions of headquarters operations, investment in the Dunfermline brand and, indeed, on our interest—a shared interest,

perhaps—in the social housing provision that is currently resting with the Bank of England.

Margo MacDonald (Lothians) (Ind): I hope that Jim Tolson will forgive me. I will be looking back because I do not have immediate responsibility for the future of the employees. The process is important because, although we hope that they do not, other situations like this may occur in the future. I would like to know whether a saver—a member of the society—could challenge the decision in court, as the anti-merger people did with the Royal Bank of Scotland and Lloyds TSB, since no opportunity was given to depositors and members to vote on it.

Secondly, does the First Minister know when the Dunfermline Building Society was informed of other interests? What was the communications route to the Dunfermline's board? The past chairman seems to have indicated that he was not as aware of what was going on as he might have been. When did the Nationwide first indicate its interest in the Dunfermline? I appreciate that the First Minister may not have all the answers, but perhaps he will undertake to find out some of them.

The First Minister: As Margo MacDonald well knows, I am not a lawyer. It does seem strange that a mutual society can effectively be broken up without a vote by its members. That is in the provisions of the Westminster Banking Act 2009. I think that I am right in saying that this is the first use of the emergency resolution procedure. No doubt the matter could be tested, although because the matter has been passed in an act of Parliament, the legal road would likely be difficult.

I cannot answer in respect of internal communications in the Dunfermline Building Society. However, I can—as I said in my statement—say to Margo MacDonald that as soon as we heard not of the identity of the potential other mutual society investors in Scotland but of their existence, we furnished the Financial Services Authority with the information immediately. We reinforced it the following day, just to be sure that the authority was fully aware of it.

As far as Nationwide's interest is concerned, I can give some information that I do not think is private. Nationwide had completed—last year, I think—a due diligence on Dunfermline Building Society. At that time, there was the prospect of a merger. Nationwide was therefore in a better position than most to know what the Dunfermline's assets were. Nationwide was one of four potential bidders that were contacted by the Financial Services Authority on Friday night. I do not know the identity of the other three, but I understand that there were four potential bidders. I know, for example, that the Scottish mutual organisations

that Margo MacDonald mentioned were not among them.

Outcome is more important than process, but process can, of course, impact on outcome. I would ask basic questions about process. I do not understand at all why other financial institutions were contacted about the break-up of the Dunfermline before the society itself was told. I do not understand how the press were briefed that the society had “collapsed” before the society's board had met. I do not think that that was effective or proper process, either.

I do not think that the seven building societies that had offered to put up capital to support the Dunfermline should have been told by the Financial Services Authority that no public funds were available to support that recapitalisation when that was—to put it most mildly—not a full account of the facts. The Scottish Government's offer of capital support was still on the table.

The Presiding Officer: If I am to fit everybody in, I will need short questions and short answers from now on.

Sandra White (Glasgow) (SNP): I declare an interest as a member of the Dunfermline Building Society. I have certainly spoken in support of Margo MacDonald's position and suggestion.

Given the large number of unanswered questions about the sell-off of the Dunfermline—including questions about use of emergency powers—does the First Minister believe that it would be appropriate for the Finance Committee to consider holding an inquiry into the facts behind the sell-off and to consider the impacts on the wider economy and on the future of Scottish financial services?

The First Minister: Of course, it is a parliamentary matter for the Finance Committee to decide what inquiries it wants to conduct. Any minister would be best to leave it to parliamentary committees to be in charge of their business. However, if the Finance Committee wishes to hold such an inquiry, we would co-operate fully in furnishing all the information that we have.

David Whitton (Strathkelvin and Bearsden) (Lab): I welcome the First Minister's statement that responsibility for what has happened to the Dunfermline rests with its management. I am sure that that will come as a blow to “Furious of Fife”, most of whom seemed to be members of Tricia Marwick's family, who were stood outside Dunfermline's headquarters with placards.

On 2 March, when the First Minister's officials met representatives of the Dunfermline, how much money did those representatives say they needed in extra capital? Would the £25 million that was offered by the Government have covered it? Who

were the other seven building societies, and how much could they offer?

The First Minister: I do not think that only Fifers will be furious at the loss of an independent Scottish financial institution: there will be fury across the country. Perhaps it will not be shared by David Whitton, but it will be shared by many people throughout Scotland.

In his question on capital, David Whitton perhaps unwittingly got to the heart of the problem. The only figure that the Dunfermline Building Society had been given by the FSA—admittedly it was in October last year—was £20 million of new capital to conform to the stress test. I do not think that we in the Scottish Government were the only ones to feel frustrated—some UK ministers felt frustrated, too—that the society had not been able to secure from the FSA in early course another estimate of what might be required. That perhaps highlights one of the difficulties in the tripartite arrangements.

I do not know the identity of all seven building societies. I know that there were seven and that the amount that they were prepared to put forward was apparently £30 million. They were written to by the FSA on Saturday morning to say that no public money would be available, and they were asked whether they still wanted to make their contributions. I must say that that was one part of the process that I think was questionable.

John Park (Mid Scotland and Fife) (Lab): The job situation has been the most concerning thing throughout the process. We are concerned that lots of people in the head offices do not have the job guarantees that people in the branches have. The First Minister will know that there is an independent staff society within the Dunfermline Building Society. Has the Scottish Government had any dialogue with that staff society? If it has not, does it intend to have such dialogue in the future?

The First Minister: We have not to date had such dialogue for the obvious reason that the situation has been developing. We asked that question of the Nationwide this morning, and it said that it was engaging in that dialogue. If it is helpful to the staff association, of course the Scottish Government is perfectly willing to meet it directly.

Unless I misread people entirely, I believe that when I met the Chancellor of the Exchequer last Wednesday, his preferred outcome would have been recapitalisation. He did not say it explicitly, but that was my impression from our conversation. It is unfortunate that that was not possible, but I look forward to seeing the value-for-money calculation to see why. Unlike some members who have spoken on the issue today, although I am

perfectly willing to engage with the Nationwide and with the staff in the Dunfermline Building Society to get the best possible outcome in terms of employment investment, I regret that the organisation was unable to trade on as an independent financial institution.

Capital Investment Projects (Funding)

The Deputy Presiding Officer (Trish Godman): The next item of business is a debate on motion S3M-3822, in the name of Andrew Welsh, on behalf of the Finance Committee, on its inquiry into methods of funding capital investment projects.

15:22

Andrew Welsh (Angus) (SNP): I commend to Parliament the Finance Committee's report "Inquiry into methods of funding capital investment projects". The report is ambitious in scope, and rightly so. When private sector capital spending on projects for public bodies is added to the Government's 2009-10 capital spending budget of more than £3.5 billion, there is clearly a huge issue of financial accountability and ensuring the best possible value for money in providing new schools, hospitals, transport facilities and other projects for Scotland. With both the Scottish and United Kingdom Governments now bringing forward capital spending as an economic stimulus, achieving value for money in the way we manage that spending can ensure maximum impact on the economy and will benefit in-service delivery for our constituents.

Nothing ever stands still. Throughout the inquiry, the committee was aware that it was dealing with a moving target. Both the availability and the cost of private finance for public capital projects have altered dramatically, and to say that the global economic situation has changed significantly since the beginning of our inquiry seems to be a breathtaking understatement. Although the shifting economic and political background obviously influenced our discussions and the evidence that we heard, the committee's aim was to move beyond short-term market conditions and immediate political debates. Rather, we aimed to analyse some of the myths and presumptions that have developed about different methods of funding and to identify criteria that could and should be applied in the longer term to all methods of securing public capital projects.

Some recommendations will involve discussion with the UK Government. Clarity is required on the effect of the international financial reporting standards on the options that are available to public bodies to fund capital investment, and on the scope to extend to other public bodies a prudential borrowing regime that is similar to that which is available to local authorities. We welcome the Scottish Government's agreement to pursue those issues.

Where it is possible, joint working and joint funding of projects across different parts of the public sector should be facilitated by making funding practices and accounting and tax treatment consistent across different bodies. Irrespective of whether public or private finance is used, service models must respond flexibly to changing service needs. In long-term contracts, the flexibility to evolve without excessive cost, to meet the changing demands and expectations of service users, is essential.

Although comparing like with like is extremely complex, the committee heard evidence of weaknesses in the evaluation and comparison tools that are currently in use. The key recommendations are: that consistent and comparable information on whole-life costs should be prepared for all types of projects; that a robust and credible investment options appraisal framework be developed that is capable of producing that kind of comparable information in the future; and that improvements in the way in which risks are measured and accounted for be made on a consistent basis. I welcome the Scottish Government's assurance that the infrastructure investment group and the Scottish Futures Trust will examine those issues.

In order to be more widely applicable and to get the most competitive market response, refinancing provisions need further refinement, and issues to do with complexity in procurement need to be resolved in order to allow smaller Scottish companies to compete cost-effectively for the work. I urge the Scottish Government to consider those issues carefully.

For individual bodies and at national level, the discipline of robust asset management is essential for achieving value for money from capital assets. There is a real prize to be gained for public finances if a robust, co-ordinated and systematic approach to investment, maintenance and disposal of assets is achieved.

The public sector must provide consistent and transparent predictability in the flow of capital projects to the market, ensuring optimum delivery and value for money through good competition, and by sustaining workload in the financial, advisory, design and construction sectors in Scotland. Some improvement in public sector co-ordination and planning is required to sustain the links in the indigenous supply chain for the construction sector, and the committee urges the Scottish Government to continue to develop that in its infrastructure investment plan.

We welcome the Scottish Government's response that a key aim of the Scottish Futures Trust is to be a centre of advice and expertise in bringing together public sector skills. The challenge is to centralise skills without creating a

gap in local accountability or a disconnection between project management and the people who will deliver and manage the service. We look to the Government to give that particular problem careful thought and action, so that the claimed advantages—lowest-cost finance, effective assessment and management of risk, rigorous evaluation of project proposals, discipline to deliver on time and on budget, and robust project and contract management of different models—can be secured for all projects. The committee believes that with the right skills, those advantages can be harnessed by the public sector in procuring any type of project—indeed, it is vital that it happens.

We believe that the Finance Committee has produced a sound, balanced and noteworthy report. Although there were differences of opinion among committee members on certain matters, the vast majority of our recommendations were agreed unanimously. The report offers some positive and sensible suggestions, which we hope the Government will take on board in the constructive manner in which they were produced.

On behalf of the committee, I thank all the witnesses; the committee's advisers, Nathan Goode and Marianne Burgoyne from Grant Thornton; the research staff in the Scottish Parliament information centre; and the committee clerks for their hard work in producing the report and their guidance throughout the inquiry. I also thank the committee members for grappling with a huge amount of information and covering the big picture while considering issues in detail to make what we believe are useful recommendations for improvement. I commend the report to Parliament.

I move,

That the Parliament notes the conclusions and recommendations contained in the Finance Committee's 8th Report, 2008 (Session 3): *Inquiry into methods of funding capital investment projects* (SP Paper 182).

15:29

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I thank the Finance Committee for its report, and I thank the committee's convener for his remarks in introducing the debate. The Government has, of course, formally responded to the report.

The Government agrees that the method of funding capital investment projects is a crucial issue, particularly in the difficult economic times that we face. It is vital that we maximise the outputs that we secure from each pound that is invested. The criterion that should determine the funding method is, quite simply, that it should be the one that delivers the best value for money. The committee questions whether the public

sector has the skills capacity to deal with the massive programme that is planned, and the report recommends the recycling of knowledge so that repeated development costs are minimised. Mr Welsh made that point in his opening remarks. The Government has established the Scottish Futures Trust precisely to meet those requirements and to deliver greater overall efficiency in infrastructure investment in the years to come.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): In his statement on the Scottish Futures Trust, the Cabinet Secretary for Finance and Sustainable Growth said that it would

"release up to £150 million each year for increased investment in Scotland's infrastructure."—[*Official Report*, 10 September 2008; c 10600.]

In which financial year will that start?

John Swinney: The Government will set out in partnership with the Scottish Futures Trust its operating plan and the assumptions that underpin the activities that it will generate. Obviously, that is a material factor to the composition of that business plan.

The SFT is a body that has real commercial experience. Its aim is to promote and disseminate innovation, good practice and experience and to rigorously pursue value for money throughout the public sector. It is taking forward a range of projects including, as I previously announced to the Parliament, development of the hub projects in the north-east and the south-east and the next stage in the Government's schools investment programme.

