



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 20 April 2010

Session 3

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

10th Meeting 2010, Session 3

CONVENER

*Patrick Harvie (Glasgow) (Green)

DEPUTY CONVENER

Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

*Rob Gibson (Highlands and Islands) (SNP)

*Marlyn Glen (North East Scotland) (Lab)

*Charlie Gordon (Glasgow Cathcart) (Lab)

Alex Johnstone (North East Scotland) (Con)

*Alison McInnes (North East Scotland) (LD)

*Shirley-Anne Somerville (Lothians) (SNP)

COMMITTEE SUBSTITUTES

Alasdair Allan (Western Isles) (SNP)

Murdo Fraser (Mid Scotland and Fife) (Con)

David Stewart (Highlands and Islands) (Lab)

Jim Tolson (Dunfermline West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Iain Docherty (University of Glasgow)

Professor David Gray (Robert Gordon University)

Derek Halden (Derek Halden Consultancy Ltd)

Professor Angela Hull (Heriot-Watt University)

George Mair (Confederation of Passenger Transport Scotland)

Kenny McPhail (First ScotRail)

Steve Montgomery (First ScotRail)

Paul White (Confederation of Passenger Transport Scotland)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 6

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 20 April 2010

[The Convener opened the meeting at 14:00]

Transport and Land Use Planning Policies Inquiry

The Convener (Patrick Harvie): Good afternoon, everyone. I welcome you all to the 10th meeting this year of the Transport, Infrastructure and Climate Change Committee. I record that we have apologies from Cathy Peattie and Alex Johnstone, and I remind everybody present that all mobile devices should be switched off.

We have six items on the agenda, the first of which is our inquiry into the relationship between transport and land use planning. This is the second evidence session that we have held in our inquiry, and we will have one panel of witnesses in today's session. I welcome Derek Halden, director of Derek Halden Consultancy, and Professor Angela Hull, from the school of the built environment at Heriot-Watt University. Thank you very much for joining us today. Does either of you have any brief opening remarks that you want to make before we begin the questioning?

Professor Angela Hull (Heriot-Watt University): We can explain who we are, our background and our experience if you would like us to.

The Convener: That would be helpful, thank you.

Professor Hull: I came into town planning via sociology and worked as a practitioner for seven years in both the public and private sectors. I have been doing a lot of research on organisational issues, decision making and policy integration—I have a PhD in policy analysis. Quite a lot of my recent work has been on land use and transport interaction, looking at how authorities, mainly in England and Wales, are trying to produce more sustainable transport outcomes for their cities.

Derek Halden (Derek Halden Consultancy Ltd): I set up DHC in 1996, under the brand "Making Connections". Since then, most of the work that we have done has been trying to join things up. We have done a lot of joining transport up with everything else, including land use. I am happy to discuss the details of that with you.

The Convener: Thank you. For at least a decade or so, national planning guidance has

advised against out-of-town shopping facilities that can be accessed only by car, yet many such developments have been approved and are still being approved from time to time. Why is that the case, when national guidance has—at least on paper—been asking us to head in the other direction? Why are we where we are?

Professor Hull: Shall I start and Derek Halden can come in? We will do a kind of coxing and boxing, supporting each other.

I do not think that national planning guidance has been strongly against out-of-town shopping centres, although it has wavered and we have had quite a lot of deregulation. The whole planning system is becoming reoriented towards delivering our economic agenda. In his recent speeches, John Swinney, especially, has been saying that it is really the planning system's responsibility to deliver our 2006 economic strategy. So, that means very much developing where business knows best—where it wants to locate.

Since my time in the planning system—I was practising back in the 1970s—we have seen a weakening of the planning system. It could be argued that we have a much broader consensus about what is right for our cities, rather than a profession called town planning—in the early days, it was architecture and design—trying to identify how best to build what, in those days, it thought would be a sustainable settlement pattern. Now, we have a strong economic growth focus, which has realigned the planning system and brought a lot more developers and investors, both public and private, into deciding on and implementing the strategy. Although we have land use plans, we rely on the private sector to implement those plans, more or less.