I turn to other detailed points in the report. The Government shares the committee's disappointment that we have still not had clarification from the Treasury on the IFRS budgeting rules, even though officials have been expressing concern about that to their counterparts at the Treasury since January 2008. The rules particularly affect the many private finance initiative projects that, under previous accounting rules, were or would have been on contract signature and off balance sheet. Until yesterday, the balance sheet position was assessed on the basis of risk allocation between the contracting parties, but under IFRS the assessment is based on control of the facilities. That change means that, if the Treasury does not agree to provide budget cover for PFI projects that become operational from today onwards, the Scottish Government will need to find room in its capital expenditure limit for their capital costs.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): If the cabinet secretary's interpretation is correct, will the same not apply to any private finance that is secured by the Scottish

Futures Trust? In any case, is it not more likely that the projects will count on balance sheet but not against the departmental expenditure limit capital budget?

John Swinney: I am not sure on what basis Mr Chisholm founds his optimism that projects will not count against the DEL capital limit. My understanding of IFRS is that they will count against that limit. As we all know—including, I am sure, Mr Chisholm, given his experience as a minister—the DEL capital limit is a particularly restrictive constraint on what the Government can do.

The Government is wrestling with the ever-mounting costs of the PFI schemes that we inherited from the previous Administration, and which are eating into our expenditure capacity. When the Government came to power, PFI repayments totalled £520 million a year: they will reach £900 million a year by the end of the current session of Parliament, and a peak of £1.2 billion—

Gavin Brown (Lothians) (Con): Will the cabinet secretary take an intervention?

John Swinney: I am short of time to cover the ground that I need to cover.

At the peak, the annual payment will be £1.2 billion a year. Over the lifetime of the contracts, they will cost the exchequer of Scotland a massive £30 billion. That is the position at a time when the constraints on public expenditure are becoming ever clearer and we realise that the growth in public spending that we have had since 1999—growth of 6 per cent above inflation, in real terms—will not be the profile of expenditure in the years to come. If there was ever an illustration of the age of financial irresponsibility, it is the commitments that were entered into, which will put a further strain on public spending in the future. The reality is that they will put great strains on the Government's revenue budget in the years to come.

In paragraphs 264 to 270, the committee recommends that we ensure a steady flow of capital projects and make the construction industry aware of the opportunities. We have published our infrastructure investment plan, which sets out our three to 10-year horizons for public expenditure. All major projects are advertised in the "Official Journal of the European Union" and appear on the public contracts Scotland website.

A steady flow of projects is particularly desirable in the present economic downturn. For that very reason, last August, the Government brought forward planned expenditure on affordable housing and used the budget bill to set out a substantial £230 million programme of accelerated infrastructure investment in 2009-10. That, and an additional £60 million for a town centre

regeneration fund, will ensure that a massive investment programme will proceed in the new financial year, keeping the Scottish economy moving by supporting nearly 5,000 jobs.

Of course, the Government wants to do more, and we are certainly interested in the debate that has developed in Parliament about its acquiring borrowing powers to continue to ensure long-term investment. The Government's full infrastructure investment programme is supporting projects such as the completion of the M74 and the M80 Stepps to Haggs scheme, and we have also made commitments on the Forth replacement crossing and the southern general hospital in Glasgow. We will proceed with those commitments to invest in Scotland's infrastructure.

15:35

Andy Kerr (East Kilbride) (Lab): I, too, congratulate the Finance Committee on producing a very useful report.

In my view, the Scottish Futures Trust will, along with the local income tax, go down as an act of cold-blooded political treachery. In 2006, as they prepared for the Scottish general election campaign, the nationalists knew that the public were concerned about two issues: the council tax and public-private partnerships. From that point on, they cynically set out to mislead the Scottish public that they could deliver an alternative. As we know, that has not been the case for the local income tax, plans for which have fallen into disarray. As far as the Scottish Futures Trust is concerned, they have sought to hide their embarrassment with promise after promise; indeed, we got another promise this afternoon that it would be delivered.

Of course, the SNP thought that, by adding Sir Angus Grossart to the mix, it could make a silk purse out of this pig's ear. However, he has been set a simply impossible task. As others have pointed out, we knew last September that the SFT was an expensive and ineffective shambles. We thought that Sir Angus Grossart might be able to fix it; we know now that he cannot. Since its establishment, the trust has failed to commission a single new school and funding for capital investment projects has fallen by £1 billion at the cost of 20,000 jobs. What has the board been doing? Indeed, why do we have the Scottish Futures Trust? What has the cost been to the Scottish economy and to jobs?

I hope that, on April fool's day, the cabinet secretary might have the courtesy to admit that he has been fooling the Scottish public for more than two years now. Let us not forget that in the manifesto on which Mr Swinney stood at the election it says that the

"SNP government ... will introduce a not-for-profit ... Futures Trust".

Do we have such a trust? Do the working documents that have been made available specify that the trust is "not-for-profit"? Will the cabinet secretary state clearly whether the model that he is developing will be "not-for-profit"—yes or no?

Moreover, the manifesto says:

"it will be open to local authorities and other public bodies to choose between PFI/PPP and"

the Scottish Futures Trust

"for planned and future projects."

Is that choice still available?

There is a very important reason for asking these questions. I believe that the SNP has been elected on a false prospectus in this regard. The Scottish Futures Trust will not be not-for-profit; indeed, as the cabinet secretary has admitted on a number of other occasions, it will be for profit. This is simply an attempt by the nationalists to reclaim the non-profit-distributing model as a not-for-profit model. As we all know, that is not true. The cabinet secretary has said at committee—

Patrick Harvie (Glasgow) (Green): If Mr Kerr's basic premise that a non-profit trust is essentially the same model as PPP is right, do we not have to level at Labour and SNP members alike the same criticism—that both desire to max out the nation's credit card to pay for infrastructure instead of cracking on with empowering the Scottish Government to pursue conventional funding practices?

Andy Kerr: As far as empowering the public purse is concerned, if the member has paid any attention, he will know that the traditional capital budgets that are being made available to the Scottish Government have been growing.

Mr Swinney said that this is about value for money. However, the Scottish Government has explicitly prohibited public sector organisations from using PPP models or, indeed, being able to compare PPP and Scottish Futures Trust models. That is simply a disincentive as far as the public purse is concerned. Mr Swinney cannot argue with Mark Hellowell, Unison, Allyson Pollock, the Cuthberts and others, who—to save the cabinet secretary any embarrassment—all accept and understand that the model being pursued is the non-profit-distributing model.

Of course, all the research from the Institute for Public Policy Research and the others whom I mentioned indicates that the NPD model is more expensive. At the heart of the SNP's approach is its incompetence, which is shown in the lack of delivery and in its dogma. That incompetence and dogma are ensuring that Scottish construction

workers are losing their jobs, our children are not being educated and our patients are not being treated within the public infrastructure that should exist.

15:40

Gavin Brown (Lothians) (Con): I, too, welcome the Finance Committee's report and pay tribute to that committee's convener, clerks and all its members for producing it.

The report is particularly welcome because it is on a topic that thus far has been dealt with by soundbites. The process has allowed the committee to take written and oral evidence, delve into the issues and flush out some of the myths about the Scottish Futures Trust and the Government's views on infrastructure.

One of the main issues that the committee considered was the Scottish Government wanting the NPD model to be the default option. Many members of the committee and many in industry believe that a range of funding methods ought to be available through PFI/PPP, the Scottish Futures Trust and conventional funding, and that the right funding model should be put forward for particular projects. That was the committee's view by decision and it has been the industry and the Scottish Conservatives' view for quite a time. We need to get rid of ideology in the debate and focus on best value over the lifetime of the project for taxpayers and service users.

The SNP's manifesto made it clear that public bodies and councils would have the choice of going for a PPP, PFI or Scottish Futures Trust approach. The theory was that the Scottish Futures Trust approach would be so good that every public body would want to go for it, but the manifesto was clear: it left the options open. It is therefore wrong that the Government has closed the door on PFI and PPP projects.

The committee struggled to find any real differences between PFI/PPP and what the Government wants to do. Once again, Mr Swinney talked about the amount of money that is coming out of the Scottish departmental expenditure limit budget each year that is made up of the unitary charges for all the PPP projects out there—I think that the figure is around 2.5 per cent at the moment—but he does not say, and the Government has not realised that NPD projects also have a unitary charge. Every single NPD project will have pretty much the same unitary charge as a PPP/PFI project. If that is the issue, surely the Scottish Government's default preferred option will create the same problems. Of course, we have also heard that the term "non-profit-distributing" is something of a misnomer because—SNP back benchers may wish to close

their ears at this point—there is a profit to the private sector, but it is simply a capped profit as opposed to an uncapped profit. In many cases, the profits will not be dissimilar.

The committee's report provided a bit of balance by fairly criticising some of the downsides of PPP/PFI, but it also mentioned some of its benefits and some areas in which it has been successful. Some 80 per cent of PPP/PFI projects have been on time and on budget. They have provided incentives to the construction process, and discipline, because, at the end of the day, the contractor will be paid only when the product and service are delivered. Audit Scotland said that such projects have been successful in many areas in respect of the project management, risk transfer and financial control that they have involved.

Many unanswered questions remain about the Scottish Futures Trust. We have again heard that there is still not an operating plan. This must be the only time in history when someone has predicted £150 million-worth of savings before they have any kind of operating plan. Surely something must have come from a Jim Mather brainstorming session alone.

We firmly believe that a range of options should be available, as per the SNP manifesto, and that the test must be the best value over the lifetime of the project to taxpayers and service users.

15:44

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I welcome the report and endorse all the comments that the convener of the Finance Committee made.

When the Finance Committee was publishing its report, the Government was publishing statistics on construction sector jobs worth over £2 million in each of the Government regions in 2007-08. Those figures are striking for Britain as a whole: they fell by over 10 per cent from £25 billion to £22 billion. In Scotland in 2007-08—the period in which the Finance Committee began its consideration and exactly the time at which the fiasco of the Scottish Futures Trust started—the equivalent figures were £1.9 billion in 2007 and £856 million in 2008. That is a 65 per cent fall in new orders for construction jobs worth over £2 million. That is the context for this afternoon's debate. Rather than debate purely the Finance Committee's considerations, we need further debates. Those figures are disastrous for the Scottish economy and bring into stark relief the paralysis at the heart of construction in Scotland as a result of the fiasco of the Scottish Futures Trust.

The Scottish Futures Trust was designed, as we are told, not simply to be an advisory body, not simply to be a centre of procurement expertise,

but to do much more: it was promised to fund, build and deliver. We can look back at the business case to see how effective it has been. The business case said that it would

"Establish programme support arrangements for residual waste investment".

That is not happening. It was also to set up the development and delivery of local authority bond issues, but that is not happening. It was to

"Undertake further detailed development of innovative asset provision models"

in the appropriate sector and that is not happening. As a result of a freedom of information request that I made, it became clear that none of that was happening. The SFT was to pilot a funding and aggregation model for the housing and further education sectors. The Scottish Government has had no contact with the further education sector through the Scottish Futures Trust for the aggregation of funding of new investment.

We have heard very little about an infrastructure board for Scotland, which was promised. All those promises were made and none of them has been delivered, which is why constituents of mine would have been slightly concerned—and no doubt slightly amused—to hear the cabinet secretary on "Good Morning Scotland" this morning. When he was asked, "Hand on heart, cabinet secretary, has the Scottish Futures Trust turned out to be everything that you wanted it to be?" John Swinney replied, "Of course it has." With no schools? No waste management projects?

When it comes to infrastructure, the Borders railway in my constituency has been delayed by more than two years. Dogma has been put in the way of delivering an infrastructure programme into the heart of the rural Borders. The Government seems to be in discussions with the European Investment Bank to borrow funding to deliver the railway because it recognises that its non-tested, design-built, maintain-profits finance scheme, as part of a holding model that has never been attempted before, will simply not be successful.

When the Scottish Futures Trust was promised, the cabinet secretary said that the SFT

"will provide opportunities for swifter project planning and delivery".—[*Official Report*, 10 September 2008; c 10601.]

If the Government now has to rely on the European Investment Bank to provide straight capital support for the railway, the 65 per cent fall in construction orders will get even worse and it will be a disaster for the Scottish economy.

15:48

Joe FitzPatrick (Dundee West) (SNP): I welcome the Finance Committee's report on

methods of capital investment, which is another nail in the coffin of PFI. The committee report highlights exactly why we need a robust, fully scrutinised and carefully considered model of capital investment for Scotland.

Future generations will be utterly shocked by the squandering of public funds and naked profiteering that has gone on in the private sector at the taxpayer's expense. Many will find it inconceivable that such contracts were merely the result of blunder and flawed systems. Unfortunately, however, that is the sad truth of PFI.

Andy Kerr *rose*—

Joe FitzPatrick: In Dundee, the PFI contract for parking at Ninewells hospital typifies all that is bad about the PFI system. Although parking is free at most hospitals throughout Scotland, Ninewells, Edinburgh royal infirmary and Glasgow royal infirmary are stuck with PFI contracts that would be very expensive to buy out.

Jeremy Purvis: I am grateful to the member for giving way; I know that he does not have much time. Is he as shocked as I was to hear, through my FOI request, that the business model that the Government is proposing for the Borders railway includes charges right along the route for all the aspects of PFI projects that he has mentioned—charges for advertising, parking and access?

Joe FitzPatrick: I think that most people will accept that things have to be paid for. Whether they are paid for in the public sector or the private sector, there are costs, but the problems with PFI are many and extensive. The excessive costs of the PFI system, which we have heard about, will absolutely shock the public.

There might be members in the chamber who are partly responsible for the PFI contract for parking at Ninewells. The contract is so badly written that it appears that there is no clause to allow a buy-out, which leaves NHS Tayside at the absolute mercy of VINCI Park, whose priority is its shareholders and its profits.

The parallels with the banking crisis are uncanny. A combination of greed, incompetence and denial has left us in a situation where the Scottish Government and local authorities will have to find £700 million to pay debts to private firms for PFI contracts this year. More than £1 billion a year is due to be paid out by 2017 to finance new Labour's credit card spending.

Today—April fool's day—Gordon Brown has made a fool of the Scottish taxpayer. Today, new Labour's folly is on the balance sheet for the first time, in accordance with the new international financial reporting standards, which, at a stroke, add at least £200 billion to our national debt, and for what? There is no value for money, as we are

often paying twice the capital cost of projects. There is no transfer of risks, as only the taxpayer ever loses money—it is never the private company that loses. Even the argument that the money stays off balance sheet has now gone.

It is a pity that today's debate has been shortened, although I appreciate fully that ministerial statements are important and necessary. I could go on at length about the PFI disasters. However, the evidence is all there, no matter how hard new Labour tries to ignore it. The previous Administration's record is there for all to see, and it is utterly shocking.

In stark contrast, the SNP is committed to ensuring the best value for the Scottish taxpayer, rather than taking the build now, pay double later approach of the boom-and-bust parties. With the NPD model and increased flexibility for our local authority partners, this Government has been delivering, and it will continue to deliver, with £35 billion of infrastructure investment over the next decade. The Scottish Futures Trust will ensure that future generations of Scots can benefit from that investment without being saddled with credit card debts.

15:52

James Kelly (Glasgow Rutherglen) (Lab): As a member of the Finance Committee I welcome the opportunity to take part in the debate. There is no doubt that the world has changed since the committee started work on its inquiry. We are now in the throes of an international recession.

The report focuses on the importance of capital infrastructure in promoting economic growth. There is no doubt that if we build modern schools in which our children can learn, our children will be skilled up in order to take advantage of the 21st century economy. If we invest in transport projects, we will improve connectivity and promote economic growth. If we invest in housing, we can take construction workers off the dole and give homes to the homeless.

There are a lot of issues to cover, but I have only four minutes in which to do so. I will pick out a few highlights. I will start with some comments on the non-profit-distributing model. Back in 2007, when the SNP was drawing up its manifesto—when, it seemed to me, it was in fairyland—it told the voters that it was going to abolish PPP and replace it with a low-interest scheme that would develop public infrastructure projects throughout the country. The reality is that, just because the non-profit-distributing scheme includes the words “non-profit”, that does not mean that there are no profits. There are profits, and they are generally similar in an NPD scheme and in a PPP scheme, except that under an NPD scheme, profits are

capped, which prohibits some investors from entering the market. In addition, the Scottish Government's default option is NPD, which will put investors off coming forward. That limits competition from bids, so taxpayers do not obtain value for money. The NPD option is not value for money.

The report discusses options appraisals. Full options appraisals that cover all funding methods should be undertaken. That would allow us to explore what achieves the best value for the taxpayer. I have no doubt that that would introduce the option of PPP. KPMG told the committee that PPP finance rates were 0.6 per cent greater than Public Works Loan Board rates. There is no doubt that PPP provides certainty, delivers 80 per cent of projects on time, as Gavin Brown said, and minimises risks.

The SNP has different messages for different audiences. I have no doubt that Joe FitzPatrick's speech would go down well at the SNP conference but, last week, Alex Salmond was at Forth Valley hospital to open a PPP facility. All over the country, SNP ministers are ready with their hard hats and shiny trowels for topping-out ceremonies at PPP facilities.

The clocks went forward at the weekend, but the SNP is stuck in reverse. It is time to wake up and build the infrastructure that is necessary for Scotland in the 21st century.

15:57

Linda Fabiani (Central Scotland) (SNP): I joined the Finance Committee only lately, so I did not have the pleasure of listening to the evidence, but I did have the pleasure of reading the report, which was the Parliament's first true scrutiny of the Government's approach to capital investment. The inquiry was worth while. The Scottish Government has engaged in the process—that is evident from its detailed responses to the committee's recommendations.

The inquiry represented the first real engagement on the issue between the Parliament and the Government. Of course, the previous Administration attempted to convince us and the public that analysis had been undertaken to ensure that Scotland obtained the best value for money when procuring major public projects, but that was not the case.

In June 2003, the then First Minister formally announced the Fraser inquiry—which he had trailed before the 2003 election, of course—into the Holyrood project's management. He said on the record that that investigation's purpose was to produce not only a clear public record of events in that project, but a set of recommendations for future large-scale public construction projects. The

recommendations were not produced—the then Scottish Executive conveniently forgot that commitment.

In 2002, the Finance Committee undertook an inquiry into PFI. Despite the evidence that it took, no detailed analysis was made of the work of the principal witness—the much-respected Professor Allyson Pollock—as the then responsible minister, Mr Andy Kerr, admitted in a parliamentary answer in 2004.

Andy Kerr: Will the member give way on that point?

Linda Fabiani: No—oh well, I will give way briefly on that point.

Andy Kerr: The member quotes Allyson Pollock, who compares the Scottish Futures Trust to PPP. What is the member's reaction to the Chartered Institute of Public Finance and Accountancy's comment that the Scottish Futures Trust will cost more?

Linda Fabiani: Mr Andy Kerr has always been very good at selecting little soundbites, but that will not wash this time. He should work with the Government to consider the best future for Scotland.

The facts about PFI speak for themselves. In January 2006, the Labour-Lib Dem Administration bought out the contract for Inverness airport for £27.5 million, although the airport cost a private company only £9.6 million to build. Still Labour defended PFI. The contract for West Lothian College had to be bought out at a cost of £20 million, because 35 per cent of the college's expenditure was on property costs and an average of only 9 per cent was on further education. The companies behind the deal to build Hairmyres hospital—that Labour flagship project—gained around £145 million from an initial investment of just £8.4 million. Despite all those examples, Labour continues to defend PFI. Indeed, its refusal to admit that PFI was not a good deal for the taxpayer is typical of new Labour. Also typical is its attack on the Scottish Futures Trust. In terms of PFI, the Labour Party cannot defend the indefensible. It therefore goes on the attack with no consideration of constructive engagement for the benefit of all.

PFI has never been worthy of defence. It is no more than a cynical exercise that has allowed Governments of the day to keep capital projects off balance sheet. We have known for some years now that the international financial reporting standards would apply. We also knew the effect that the IFRS would have on accounting for such projects. Despite that, the Labour Party carried on regardless: it continued to build; it continued to defend the indefensible.

PFI is a child of the age of irresponsibility—terrible irresponsibility. It gave Labour a perfect way of taking credit for building without having to pay for it. And that from a generation of Labour politicians who received free education and the benefit of schools and hospitals that were built within the public sector. How selfish Labour is to disregard in such a cavalier fashion the needs of those who come after.

The Deputy Presiding Officer: You should finish now, Ms Fabiani.

Linda Fabiani: Labour's obsession with PFI has mortgaged Scotland's future. It should work with us to make it better.

16:01

Des McNulty (Clydebank and Milngavie) (Lab): I begin by pointing out the most obvious contradiction in Linda Fabiani's speech. There was an earlier inquiry into capital procurement: it took place in 2001-02, at the time at which I became convener of the Finance Committee, a position that Mr Welsh now holds.

During the inquiry, members looked at PFI, PPP, traditional forms of procurement and procurement alternatives. The recommendation, which all members of the committee accepted, was that we should look at which procurement method offered the best value for money. We agreed that we should be open minded on the issue. We need only contrast that with the fact that, on 25 November 2008, the current Finance Committee divided on the proposition

"that all methods of finance should be considered equally on their merits."

Five members voted in favour of the proposition, but three members—all SNP members—voted against. Members must not close their minds to the alternatives. The verdict of the Finance Committee in its report is this:

"The Committee's view is that there is insufficient information to judge whether the SFT will be a mechanism for delivering improved value for money."

The SNP Government is putting all its eggs into one basket and yet it cannot demonstrate that that will provide any improvement in terms of value for money.

The Finance Committee report led to significant improvement in the way in which PFI projects are taken forward. A number of failures and problems are associated with PFI and many were rectified as a result. Many PFI mechanisms now involve better co-ordination and integration. They are the self-same things that Mr Swinney now trumpets as being associated with the SFT. He cannot have it both ways; he cannot point to the worst aspects of

PPP—some bad projects were brought forward—and ignore the successes.

In the previous debate on the Scottish Futures Trust I said that, when the SFT was announced in the SNP manifesto, it was called a "fund" and then, when Mr Swinney entered Government, the SFT became an "alternative funding mechanism". Thereafter, when ministers were unable to find any credible support for the SFT, either from the construction or financial services industries or to explain to anyone how the SFT might work differently from PFI, Mr Swinney turned the SFT into an "advisory board", albeit one that—as we have seen—neither meets very often nor transacts very much business. Of course, the reality is that the SFT is now a very expensive face-saving vehicle.

In describing the SFT, Mr Mather told the Economy, Energy and Tourism Committee that

"Absolutely stellar people are involved in it",—[*Official Report, Economy, Energy and Tourism Committee*, 5 November 2008; c 1231.]

but I am afraid that Mr Mather and Mr Swinney have not been able to sell this particular pup to the Scottish business community, which is united in its condemnation not just of the flawed concept of the SFT but of the damage that has been done to the construction industry, which has experienced an unprecedented interruption to the flow of projects as a result of the abandonment of PFI with nothing put in its place. The party that claims to put Scotland's interests first has let Scotland down.

Members might recall the "Newsnight Scotland" item featuring Bone Steel, a construction firm based near Motherwell that specialises in steel fabrication for new schools, hospitals and other public buildings.

The Deputy Presiding Officer (Alasdair Morgan): The member should wind up now.

Des McNulty: The managing director explained how new projects had dried up and the company was looking for new work down south. That is the consequence of Mr Swinney's actions, and he should change his approach.

The Deputy Presiding Officer: We come to winding-up speeches. Members will need to stick to their time limits.

16:05

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I acknowledge the work that has been done by Andrew Welsh, his committee, the clerks, the back-up team and all the people who gave evidence. It is a complicated subject and, although I am not a member of the Finance Committee, I know enough about local

government and Scottish Government finance to realise what a huge job of work has been done.

The argument has crystallised fairly quickly down to SFT or not SFT. John Swinney mentioned early in his speech that he hopes that it will deliver the next stage in the schools investment programme. Given what I have said in the chamber in previous months, that strikes a chord with me.

Gavin Brown displayed what was, from a Liberal Democrat point of view, a worrying knowledge of finance and made a very sound speech. He made the point that NPD was not that far away from PPP in terms of costs—I would not disagree with a word of that. He also pointed out, as did Des McNulty, that we are looking for a choice in funding mechanisms. Jeremy Purvis gave us the reason why we should have that choice. Whatever one might say about PPP, and whether we like it or not, the fact that orders have dropped from £1.9 billion to £856 million—a 65 per cent fall—speaks for itself. That gives us what Jeremy Purvis termed a

“paralysis at the heart of construction”.

On Linda Fabiani’s speech, I merely say that I wish that she would not raise old ghosts, which simply alarm me—that is, the Fraser inquiry.

I am a kindly and well-meaning fellow, and I would of course give the SFT the benefit of the doubt in the hope that ministers will beaver away on it so that we get something that works. I am beginning to think that I might have rather a long wait on my hands but, as I am of a kindly disposition, I will go along with it. Having said that, we do need a choice—if we are not to continue to fall into the abyss that Jeremy Purvis has described, with the collapse from £1.9 billion to £856 million, we will have to spend the money on projects in some way.