The Convener: So, in the last decade, you would say that there has been ambiguity in the guidance about whether those kinds of developments are required.

Professor Hull: I would say so. We waver. The planning system is a political decision-making and administrative system that is not based on law as it is in many European countries. It is delivered by public sector administrators and it is easy for each new Government that comes into power to change planning guidance. You do not have to go through Parliament; you just produce a new guidance note. It is those guidance notes and their clarity that change the planning system.

Derek Halden: It is a difficult area. Ten years ago I might have said to you, "Have a look at the Dutch system; it's not too bad," but according to recent research, the Dutch have failed just as badly as we have. There are no easy answers. Your question was about why the position has not got a lot better simply because we put the

guidance out there. More than anything, what the development industry, which my firm often works for, cannot afford is uncertainty. If you want certainty that people will be able to access your development, building next to a motorway junction is a resilient and flexible way of ensuring that customers will be able to get there. Here, there has been great uncertainty about whether or not we would have a tram system and what the difficulties might be, and Paradise Street in Liverpool is another example, with questions about the Liverpool trams and potentially enormous—billion-pound—financial burdens for developers that get it wrong.

Angela Hull's point was that nothing happens unless a developer wants to drive a project. What I am saying is that the way that the rules are stacked at the minute, there is not a lot of risk sharing going on with the public sector to develop in town centres, which is what I would like to see—public-private partners working together, regenerating towns and cities and making city-centre developments happen. That is exactly how Paradise Street in Liverpool started out but, in the end, all the risk ended up with the developer. I would tell people to have a look at the realities of doing business. Then they would see why there are parts of Glasgow where developments go on year after year without happening because the developers are saying, "Actually, let's just build out of town." In fact, Glasgow is an unfair example, because people there have worked hard in recent years. I am more looking back at how nothing happened for 20 years in the docklands area next to the Clyde. From day one, we should have been asking how we use our city-centre locations first and then develop out of town if we cannot meet all the needs in town.

Have things moved forward? Yes. Could they move forward a lot further? Yes, they could, and better partnership would help to deliver that.

The Convener: Is there not also a difficulty given the relationship between different local authorities that share a border but do not share an interest in seeing particular sites developed? Local authorities that share a border might each want the economic development to happen in their patch, even if for reasons of rationality and transport there is a much stronger case for one over the other.

Derek Halden: Absolutely. Competition between local authorities should be used to compete for the very best regeneration schemes as opposed to being used to dodge regulation. If Government sets up the economic levers so that the developers who make the biggest profits are those who deliver in the parts of Scotland that need the regeneration most, that is what we will get. At the moment, the developers making the

biggest profits are those who manage to dodge the regulations and say, "Well if Glasgow is saying that, we'll just nip over the border to West Dunbartonshire," or whatever. That is why they do it. There is no obtuse reason; it is just that that is what the regulatory framework forces them into.

The Convener: I want to move on and ask about the relationships between national Government and local government and between staff who work on transport and on planning. The Scottish Government's own research suggests that the links in both relationships are poor and create barriers to implementing national policies. Do you share that conclusion, and what can be done to overcome the barriers?

Professor Hull: I would share that conclusion. I have done quite a bit of research with the University of Strathclyde, although I have only been in Scotland and at Heriot-Watt for three years, so a lot of my research is across Europe and in the rest of the UK.

I have done detailed research in five cities in England, where the transport planning procedures are different from those in Scotland. They are highly regulated—the Department for Transport has strict criteria for what it is looking for in the transport plan that it asks each local authority to produce. In Scotland, all authorities produce voluntary transport strategies, so the situation is different.

I have spoken to chief executives and to education, social services, planning and public health people in local authorities, and I have asked them, "How do you produce a better transport environment in your city? How do you work with the transport planners?" They have told me that it is difficult to work with transport engineers as they have a specific culture of doing things and a specific way of communicating. The other professionals in local authorities therefore find it difficult: they are consulted on the local transport plan and they feed in their comments, but they do not see the plan altering in any way.