No speech from me would be complete without a mention of Wick high school in my constituency. Like it or loathe it, PPP delivered a brand-new Dingwall academy, which is the envy of the length and breadth of the Highlands, and my constituents wish that they had something similar in Wick. To be helpful to the cabinet secretary, I believe that other mechanisms could be considered—or rather, other approaches that would help the cabinet secretary out of the impasse that he has reached. Capital from current revenue was a method used by local authorities in the past as a way of saving and amassing capital sums over a number of years—it can be used year on year.

The 32 Scottish local authorities hold considerable land banks. In realising land that is held on one account but used to finance another account, many capital projects can be achieved within a council’s own financing. For example,

Highland Council might be desirous, I hope, of building a new high school in Wick. It will hold land on other accounts—perhaps social work and transport—that could be sold to an incoming supermarket or for a housing development or whatever. I used the mechanism myself when I was a councillor, and it can release capital funding. That does not affect the balance sheet, PPP projects or anything, but it is internal to the council and can enable cherished projects to proceed.

In my constituency, we do not necessarily want a new Wick high school built on the present location; people just want a new school. People ask me, “Where is the new school?”, and in the streets of Wick and in Caithness people do not mind if it is PFI, PPP or the Scottish Futures Trust—they just want that school. That is the sort of issue that lies before us. It is about choice and carrying on with the capital programme. Patient and kindly as I am, I fear that we are going precisely nowhere with the Scottish Futures Trust.

16:09

Alex Johnstone (North East Scotland) (Con):

I thank the Finance Committee’s members and clerking team for their work on the report, which has presented an opportunity to shine a light into the darker recesses of capital financing in Scotland. Those recesses become particularly dark when we compare the work that was done in the past to finance public projects with work that has been done more recently and with rather less success.

I understand why the Labour Party and the Liberal Democrats get annoyed when Scottish National Party members turn up to open facilities that were begun under the PPP model when Labour and the Liberals were in government. That would annoy me too, but the SNP Government and councils throughout Scotland are still paying for those projects, so perhaps SNP members are entitled to a glass of champagne and a photograph in the local paper.

The truth is that we need to find ways of financing projects in Scotland. We heard from members about problems in various areas and, like the previous speaker, I will not pass up the opportunity to mention my area, Aberdeenshire, where there is a problem with school building. Aberdeenshire Council has managed to find funds for the replacement of two secondary schools through other funding methods, but there remains an enormous burden on the council as to how it will find funds to replace secondary schools at Laurencekirk and Kemnay and the large number of primary schools that were classed D in the most recent round of inspections, which means that they are in the worst physical condition. Indeed,

half the D-classed schools in Scotland are in Aberdeenshire, which will place an enormous burden on the council in future.

The debate has covered a number of points. Gavin Brown took the opportunity to point out that Conservatives have never had a particular preferred method of funding projects and have always wanted a range of options. Perhaps for the first time, I heard Labour and Liberal Democrat members express a similar view, although they did not go as far as to say that the Scottish Futures Trust might be an acceptable method.

We must consider the SFT more closely. When the Government came to power, it took the view that there might be better ways of funding capital projects. It has been looking for better approaches for two years, but so far it has not come up with an alternative method.

Jeremy Purvis: Will the member give way?

Alex Johnstone: I am sorry. I am about to finish.

The hiatus in the commissioning of public projects, large and small, is beginning to have a significant impact on the construction industry in Scotland at a time when, as a result of failures in the wider economy, the industry is suffering from fewer orders than in recent years. We need to find ways of overcoming the problem, and Conservatives are prepared to admit that the SFT might lead us in that direction. However, we need a Government that puts ideology on the back burner.

The problem is that money for public projects is not being delivered. The Government must make progress quickly; if it does not, it will simply store up bills for future Governments and local authorities. We need results now.

16:13

Andy Kerr: Mr Johnstone was right to say that we have been waiting and waiting for the Scottish Futures Trust to develop. I have also been waiting to hear from the cabinet secretary whether the SFT will be not for profit and whether local authorities and public bodies will have a choice of delivery vehicle. In written answers to parliamentary question after parliamentary question that I have asked, the cabinet secretary has said that local authorities and public bodies will have a choice, as it said in the SNP manifesto. However, in relation to a bid from Moray Council, the council's PPP information memorandum says:

"The project will be delivered by an NPD model. This is a requirement of Scottish Government Support for the project."

Therefore, the council will not have a choice. In essence, the absence of choice was the point of the Finance Committee's report.

I share the concerns of Canmore Partnership, which said:

"the Scottish Government has explicitly prohibited bidders from offering PFI alternatives to NPD bids, regardless of whether they offered better Value for Money. This leads us to conclude that reducing private sector profit appears to be a more important policy objective than reducing the cost of infrastructure to the public sector."

SNP members continue to berate PPP schemes. However, it is not Labour voices that will take up the argument with the SNP, but its own voices. Jim and Margaret Cuthbert, who are often the arch-critics of PPP, have questioned whether the NPD model offers value for money. It is not just the Cuthberts who doubt that model: as we have heard, Allyson Pollock also criticises the Scottish Futures Trust. The quotation from CIPFA is interesting, so I repeat for Mr FitzPatrick that CIPFA states that the Scottish Futures Trust will cost more. The Chartered Institute of Housing in Scotland has said that no explanation has been given in the consultation of how and why the costs would be lower.

Far from producing a cheaper model, we have a combination of incompetence, dogma and the SNP trying to save political face. The SNP is introducing a model that is clearly not fit for the purposes that were set out in its manifesto and, more important, for the purposes of construction workers throughout Scotland. Let me remind those of the left-wing anti-private sector persuasion on the SNP back benches what Unison had to say about the Scottish Futures Trust:

"UNISON had earlier described the SFT proposals as PFI-Lite, but they are increasingly looking like full blown PFI/PPP, with attempts to mask this based on semantic debates over terminology."

That is the model that Mr FitzPatrick's Government is developing.

Then there is Mark Hellowell, who is often quoted by the cabinet secretary and others in the SNP to attack the PPP structure. He states that the internal rate of return from the Argyll and Bute non-profit distributing scheme, which was introduced by a Labour-led administration to test the model, is

"about the norm for the mainstream PFI market".

Let us not forget the Institute for Public Policy Research, which has said that the non-profit-distributing model would generate more profits, rather than fewer, and could be worse value for the Government.

Recently in *Holyrood Magazine*, Mark Hellowell said about the Scottish Futures Trust:

"It is a relatively minor variance on PFI."

He went on to say:

"There is some confusion, I think, among ministers".

I agree. In my view, he hit the nail on the head when he said of the SNP:

"It depends on who the audience is. If they are talking to their core support, PFI is evil and we need to get rid of it. If they are talking to the industry, it's business as usual."

Those are not the words of a Labour politician or a Labour supporter, but the words of someone whom the SNP frequently refers to in criticising our model of funding public infrastructure.

16:18

John Swinney: I do not in any way wish to alienate Jamie Stone, as it is never my desire to do so, but he said that he is patient and kindly, and I gently observe that he must have been patient and kindly while waiting for the previous Administration to get round to doing something about Wick high school in the eight years in which it had an opportunity to do so. He was an enthusiastic supporter of that Administration.

Jamie Stone: That is going too far.

John Swinney: Perhaps I accuse Mr Stone of being something that he was not. I make the point simply to articulate that we have a significant backlog of infrastructure commitments, which the Government aims to address as quickly as possible, but that must be done in a sustainable fashion in relation to the available resources.

Mr Kerr and Mr Purvis talked about an apparent fall-off in construction activity. The latest statistics from the Office for National Statistics, which were issued on 9 March, show that over the four quarters of 2008 the value of construction activity in Scotland fell by 3.8 per cent. I accept that figure, but in Wales it fell by 11.2 per cent, and in England it fell by 6.4 per cent. I use those statistics to illustrate the fact that, on the volume of construction activity, the Scottish Government has sustained a better performance than that in the rest of the United Kingdom in a difficult economic climate.

Yesterday, I met a series of ministers from countries in the Organisation for Economic Co-operation and Development, every one of whom expressed to me concerns about the construction industry. The figures that I quoted demonstrate that, in Scotland, we are continuing to put in place a flow of construction activity to support the sector.

Jeremy Purvis: Does the cabinet secretary accept that, with regard to contracts set at more than £2 million, which is the key level of contracts for the Scottish Futures Trust, the delivery of schools, hospitals, roads, and waste and water

infrastructure fell by 65 per cent between 2007 and 2008?

John Swinney: The statistics that I read out give the overall position of construction activity in Scotland, which is the clear explanation of the position that we face.

A number of members have articulated arguments for PFI. I simply ask how they will address the international financial reporting standards, which mean that all those contracts come on balance sheet. As he always does in Parliament, Gavin Brown made an eloquent case for PFI, but I have not heard a hard argument about how we deal with IFRS. Equally, I have not heard a hard argument about where in the capital markets the money will come from. Across the UK, the Chancellor of the Exchequer has now had to put in place resources to bail out PFI contracts that have been unsuccessful in attracting support from the market. Those are some of the hard realities that Opposition members have to address.

Gavin Brown: Would the cabinet secretary's argument not also apply to NPD, the Government's preferred default method, coming on balance sheet?

John Swinney: I accept, as I have accepted before in parliamentary debates, that the same constraints apply to NPD under IFRS, which is exactly why the Scottish Futures Trust has a responsibility to aggregate contracts and maximise the effectiveness of the public infrastructure that we can put in place. That is the Scottish Future Trust's central purpose.

Mr McNulty, in one of his spectacularly inaccurate remarks, said that the business community was united in opposition to the Scottish Futures Trust. Perhaps he should read the CBI Scotland position paper of February 2009, which presents a number of constructive suggestions about how the Scottish Futures Trust can contribute to public infrastructure in Scotland. Because Mr Kerr is so excited, I will give way to him.

Andy Kerr: I am very excited because that is a spectacular misrepresentation of the CBI's position. It set four conditions, two of which the Government will not meet. Those conditions are: first, to allow others to choose what method they employ; and, secondly, to stop using the private sector as a battering ram against PPP.

John Swinney: Mr Kerr just gets himself excited about elements of the report that, on the whole, provides a constructive contribution. Mr Kerr might want to emulate the CBI's constructive approach in contributing to the debate rather than rehearse the same quotations and arguments that he uses all the time.

Audit Scotland said to us in June 2008 that we had to strengthen the strategic direction and planning of Government-wide investment activity. That was an objective assessment of the previous Administration's failure and that is why we have put arrangements in place to do exactly as required.

16:23

David Whitton (Strathkelvin and Bearsden) (Lab): It is my privilege to sum up the debate on behalf of the Finance Committee. In doing so, I thank all those who gave written and oral evidence and our clerking team, who had the sometimes challenging job of co-ordinating strong opinions.

This is a detailed report on a complex subject that took almost 18 months to put together. Evidence was taken from a large number of expert witnesses from public sector bodies, legal and financial advisers, lenders and investors, academic and financial commentators, architects and designers, construction firms, project managers and trade unions. I deliberately read out that list so that members can see how comprehensive it is.

As we have heard in the debate, the subject is still contentious. The report's purpose was

"to identify major issues that should be considered in any approach to public capital investment, along with key points that should be addressed in the development of the Scottish Futures Trust to ensure that it operates in an appropriate way and delivers value for money".

The committee found difficulties in providing comparable information on the lifecycle costs for different methods of funding and procurement. It was also clear from the evidence that there is no one-size-fits-all method. Despite that, I believe that we produced a balanced and informative document. I say that even though Joe FitzPatrick helped to draw up the report. He was aided and abetted by Alex Neil, who is sadly no longer one of our number. However, I agree with Mr FitzPatrick on one thing—not enough time has been set aside to debate the report.

The committee asked the Scottish Government to develop and publish a robust investment option appraisal framework that is capable of producing comparable information on the whole-life costs of future projects, regardless of which method of procurement is used. In his response to us, the cabinet secretary said that the Scottish Government will consider what further action it can take to promote more widespread and consistent use of whole-life costing. That is to be welcomed, and the convener has already mentioned the recommendations on risk assessment.

One subject that caused considerable comment was the practice of refinancing PPP/PFI projects,

which in some cases has resulted in significant financial gains for the private sector. The committee welcomed the UK Government's recent guidance on the matter and recommended that any method of refinancing should be transparent and equitable and should ensure that the public sector gets its due share of any benefit.

The report's key paragraph is paragraph 129 on page 39. Unfortunately, as Des McNulty said, it was the cause of division, but it was carried by five votes to three. It states:

"The Committee believes that a broad range of options for funding and procurement of capital projects should be in place. The Committee notes the Scottish Government's decision to make NPDO models the default form of private finance, and the statement in the Value for Money Guidance that, where NPDO is not suitable, other private finance models will be assessed. The Committee recommends that public bodies should select the method of financing which delivers best value to the taxpayer. The Committee, therefore, agrees by division that all methods of finance should be considered equally on their merits. A minority of the Committee endorses the Scottish Government's position that the NPDO model should be the default option."

As Mr Welsh said, much has changed in the short time since the report was published. The cabinet secretary agrees that value for money should determine the procurement model that is used—I would have been astonished if he had said anything else. He believes that the NPDO model, which he says eliminates uncapped returns and directs surpluses for community benefit, offers a better deal. That is his view, but it is not shared by the non-SNP majority on the Finance Committee. In the current economic situation, we were right to say that no method of public procurement should be ruled out.

As I have said, the evidence showed that there is no one-size-fits-all solution. The Government is instigating more work on whole-life costing and further improvements on risk assessment. The committee welcomed the Scottish Information Commissioner's recent decisions to order the release of information on some PPP/PFI schemes and asked for a review of what information can be made public on all types of contracts, with a view to ensuring that they are as open and transparent as possible.

Finally, I turn to the Scottish Futures Trust. In evidence to the committee, the cabinet secretary explained that its purpose was to secure less expensive funding and to develop a new approach to the organisation and packaging of infrastructure investment opportunities. We heard what he had to say but, as reported at paragraphs 296, 301, 308 and 315, we were unanimous in our view that there is insufficient information to judge whether the SFT will deliver improved value for money and be a centre of excellence, what role it will perform in managing a pipeline of projects and what its

accountability and governance responsibilities will be.

In overall conclusion, the committee states:

“while it is the Scottish Government’s view that the SFT will become a more attractive source of funding for national and local projects, that has yet to be proven. The Committee believes that the current economic climate may make it more difficult to introduce a new funding model for capital projects. The Committee, therefore, recommends that no infrastructure projects, national or local, should be delayed or postponed pending the introduction of the SFT funding.”

It is my pleasure to commend to Parliament the report of the Finance Committee on its inquiry into the funding of capital investment projects. I trust that the cabinet secretary and the Scottish Government will pay heed to its contents and recommendations.

“Drug and alcohol services in Scotland”

The Deputy Presiding Officer (Alasdair Morgan): The next item of business is a statement by Fergus Ewing on the Scottish Government’s response to Audit Scotland’s report on drug and alcohol services. The minister will take questions at the end of the statement and there should therefore be no interventions.

16:29

The Minister for Community Safety (Fergus Ewing): I welcome the opportunity to outline the Scottish Government’s plans for tackling alcohol and drug misuse, in light of the report on alcohol and drug services that was published last week by Audit Scotland. These are matters of such concern to the Parliament and to the people of Scotland that we were happy to agree to Annabel Goldie’s request for this statement.

The Auditor General for Scotland’s report lays bare the immense challenge that Scotland faces in tackling drug and alcohol misuse. While not new, the statistics make grim reading: a social and economic cost to Scotland of more than £5 billion a year; death rates from alcohol and drugs among the highest in Europe; and more than 40,000 hospital admissions due to alcohol-related illness. It was for those reasons that, when we came into government, we were determined to get to grips not only with a drugs problem that was already well-entrenched in Scotland, but with a growing challenge around alcohol issues.

Working closely with the Convention of Scottish Local Authorities, we developed and delivered a new drugs strategy, “The Road to Recovery”, which was published last year. Last month, we published our alcohol framework for action. Both strategies provide the new approaches for which those problems have been crying out. For both, we have sought to develop a consensus and agree a way forward in Parliament and in the country at large.

However, we realised that, as well as setting the strategic direction, we needed to take a hard look at delivery, to ensure that we were getting the maximum impact from the significant investment in services. We took careful note of the problems identified in the “Report of the Stocktake of Alcohol and Drug Action Teams” in 2007 and the Scottish Advisory Committee on Drug Misuse report, “Reducing harm and promoting recovery”. We also set in train a wide range of action to address those issues.

Early last year, I asked the Auditor General to look into expenditure on alcohol and drug

services. I am grateful for the incisive analysis that he has now published. We will reflect the findings of the report throughout the range of action that we are taking forward.

At the same time, we asked an expert group, drawn from our key advisory committees on substance misuse, to design a new accountability and governance framework for action on alcohol and drugs. We have now received the group's proposals—copies are available in the Scottish Parliament information centre—and we are considering them in light of the Auditor General's report.

Following our consideration of those proposals, later this month we will announce, with COSLA, a new framework for local action on alcohol and drugs, replacing the current model of alcohol and drug action teams. The new framework will directly address a range of the problems identified by the stocktake and the Auditor General's report.

The roles and responsibilities of the key public bodies and, indeed, of the Scottish Government will be clarified and confirmed. Local partners and partnerships will have clear lines of accountability to the Scottish Government and to one another. They will be required to work more effectively within community planning partnerships.

New local partnerships will be remitted to develop local strategies for tackling drug and alcohol misuse based on a robust assessment of needs in their area; a transparent, evidence-based process for agreeing how funds for tackling alcohol and drug misuse should be deployed; and a clear focus on the outcomes that that investment is achieving for their communities.

Those local strategies will also need to cover approaches to cross-cutting issues, such as that of children who are affected by parental substance misuse, where integrated working and effective communication are essential. The drugs strategy set out a range of actions that need to be taken to improve the identification of children at risk, build capacity and strengthen the management of immediate risk. The delivery reforms will provide a further impetus to that work. Local strategies will also outline action to help families and better inform parents.

The effective operation of local partnerships is critical to addressing the concerns that were raised by the Auditor General's report about variability in the range and accessibility of alcohol and drug services throughout the country. However, the Scottish Government, too, has a critical role to play, in ensuring that appropriate and effective services are delivered in every part of Scotland to those who need them, when they need them.

I acknowledge that waiting times for many services are too long—as revealed again in figures this week. To address that, the Scottish Government is, for the first time, working with the national health service and other partners to develop a target for access to drug services within the NHS performance management arrangements known as HEAT—which stands for health improvement, efficiency, access and treatment. The new target will take effect from April 2010. We are examining the scope for extending the target to cover alcohol services too, providing the same minimum standards for access across the country. Furthermore, as our alcohol framework for action makes clear, we will be updating the national framework for alcohol treatment services, enabling us to outline clearly to local partners the full range of essential services that users should be able to expect wherever they live in Scotland. The corresponding task on drug services will be carried out as part of the programme of work to develop the new HEAT target.

Alongside that work, we will strengthen our efforts to promote the national quality standards for substance misuse services, which were published in 2006 by the previous Administration and which set out the prerequisites in terms of quality for all services. We have also sought to ensure that the services are properly funded, while seeking to correct the long-standing funding imbalance between alcohol and drugs. We are increasing direct Government funding to health boards for drugs services by 14 per cent over the spending review period, and we are increasing spending on alcohol misuse by a massive 229 per cent during the same period.

Finally, and importantly, we are in the process of recruiting a group of national co-ordinators to help local partners and partnerships meet the challenges presented by the new framework and the Auditor General's recommendations. I am confident that the new team will make an important contribution to improving the quality, range and standards of service planning and commissioning right across Scotland.

Those projects form part of our much wider range of action to implement our strategies on alcohol and drugs—strategies on which, as I have said, we are keen to maximise consensus in Parliament and across Scotland. We are, therefore, taking forward Annabel Goldie's proposal for a national event on alcohol and drugs, and, in particular, on the action that we are taking to ensure that delivery is effective. I am therefore pleased to announce today that the event will take place in Edinburgh on Monday 20 April—the same day on which we will launch the new framework for action.

I know that Cathy Jamieson has proposed specific cross-party discussions on alcohol misuse, and the Cabinet Secretary for Health and Wellbeing will discuss those proposals with her.

As a nation, the challenges that we face are indeed daunting. I hope that, as a Parliament, we can work together to achieve the results that we want and which Scotland needs. As a Government, we undertake to do all that we can to ensure that that happens.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): I refer to the entry in the register of members' interests relating to my work as a consultant psychiatrist on addictions and to my membership of the Royal College of Psychiatrists and the Royal College of General Practitioners.

I thank the minister for the advance copy of his statement, but I am not convinced that it takes us an awful lot further. A considerable amount of material is still to come out. However, I welcome the report of the delivery reform group, and I look forward to the Government's response to it. I also welcome the report from Audit Scotland, although it is regrettable that the information on funding is still so complex and difficult to identify. However, that is not the fault of the drug action teams. I therefore ask the minister whether, with the abolition of the DATs, which has been suggested, it will be possible to protect the good work done by many DATs and ensure that all stakeholders will continue to be engaged? Will he assure us that such things will not be lost because of an administrative change?

The minister referred to waiting times, which he rightly described as unacceptable. There are 872 people who have been waiting more than six months to be assessed, of whom 28 per cent are in Grampian and 20 per cent are in Lothian. Why has the Scottish National Party broken its manifesto promise to increase funding by 20 per cent? Funding for drugs is going up by only 14 per cent, and workers are being made redundant.

When will the HEAT target be published for consultation? The target is clearly important, although it seems to apply to health but not to local authorities, so how it will relate to community planning partnerships, which deliver, is unclear. Perhaps the minister can clarify that.

Finally, when will the minister place the details of the event on 20 April in the Scottish Parliament information centre?

Fergus Ewing: I thank Richard Simpson for his broad welcome for the announcement. I recognise his experience and the work that he has done in the field over many years, as well as his deep care for those who are involved in it. I will answer the questions that he raised in turn.

We will announce the new delivery arrangements, which have been agreed with COSLA. We want to build on the best of the work that is done by the DATs. However, members of all parties would acknowledge that some DATs have been more successful than others and that there has been a gap in their accountability to the public for the work that they do. We are seeking to fill that gap in two ways—first, by making DATs directly accountable to their local government parent through the single outcome agreements; and, secondly, by making them accountable to their health boards for the funding that the health boards will provide through the new HEAT target.

Accountability means explaining to the public what one does and how one uses the money that one is entrusted with. It means showing the public what one does and, after one has done it, having an analysis done to see how effective that has been. That is what accountability means, and it has been lacking in the arrangements up until now. The Auditor General has recognised that in his report. It is fair to say, however, that we recognised that—and it was recognised in the chamber—long before the publication of the Auditor General's report. Indeed, it was manifest in the publication in January of the delivery reform group's main recommendations. We will fill that gap, but a great deal of work remains to be done.

Richard Simpson touched on the situation in Grampian in particular. I have visited Grampian on at least three separate occasions to deal with the matter, and I have worked closely with Aberdeen City Council and Richard Carey at the health board—both have injected substantial extra resources in recognition of the deep problem that exists. I am pleased to say that, although waiting times in Aberdeen are still far too long, they have been reduced substantially as a result of additional funding and the good work that has been done at the local level by drugs workers, whom I pay tribute to and applaud for their efforts. They are the ones who are doing the work, not politicians such as me.

Richard Simpson asks when the new HEAT target will apply. Our intention is that the new HEAT target on drugs will apply from April 2010. Of course, we want fully to consult everybody who is involved to ensure that the new arrangements are accountable.

Annabel Goldie (West of Scotland) (Con): I apologise to members and to the minister for my late arrival in the chamber.

I express to the minister my personal appreciation of his statement to Parliament and thank him for the advance copy of it. It is a timely and constructive response to the Audit Scotland report, which was published last week. I also thank him for acceding to my request for a summit event.

I am delighted that that event is imminent and I look forward to attending it. I begin to feel that, at last, the fresh winds of hope are blowing through this bleak area.

When the minister proposes a replacement model for the current alcohol and drug action teams, does that represent the demise of those bodies and the creation of a simpler, more direct structure between Government and delivery, with less bureaucracy? Can the minister confirm that the Scottish Government will ensure that the £173 million that is spent every year to deal with drug and alcohol abuse will be much more transparently expended against visible measurements and outcomes that, in the case of drugs, will reflect a focus on recovery?

Fergus Ewing: I very much welcome Annabel Goldie's constructive response and I look forward to continuing to work with her and other members to ensure that the delivery arrangements are successful.

The new arrangements will introduce accountability, as I have said. One problem with the previous arrangements that must be addressed is that not all ADATs have been headed by people of sufficient seniority and stature to be able to pull rank within their localities. I am confident that the new arrangements will address the concerns that Annabel Goldie raises, but I will be candid: the Auditor General's report is a chilling document. It sets out at length an analysis of a drugs policy that since 1982, as the report records, has had at best a chequered history and has demonstrated neither the effective use of public money nor the delivery of outcomes. Under the new arrangements, outcomes will be paramount and local organisations will be required to deliver them. That is what we need, and what all members in the chamber want.

I was happy to agree to the high-level national event that is taking place on 20 April. To call it a summit might be a slight misnomer, since I am not exactly a head of Government, but I hope that it will produce more palpable, successful and manifest results than will another summit—which some members may have read about—that is taking place elsewhere.

Ross Finnie (West of Scotland) (LD): I thank the minister for the advance copy of his statement and for not name checking me in it, which leaves me a degree of independence in scrutinising it.

As the minister will be aware, among the chilling statistics in paragraphs 77 to 82 of the Audit Scotland report, it is stated that the amount that is spent across Scotland on drug and alcohol services

"does not reflect the scale of the respective problems".

Paragraph 82 states that the amount that is spent on those services varies greatly throughout the country, and that that variation

"is not explained by differences in the levels of drug and alcohol misuse"

in different areas.

In his statement, the minister drew attention to the fact that, in the future, the delivery of drug and alcohol services should be based on a "robust assessment" and a "transparent, evidence-based process". He went on to suggest that a new HEAT target on drugs will be introduced. However, the disparities that I have mentioned surely arise from the fact that there has unfortunately been a mismatch in the equation that we use to set the standards. It seems a bit odd that the minister wishes to introduce only a HEAT target on drugs, for example. He mentioned that he will develop a new framework, but the document that he invited us to read before we came to the chamber—

The Deputy Presiding Officer: Can the member get to the point?

Ross Finnie: The report from the delivery reform group says that, in order to oversee that reform, there should be HEAT targets on alcohol and drugs. Would it be sensible to advance that progress and introduce HEAT targets on alcohol and drugs simultaneously?

Fergus Ewing: Ross Finnie—to name check him—is correct that there are varying levels of funding throughout the country for tackling drugs and alcohol. However, that is partly because the problem varies throughout Scotland. Some areas receive very low funding, particularly in relation to drugs, because they have, I am happy to say, a relatively small problem. It would not be helpful for me to name those areas, for many reasons, but plainly there is a bigger problem in Glasgow than there is in some rural or island communities in Scotland.

With regard to the funding issue, I hope that Ross Finnie welcomes, as I think the Lib Dems have done, the additional money that the Government has invested in tackling both drugs and alcohol. I am particularly proud that, in the 2009-10 drugs budget, for which I have responsibility, we managed to increase the amount of money at the centre going to treatment by 13.5 per cent. We did that by tightening our belts at the centre, so that as much money as possible was pushed towards the delivery of treatment.

Similarly, the Government will spend £120 million to tackle alcohol misuse during the three years from 2008-09. That is a massive increase of almost 230 per cent, which reflects the huge scale of the problem.

Finally, Ross Finnie asked about the HEAT targets. I think that my statement made it clear what we are going to do about those. We will be open and transparent in what we do, and I hope that all parties will play a part in developing the new HEAT target on drugs. At one level, the big targets are simple. We have 52,000 people who are problematic drug misusers and we want that figure to come down. We have 40,000 to 60,000 children who have one or more parents who are affected by drug misuse, and we want that figure to come down. Last year, 455 people died from drugs. That is a scandalously high figure. We are carrying out a huge amount of detailed work—at least, my officials are doing so—to make that figure too come down.

As I said, a HEAT target on alcohol is also a priority for us. I look forward to working with Ross Finnie and his colleagues on that issue as well, as does my colleague Shona Robison, who is responsible for that policy area.

The Deputy Presiding Officer: I will try to call everyone who wishes to ask a question. If we have brief questions and answers, I will be able to do so.

Nigel Don (North East Scotland) (SNP): I, too, apologise for being a few seconds behind the parliamentary timetable. The minister mentioned a national event on Monday 28 April. Could he provide us with a few more details on that?

Fergus Ewing: I thank Nigel Don for that question. I know that he takes a close interest in the topics in relation to Grampian. I am pleased to say that I will be speaking at the conference together with Shona Robison and Councillor Ronnie McColl of COSLA. I pay tribute to the work that COSLA has done jointly with the Government, in an extremely close partnership, to develop the strategies. However, the strategies are in place and it is now about delivery. That is the priority, and that will be the focus of the event.

We will invite to the event those who will be responsible for delivery. I also wish to see at the event the health and justice spokespersons and committees, and I will shortly be writing to them to invite them to attend an event on 20 April that Annabel Goldie has described as a summit. *[Interruption.]* I say to Mr McLetchie that the invitations will be in the post. On that day, we will launch our new framework for local partnerships on alcohol and drugs. The event is plainly an important and serious one. The focus will be not on high, abstract thinking—something for which many members might believe that I am not ideally suited in any event—but on nuts-and-bolts delivery.

Richard Baker (North East Scotland) (Lab): As the report emphasises the link between alcohol

misuse and crime, will the minister support our proposals for alcohol treatment and testing orders—as alternatives to custody—and post-custodial programmes? The minister mentioned accountability and single outcome agreements, but the report highlights gaps in those agreements in relation to drug and alcohol misuse services. How will alcohol support services such as Albyn house in Aberdeen be maintained in the face of council cuts?

Fergus Ewing: I think that Richard Baker is implying that drug treatment and testing orders are successful. If that is what he is saying, I agree. Despite having extensive criminal histories, 48 per cent of those who have completed drug treatment and testing orders have no further convictions within two years of the start of the order.

Richard Baker is also correct to argue that the misuse of drink fuels a great deal of the crime that occurs. However, I think that even he will concede that no one in Scotland has given a clearer or stronger lead on the topic than the Cabinet Secretary for Justice. The provision of unprecedented resources to tackle the problem is hugely welcomed throughout the country. Of course, if anyone has any specific and detailed proposals on how any new measures could be made to work, we will always be ready to consider them.

Mary Scanlon (Highlands and Islands) (Con): I ask the minister whether treatment also means recovery. As he will know from the area that we represent, many people who are addicted to drugs and alcohol participate in a revolving door of services and treatment but do not get long-term support for recovery. That results in relapses. Given that 75 per cent of people who use drugs have mental health problems, I also ask the minister to ensure that underlying mental health issues are identified and treated at the same time as addiction.

Fergus Ewing: I am very happy to agree with the member. On the ministerial tour that I had the pleasure of making, during which I made 10 presentations of the drugs strategy, the very point that Mary Scanlon has raised was made forcibly and repeatedly during the presentation that I gave in Inverness.

It is very difficult for people outwith Inverness to access post-treatment services; I am sad to say that, in some parts of the north, they cannot even access a place where they can have talking therapy and meet others who have been through the same addiction experience. It would not cost a lot of money to tackle that problem.

I share Mary Scanlon's analysis of the situation; indeed, our drugs strategy, which I advertise to members, makes it clear that we need to tackle

the needs of each person as a person. Mental health is, sadly, often a key element that requires to be treated alongside the addiction.

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I refer to the top of page 4 of the minister's statement. In March, the police picked up a 13-year-old female who was lying unconscious beside the River Thurso and who, when tested, was found to have in her bloodstream nearly five times the legal limit of alcohol for driving a car. It was probably a near-death experience. Will the minister ensure that such young people receive the interventions that they require to prevent further alcohol misuse and harm?

Fergus Ewing: I am not familiar with the case that Jamie Stone has mentioned but, as we all recognise, all young people who have alcohol problems should receive the help that they need. Indeed, the health service, those who tackle addiction and those involved in the type of antisocial behaviour projects that might well be considered in tomorrow afternoon's debate are carrying out a lot of work on providing young people with alternatives that will occupy their time and lead them away from consuming alcohol.

I certainly agree that the issue must be tackled, not least at school. In fact, a great deal of work is being carried out to ensure that proper messages about alcohol, drugs—including tobacco—and healthy eating are sent out at school.

Christina McKelvie (Central Scotland) (SNP): I congratulate the Scottish Government on its attempts to address a problem that many over the years have bewailed but on which few have taken any action. Is there any indication of how much might be saved for the public purse by properly addressing the twin concerns of drug and alcohol misuse and of the likely scale of resources that will be freed up for alternative investment? *[Interruption.]*

The Deputy Presiding Officer: There are too many conversations going on in the chamber. This is a serious matter.

Fergus Ewing: One of the most chilling statistics that I have ever heard is that the abuse of alcohol and drugs costs the nation £5 billion a year. We cannot repeat that often enough; after all, if we do not remind ourselves of the scale of the problem, it might not receive the prominence or the attention that it deserves.

However, I will make two positive comments. First, treatment for drug and alcohol addiction works. As is made clear in the United Kingdom guidelines for clinicians on the clinical management of drug misuse and dependence—or what is called the orange book—between a quarter and a third of all those who receive

treatment for drug addiction recover and become abstinent. That is the holy grail of our drugs strategy "The Road to Recovery: A New Approach to Tackling Scotland's Drugs Problem".

Secondly, the other very good news is the somewhat counterintuitive evidence that for every pound spent in treatment to tackle drug addiction, £9.50 is saved to the public purse in lesser costs to the health service, our justice system and so on. Of course, the human cost saved—the cost of people recovering their lives from the grip and fog of addiction—is incalculable and, indeed, beyond price.

Duncan McNeil (Greenock and Inverclyde) (Lab): As the Audit Scotland report confirms, there are limited data on the number of children who are affected by parental substance misuse, and I take it from his statement that the minister recognises the need to do better in that area. When can we expect work to begin on confirming the number of children who live with a parent with an addiction in order to establish a risk?

In evidence to the Health and Sport Committee last week, Ruth Stark, a senior social worker, said that there was a real problem in accessing children who live in this situation. Graeme Rizza put things more strongly. He said:

"We need to be more robust about our access to children with non-engaging parents".—*[Official Report, Health and Sport Committee, 25 March 2009; c 1714.]*

What can the minister do now to ensure that we identify those children and that, when we do so, we gain access to them and put in place the services that they urgently require?

Fergus Ewing: As Duncan McNeil knows, the current best estimates indicate that between 40,000 and 60,000 children may be affected by parental drug misuse that involves at least one parent with a drug misuse problem, and 65,000-plus children are affected by parental alcohol misuse. Members of all the parties that are represented in the chamber recognise that those children need our particular help and support.

The drugs strategy recognises the huge amount of good work that is being done, of which I know Duncan McNeil is aware. For example, the Lloyds TSB Foundation for Scotland partnership drugs initiative alone supports 270 innovative projects. It is right to give credit to bodies that fund such good work. My colleague Adam Ingram is taking forward considerable work to help those young people.

I agree with Duncan McNeil. The problem is one of the most serious problems that we all face, and I look forward to working with him and every other member in the chamber to address it. I undertake to do so with my colleagues.

Apprenticeships, Skills, Children and Learning Bill

17:01

The Presiding Officer (Alex Fergusson): The next item of business is consideration of legislative consent motion S3M-3753, in the name of Fiona Hyslop, on the Apprenticeships, Skills, Children and Learning Bill, which is United Kingdom legislation.

Motion moved,

That the Parliament agrees that the relevant provisions of the Apprenticeships, Skills, Children and Learning Bill, introduced in the House of Commons on 4 February 2008, relating to the management of Career Development Loans and the Managing Information Across Partners programme, so far as these matters fall within the legislative competence of the Scottish Parliament or alter the executive competence of the Scottish Ministers, should be considered by the UK Parliament.—[*Fiona Hyslop.*]

The Presiding Officer: The question will be put at decision time.

Business Motions

17:01

The Presiding Officer (Alex Fergusson): The next item of business is consideration of business motion S3M-3844, 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 22 April 2009

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Standards, Procedures and Public Appointments Committee Debate: 3rd Report 2009

followed by Standards, Procedures and Public Appointments Committee Debate: 1st Report 2009

followed by Standards, Procedures and Public Appointments Committee Debate: 4th Report 2009

followed by Transport, Infrastructure and Climate Change Committee Debate: Inquiry into the Potential Benefits of High-speed Rail Services

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 23 April 2009

9.15 am Parliamentary Bureau Motions

followed by Scottish Labour Party Business

11.40 am General Question Time

12 noon First Minister's Question Time

2.15 pm Themed Question Time
Education and Lifelong Learning;
Europe, External Affairs and Culture

2.55 pm Scottish Government Debate:
Glasgow 2014 Legacy Plan

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Wednesday 29 April 2009

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Scottish Government Business

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time
followed by Members' Business
 Thursday 30 April 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
 Health and Wellbeing
 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-3845, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a revised timetable for stage 2 of the Education (Additional Support for Learning) (Scotland) Bill.

Motion moved,

That the Parliament agrees that consideration of the Education (Additional Support for Learning) (Scotland) Bill at Stage 2 be extended to 1 May 2009.—[*Bruce Crawford.*]

Motion agreed to.

The Presiding Officer: The next item of business is consideration of business motion S3M-3846, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a timetable for stage 2 of the Offences (Aggravation by Prejudice) (Scotland) Bill.

Motion moved,

That the Parliament agrees that consideration of the Offences (Aggravation by Prejudice) (Scotland) Bill at Stage 2 be completed by 1 May 2009.—[*Bruce Crawford.*]

Motion agreed to.

Decision Time

17:03

The Presiding Officer (Alex Fergusson): There are three questions to be put as a result of today's business.

The first question is, that motion S3M-3832, in the name of Tricia Marwick, on behalf of the Scottish Parliamentary Corporate Body, on the appointment of the Scottish Parliamentary Standards Commissioner, be agreed to.

Motion agreed to,

That the Parliament agrees, under section 1(2) of the Scottish Parliamentary Standards Commissioner Act 2002, to appoint Stuart Allan as the Scottish Parliamentary Standards Commissioner.

The Presiding Officer: The second question is, that motion S3M-3822, in the name of Andrew Welsh, on behalf of the Finance Committee, on its inquiry into methods of funding capital investment projects, be agreed to.

Motion agreed to,

That the Parliament notes the conclusions and recommendations contained in the Finance Committee's 8th Report, 2008 (Session 3): *Inquiry into methods of funding capital investment projects* (SP Paper 182).

The Presiding Officer: The final question is, that legislative consent motion S3M-3753, in the name of Fiona Hyslop, on the Apprenticeships, Skills, Children and Learning Bill, which is United Kingdom legislation, be agreed to.

Motion agreed to,

That the Parliament agrees that the relevant provisions of the Apprenticeships, Skills, Children and Learning Bill, introduced in the House of Commons on 4 February 2008, relating to the management of Career Development Loans and the Managing Information Across Partners programme, so far as these matters fall within the legislative competence of the Scottish Parliament or alter the executive competence of the Scottish Ministers, should be considered by the UK Parliament.

Conventional Plant Breeding

The Deputy Presiding Officer (Trish Godman): The final item of business is a members' business debate on motion S3M-3205, in the name of Rob Gibson, on supporting conventional plant breeding. The debate will be concluded without any question being put.

Motion debated,

That the Parliament welcomes a growing body of evidence that Scottish farmers, crofters and growers can benefit from the results of successful experiments to produce home-grown food for both animals and humans that does not rely on transgenic modification of plant material; also welcomes the recent work of the Scottish Crop Research Institute in producing highly nutritious purple-pigmented potatoes; applauds the Sárvári Research Trust based at Bangor University that confirms that blight-resistant Sárpo potatoes, which were successfully trialed in the Black Isle, are suitable for Scottish conditions; recalls that the Scottish Agricultural College has backed an international research collaboration on the Green Pig project, which plans to use home-grown legume varieties to reduce reliance on imported and expensive soya bean meal and so reduce costs for Scottish livestock producers; notes the scientific analysis of Dr John Fagan of Global ID Group, which shows that, although non-GM pig feed costs a bit more than GM feed because of feed-to-meat conversion efficiency, when using non-GM feed the actual cost per animal is lower, and therefore believes that a conventional plant breeding policy is an essential basis for the Scottish national food and drink policy, which itself dovetails with the conclusions of the International Assessment of Agricultural Science and Technology for Development that small-scale farming and ecological methods provide the way forward to avert the current world food crisis.

17:04

Rob Gibson (Highlands and Islands) (SNP): I refer members to my entry in the register of interests, in which I have declared my membership of the Soil Association and the Scottish Crofting Foundation.

This debate makes a timely call to all Scottish food producers and consumers to note with pride the strength of conventional plant breeding here and across the globe in providing food for humans and for the livestock that we rear for food. With the dramatic rise in food prices worldwide in 2008, adequate and lasting methods of agricultural production received a new impetus. Increasing extremes of weather create increasingly difficult conditions, yet yields must be increased. At the same time, agriculture must meet new demands for energy production as part of the attempt to reduce greenhouse gases. That challenge was discussed by Professor Jessel of the German Federal Agency for Nature Conservation, who said that all countries face the same problems. He argued for ecological and nature conservation solutions. He questioned whether biotechnological solutions such as genetic modification of plants

should contribute to the lasting protection of world food supplies.

Last year, the International Assessment of Agricultural Science and Technology for Development, the United Nations' agricultural equivalent of the Intergovernmental Panel on Climate Change, concluded that data on a range of genetically modified crops indicate highly variable yields. Although the IAASTD was reluctant to rule out genetically modified crops in future, it rightly concluded that, if the multimillion pound investment by corporations in transgenic research and development had been applied to improving conventional methods of local food production and distribution, the current world food crisis would have been more successfully addressed.

Small-scale farming and ecological methods provide the way forward to avert the current world food crisis. Just last week, we heard that non-GM drought-resistant maize is being planted in Malawi. Also, demand for non-GM soya in producer states in Brazil and Argentina, as well as the USA, is on the increase. Further, the largest dairy producer in Germany, Campina, insists on traditional feed methods using grass, rapeseed and lupins and has highlighted those conventional methods in a television advertising campaign. Its approach is a response to consumer demand across Europe and in many other nations that favour organic, local and conventional food.

In Scotland, the Scottish Crop Research Institute near Dundee has launched conventional plant breeding successes including an environmentally sound potato, Vales Sovereign, that needs less water and fertiliser than other varieties. It is also resistant to high levels of disease and is cheap and easy to grow. It was commercialised by Tesco.

The Department for Environment, Food and Rural Affairs has recently funded a five-year trial of lupins for livestock feed as a substitute for imported soya because the European Union livestock industry imports 77 per cent of its protein requirements, of which 98 per cent is soya bean meal from Brazil and Argentina, both of which are major producers of GM varieties.

Last year, the Scottish Agricultural College backed an international research collaboration called the green pig project, which plans to use home-grown legume varieties to reduce reliance on imported and expensive soya bean meal and so reduce costs for Scottish livestock producers. Further, the scientific analysis done by Dr John Fagan shows that although non-GM pig feed costs a bit more than GM feed, the actual cost per animal is lower when non-GM feed is used because of feed-to-meat conversion efficiency. I arranged for him to discuss his findings with

leaders of the National Farmers Union of Scotland last week here in Parliament, and I believe that trials could be replicated on Scottish farms.

Growers want blight-resistant strains. Indeed, in January's issue of *The Kitchen Garden* magazine, Colin Randel says that

"blight resistance ... is the 'holy grail'."

The new Sárpo potato varieties, which were bred in Hungary and selected in Wales by the Sárvári Research Trust, have extremely high resistance to late-blight disease. There are two varieties on the United Kingdom national list: Sárpo Mira and Axona. Several more with different end-uses are being trialled at present. Those new varieties have an exceptionally light carbon footprint and are able to resist viruses, smother weeds and resist drought. They can also be stored without refrigeration. They are, of course, conventionally bred and were trialled, as my motion indicates, in the Black Isle, near where I live.

Here is the rub, though: small, not-for-profit companies find it difficult to continue researching new varieties as governments have not provided enough support. Sárvári is said to benefit from royalties levied on sales of its seed potatoes. Big producers such as Caithness Potatoes Ltd under Jack Dunnett and the Scottish Crop Research Institute gain royalties as varieties are grown on larger and larger acreages, but even Caithness Potatoes Ltd barely survived in the early stages of breeding. Now, Sárpo varieties will not earn substantial royalties until they are able to supply thousands of tonnes of seed. That will take several more years. In the meantime, funding is a never-ending problem.

This year, 70 tonnes of Sárpo potatoes are being planted in gardens around the United Kingdom, but since commercialisation was privatised under the Tories 20 years ago, subsidies from sales to put into new plant development rely on commercial sponsorship, such as that received for Vales Sovereign, which bulked up sales from 25,000 tonnes of potatoes in 2008 to the more than 40,000 tonnes that are expected this year.

Here is the crunch of the debate. We have the research capabilities in Scotland. We have various crops that can provide food and fodder from conventional sources. We have a Scottish food and drink policy that supports the production of local food and the export of prime quality foodstuffs. Policy is needed to encourage the process from breeding to commercial production. Our top researchers can apply marker-assisted selection in the breeding process, which is a high-tech conventional means to develop robust strains.

Too often, research has been financed by the multinational biotech companies. Huge sums have been spent that have sown a mere 0.06 per cent of Europe's fields with non-food GM crops such as maize, cotton and oilseed. Worldwide, that amounts to a mere 2.4 per cent of cultivated crops. Such a poor return for such large financial inputs is obscene.

To echo Professor Jessel, we in Scotland support ecologically and socially acceptable solutions. Environmentally friendly methods are already available, which are sustainable, secure and increase yields through smart breeding. Those yields will contain many genes and depend on a complex of local conditions, such as ground and climate, and do not need transgenic transfer. Such conventional breeding methods promise not only less risk but cheaper solutions. We can provide jobs and food security by applying those methods in Scotland.

17:12

Rhoda Grant (Highlands and Islands) (Lab): I congratulate Rob Gibson on securing the debate. It is important that our farmers and crofters develop farming techniques that fit with what the consumer requires and take into account our global responsibilities in relation to the environment and climate change. We have to use science in all those areas. We must always follow the precautionary principle, while recognising that scientific development helps our food producers. That is especially important when we face global food shortages.

Many of our current crops would not exist without the application of scientific research to crop production, but there has been a concern about genetic modification. Those who are committed to GM would say that that concern is due to ignorance and that the benefits far outweigh the pitfalls. It is clear that the issue is complex. Without research, we are unable to assert arguments on either side, so we must carry out research. Without rigorously researched facts, we are unable to assess the arguments properly.

While carrying out research, we must ensure that the setting in which it occurs is secure and that it does not jeopardise our wider industry. Given that I represent the Highlands and Islands, I am bound to recognise the way that crofting plays its part in good environmental practice. In Scotland as a whole, we have a reputation for high environmental and welfare standards. Research projects have to be mindful of that and ensure that that reputation is protected.

We also have to reward our farmers and crofters for good practice. To get the full benefit of that, we need local procurement. In the Rural Affairs and

Environment Committee this morning, we heard about the need for local procurement for the pig industry. Local procurement must encompass our whole farming industry. Stuart Ashworth of Quality Meat Scotland told us that public authorities have to show their commitment to Scottish producers; they can do that through local procurement.

There is good practice by some health authorities and councils, but that is the exception rather than the rule. We must ensure that such practice is normal. Local procurement supports our local producers and mitigates climate change caused by shipping food long distances. It is disappointing that Highlands and Islands Enterprise has cut funding to the local food network at a time when it should be encouraging that approach. I urge the minister to ask it to revisit that decision. She should go further, and establish organisations to promote local food and advise public sector bodies on local procurement.

Rob Gibson: How the Highlands and Islands local food network is organised plays a part in the discussions about how it should function. The member should try to find out about that before she blames the loss of money from HIE.

Rhoda Grant: I hear what Rob Gibson says, but it is important to consider local food networks and how to promote local procurement. I am pretty sure that he does not disagree with any of that.

When we work with scientists we must engage with the widest range of experts, from those who work on organic production to those who are involved in increasing yields, but ensure that our practices are environmentally friendly. We also need to consider the health benefits that can be derived from using science in our farming industry, such as better nutrition and farming in ways that reduce the fat in meat products.

Food production must be undertaken hand in hand with science. We must proceed with caution and with safeguards in place and we must have incentives for local procurement. In that way, we will strike the balance between protecting our planet and feeding our people.

17:16

John Scott (Ayr) (Con): I declare an interest as a farmer and as a grower of crops—mainly grassland and heather for animal consumption. I, too, congratulate Rob Gibson on lodging his wide-ranging motion at a time when food production is climbing to the top of the political agenda. Were it not for the recession, it would be the issue of the decade.

The food that is produced—or the lack of it—will be an issue long after the recession has been sorted out, as the world's population is to grow

from 6 billion today to more than 9 billion by 2050. The worldwide landmasses that are capable of food production decrease annually because climate change is creating deserts and producing sea-level rises, so this is an appropriate time to discuss the issue.

It is certain that future generations will not forgive us if we leave them not only a bankrupt country, but a country that has again lost its strategic ability to feed itself. UK self-sufficiency in food production is at its lowest level for decades.

It is important that all progress and all science are considered in plant breeding. As members would expect, Conservatives welcome SCRI's production of purple-pigmented potatoes and applaud the Sárvári Research Trust, which is based at Bangor University, on its sterling and hugely important work on blight-resistant potatoes. We, too, applaud the SAC's green pig project to produce home-grown legumes and reduce reliance on imported soya meal. We also commend all the other developmental work that Rob Gibson mentioned.

However, we must ask ourselves whether we are doing enough to address the problems that we are likely to face in achieving sufficient quantities of food for livestock and human consumption in the future. Are we doing enough to persuade Scotland's world-class and world-leading scientific plant development community to remain here?

The elephant in the room is, of course, genetically modified food, which Rob Gibson and Rhoda Grant mentioned. Given the changing circumstances that I have outlined, the time has come to face up to impending global food shortages. The debate must be had—and it must be based on science and not emotion—about how our generation proposes to leave the world a better place than we found it.

The luxury of full bellies in Europe for the past 25 years has dulled the Government's need and ability to take long-term strategic and pragmatic decisions about research into food production and other matters. The current recession and currency weakness are a wake-up call. Alarm bells must start to ring soon in Governments in the UK, where self-sufficiency in food production has dropped from 78 per cent in 1996 to 57 per cent today. The Rural Affairs and Environment Committee received evidence from the Farm Animal Welfare Council that

"U.K. self-sufficiency in pig meat has fallen from 84% in 1998, to an all time low of 50% in 2006"

and heard evidence this morning that the figure has fallen further since then.

We support conventional plant breeding and development in all its forms. We do so,

notwithstanding the questions that were raised in an article in the *New Scientist* of 9 February 2009 on the development of Canola, a herbicide-resistant variety of oilseed rape, which relies on a single-gene mutation rather than a two-gene mutation but which is nonetheless conventionally bred. We now have to look further, towards the horizon. We must debate, discuss and decide on all and every sort of scientific approach to crop development and not limit ourselves to a purely conventional approach.

I welcome the motion in Rob Gibson's name, and I commend him for stimulating this discussion tonight.

17:20

Bill Wilson (West of Scotland) (SNP): In welcoming the motion, I confess that I had a hard time writing my speech. The evidence against transgenic crops is so comprehensive that it was difficult to decide what to include and exclude. I want to make it clear from the outset that, when I refer to GM, I am referring primarily to transgenic organisms.

I will restrict my remarks to GM's alleged potential to eliminate hunger, its effects on biodiversity, and its alleged potential to reduce the price of food and feed. First, I turn to the argument that GM can eliminate hunger. In a recent report, the IAASTD concluded that GM is not the answer to world hunger. When the study's director, who is also the chief scientist at DEFRA, was asked whether GM would solve world hunger, his reply was that

"The simple answer is no."

GM will fail to eliminate hunger because hunger and poverty are caused primarily by unfair trading practices and rules, lack of access to land, credit and education, shortages of water and poor infrastructure. Hunger and poverty are caused primarily by those factors—not by the supposed inferiority of conventional crops.

Another major reason why GM will not eliminate hunger is that it does not increase yields. Several researchers have reported that Roundup Ready soya, the leading GM crop, has a lower yield than its non-GM equivalent. Indeed, GM soya is not the only crop to fail the test. Maize that is modified by the addition of bacterial genes to make it pest resistant has been found to take longer to reach maturity and have up to 12 per cent lower yield and higher moisture levels than its non-GM equivalent. If GM crops benefit anyone, it is the companies that make them.

The first generation of GM crops has failed to produce higher yields. It is a case of no jam today. What about jam tomorrow? GM scientists are

working on ideas such as carbon 3 to carbon 4 conversion, GM nitrogen-fixing crops, drought-tolerant crops and saline-tolerant crops. However, despite two decades of research that has cost billions of pounds, their work has produced no results. As with the Queen of Hearts, if we are looking for jam, today never comes.

By contrast, traditional plant breeding has produced a sustained rise in yields the world over. In his motion, Rob Gibson draws attention to the present benefits and future potential for Scotland of using traditional plant breeding. Such methods allow us to produce nutritious and blight-resistant potatoes, and cheaper and more environmentally friendly alternatives to expensive imported soya. Indeed, it would further strengthen the environmental argument for choosing Scottish pork, making it easier for public procurement policies to support Scottish farmers. Non-transgenic methods and conventional plant breeding produce clear benefits. Given that these methods depend on genes that are already present in a species, they can be used to motivate the preservation of old varieties—in other words, they can be used to breed and encourage diversity.

Not surprisingly, I turn to biodiversity. The effects of GM on biodiversity that have been identified thus far include direct toxic effects on non-target insects and indirect impacts on the food chain. In the UK, large-scale field research has found that herbicide-resistant crops reduce the number of weed seeds on which insects and birds depend. Those crops could be approved only if massive damage to biodiversity is considered to be acceptable.

In Europe, three pro-GM sectors—led, of course, by the biotech industry—have attempted to implicate the European Union's anti-GMO policies in the rising price of animal feed. The evidence does not support that. Monsanto's Roundup Ready—or RR—GM soya is the only animal feed that is available for commercial cultivation. Indeed, it has full approval for import into the EU for human and animal feed and has been freely entering the EU animal-feed market for over a decade. RR soya is not used extensively in human food because of commercial decision making by EU food manufacturers and retailers—in other words, emphatic public rejection.

Price rises affect every country around the world, even the United States of America, which has the most permissive system of GM approvals. The root causes of those price rises are numerous. There is the shift from food and feed production to biofuels, increased demand for soya beans, financial speculation, deregulation of agricultural markets, the rise in oil prices, and increased droughts and floods in grain-producing

countries—the last of which can, arguably, be linked to climate change. It will not help if the EU weakens GMO laws.

At best, GM technology is redundant and a dead end. At worst, it amounts to a dangerous diversion of resources from cheaper and easier solutions—in other words, conventional breeding—to local and global problems. I commend the motion.

17:24

Jamie McGrigor (Highlands and Islands) (Con): I will make an extremely brief contribution. I refer to my agricultural interests, which are declared in the register of interests.

I congratulate Rob Gibson on raising an all-important issue. However, as a sheep and cattle farmer in the Highlands and Islands, I, like many other hill farmers and crofters, despair of new measures such as double and electronic tagging, which will add yet more disincentives to an industry that is already grossly overregulated.

In the Highlands and Islands, farmers have had to suffer desperately low prices for lambs and calves for the past 10 years. Many of them have given up, and many more are considering simply abandoning their holdings. How can that be, when the price of food is doubling?

I am very worried for producers of seed potatoes. I spoke to some on the Black Isle who said that the proposed new EU directive to ban a vast amount of pesticides would make growing seed potatoes very difficult indeed. Those people have spent fortunes developing seed potatoes over centuries, and they supply many potato growers in the north-east of Scotland.

The World Bank estimates that food producers will need to grow 50 per cent more food by 2030 and an incredible 85 per cent more meat. Will the Scottish Government take note of those figures and encourage Scottish farmers to play their part in solving a global problem?

17:26

The Minister for Environment (Roseanna Cunningham): This has been quite a short debate but, in the main, it has been useful. Before picking up on some of the points that have been raised, I congratulate Rob Gibson on bringing the debate to the chamber, and I will echo him in speaking about the really good work that is going on in Scotland. Some of that work is not particularly well known, but perhaps it should be. In the Scottish Crop Research Institute we have had a major centre of excellence in crop research for a very long time, but I wonder how widely known that is in Scotland.

Rob Gibson is right to bring the subject to our attention. In doing so, he reminds us of how important conventional plant breeding has been and continues to be, which is easily forgotten in the big-business drive to push us all towards acceptance of GM. GM sometimes comes across as being part of the search for the holy grail, yet, if we pay attention to the news feeds, we know that it has many, many failures. As Rob Gibson mentioned, demand for non-GM varieties is on the up in countries that had seemed to be switching over to GM. The debate is being had already, and I say to Conservative members that, in my view, the GM side is losing the debate. That is because the experience of GM has not been the unalloyed success that some people would have us believe. I remind all members of that; Bill Wilson made some very telling points in that regard.

The danger is that all the focus on GM can blind us to the huge successes that are being achieved by conventional plant breeding. For example, SCRI is doing a great deal of potato research. Having a debate about tatties might seem a bit of a joke, but in a lot of countries they can be the difference between life and death. Since 1920, 72 new varieties have resulted from SCRI's work. Rob Gibson mentioned Vales Sovereign potatoes, which have been voted Tesco fresh product of the year 2008. They are good not just for consumers but for the environment because they require less water and fertiliser. That sort of promise is made by the GM companies but, in fact, the delivery is coming from conventional plant breeding.

I represent a Perthshire constituency, and I will crave members' indulgence to point out the brilliant work that is being done on raspberries, blackcurrants and blackberries, all of which are extremely important to our local economy. I think that, in the main, the SCRI varieties account for the overwhelming majority of the UK crops.

Conventional breeding delivers and is here to stay. Plant breeding will play a major part in ensuring future food security, no matter what the GM lobby would have us believe—and I believe that its view on that is a massive red herring, if red herrings can be non-genetically modified to get them to that colour.

In Scotland, we are very lucky to have a strong science-based research and development system. Every single pound of public money that is invested in plant research is returned to the economy 12 times over. We are also lucky to have world-leading research on conventional livestock genetics at the Scottish Agricultural College, which helps to maintain Scotland's reputation for excellence in livestock science.

The production of new plant varieties is important to farmers and consumers. Recent research has shown that 93 per cent of the

increase in winter wheat yield between 1982 and 2007 was due to new varieties. The message is clear: with the benefit of new technologies, our plant and livestock breeders are making great strides in delivering new varieties that consumers want and the bigger yield that farmers need if they are to improve profitability while minimising environmental impact. Our plant and livestock breeders are doing that without recourse to the genetic modification to which people object.

The debate was not meant to be about GM, but I will say something about the Government's position. Members should make no mistake: we are totally and fundamentally opposed to the cultivation of GM crops in Scotland. However, that does not mean that we are against the development of new technologies or the use of new technologies to hasten the production of new conventional varieties. Much modern breeding, including Scottish Government-funded work, uses approaches such as molecular assisted breeding, whereby markers that are linked to important traits are identified. The method was supported in last year's IAASTD report. Scottish Government research funding supports such developments.

Scottish Government funding is also being used to examine new technologies to support conventional livestock breeding strategies, to select for a wider variety of traits, such as meat quality, animal health and welfare and environmental impact. We should not lose sight of that, although the Government respects the wishes of consumers who demand locally produced traditional and organic food.

Jamie McGrigor: Is the minister aware of the huge drop in the number of sheep and cattle in the Highlands and Islands during the past five years?

Roseanna Cunningham: I hope that the member is not suggesting that that is because we do not have GM—

Jamie McGrigor: GM is not part of that—

Roseanna Cunningham: If GM is not part of it, I wonder why the member got to his feet.

Consumers might go to supermarkets specifically to look for Sovereign potatoes, Glen Ample raspberries or Aberdeen Angus beef, but I have not heard one person complain that they cannot find GM food in our supermarkets. Moreover, I am certain that, if such food were available and labelled GM, consumers would give it a huge body swerve. The fact is that Scottish consumers simply do not want GM food of any kind, and they are not alone in that. In March last year, a survey in which 1,000 citizens throughout the 27 EU countries were asked about their attitudes towards the environment found that 57 per cent of respondents were apprehensive about GMOs and only 21 per cent were in favour.

There is evidence that opposition to GM foods in America is growing, not decreasing, although America was a great flag-waver for GM crops. In 2005, a Gallup poll found that 45 per cent of respondents were opposed to the use of GM in agriculture and food production. GM is losing the argument.

John Scott: Will the minister give way?

Roseanna Cunningham: I am coming to the end of my speech.

Our producers and processors depend on Scotland's international reputation for purity and quality. I say to people who are involved in Scotland's agriculture community that we compromise that at our peril. The reputation of Scottish products is high, and many of the plant varieties that I have mentioned are already being grown as commercial crops or trialled overseas by SCRI and its commercial partners. Such crops can be found throughout Europe and in China, Australia, New Zealand, Canada and South Africa.

I am happy to confirm that support for conventional and scientific plant breeding will continue to be an important component of Scotland's food and drink policy. That will not include a move towards genetic modification of the sort that people object to so strongly.

Meeting closed at 17:33.

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