When I spoke to public health people, I said, "Surely when you develop a new hospital site, you think about cycle networks and good public transport access and infrastructure, such as bus stops." However, they said that with the financial regimes—with private finance initiative-type solutions to our infrastructure—it is difficult to get involved, as professionals, and to alter a new health centre or hospital design.

Therefore, it is difficult to overcome the barriers, even within the same authority. I spoke to Gordon Mackenzie, the transport convener in the City of Edinburgh Council, about his cycle strategy. I told him that he needs to get the money that is held by other departments to deliver his cycling strategy,

but he said that that is very difficult. It is difficult for him to work with the planners and to get them, through section 75 negotiations, to secure better cycle storage and walking environments.

The Convener: Recognising that the situation is difficult is in some ways the easy bit.

Professor Hull: Yes, overcoming the problems is the issue.

The Convener: Can you suggest anything that provides an opportunity to overcome the problems?

Professor Hull: Local authorities mimic the level of integration, or lack of it, at national or regional government level. If the departments of the Scottish Government are not integrated, that will be mirrored at local authority level. Each Scottish Government department communicates down with similar personnel in local authorities.

If the Scottish Government can decide what the structure and rules will be for energy efficiency or our reaction to climate change, and if the structure and rules are right and integrated and the vision is aligned with the public funding that is available, that will work its way down and be mirrored at a local authority level. However, if there are contradictions between health or land use planning policy and transport policy, they will be mirrored at a local authority level. It is for the Scottish Government to get its act together at that level.

Derek Halden: There is some really fantastic local government practice, but unfortunately it is only in 10 per cent of authorities and not even all the time in them. I am a consultant who is outside those authorities but who works with them. We have worked with probably 100 different authorities around the UK on different projects in the past five years, and we have seen fantastic solutions, which make you want to lift them out and use them somewhere else.

Some fantastic stuff is going on. There are strongly integrated teams in which the land use planners work well on a day-to-day, hour-by-hour basis with their transport colleagues to ensure that they resolve the detail of planning applications—parking supply, for example—so that everything works as intended.

The big issue for me—this makes all involved say “Whoa!”—is that a neighbouring authority might steal a key development over the boundary. I would echo Angela Hull’s comment about the need for the guidance to be policed. Either the Government should not bother publishing national planning guidance or it should enforce the guidance that it has published. I believe that Government has a key national stake, but if it wants to publish guidance so that there is not a

free-for-all, it should enforce the guidance. If it will not enforce the guidance, it should not publish guidance in the first place because doing so just devalues policy making. At a theoretical level, I think that the national planning guidance is great—apart from the odd word here and there, there is nothing much in it that one would change—but it is not being implemented.

14:15

The Convener: Rob Gibson will move us on to our next question.

Rob Gibson (Highlands and Islands) (SNP): The planning guidance is exactly what I want to ask about. The Scottish Government recently published the document “Scottish Planning Policy”. Will that revised and consolidated SPP guidance have any positive, practical impact on the planning policies of planning authorities? From the previous answers, it sounds as though the answer is no.

Derek Halden: No, I think that the document is a huge improvement because it simplifies everything and puts it under one hat. In the past, the transport people would know only SPP 17—previously called national planning policy guideline 17—whereas now people at least need to trawl through a single unified document to find the transport policy and in doing so might come across something else. For an engineer working in local government, bringing all the planning policies into one document is really helpful.

Ensuring that the planning policies are supported with an effective toolkit is probably the single most important thing that could be done. For economic development, we need to ensure accessible locations. For transport, we also need to improve accessibility and ensure that there are good catchments, which developers want. However, the toolkit that is currently available for understanding and delivering improved access for Scottish residents is next to nothing. National Government has not done very much to support that toolkit.

For example, over the past month or two in Wales, we have helped planners by updating everything so that we could provide the travel time from every house address to 14 types of different service—general practitioners, dentists and so on—by time of day, taking into account congestion on the roads. That is available to download from the Welsh Government website. Why is an Edinburgh-based consultancy such as ours doing that to help land use planning and transport integration in Wales, yet it is not even being attempted in Scotland? Obviously, I come at the issue with some technical expertise, but I suggest that national Government could really help by

providing a toolkit that makes it practical to make better decisions at local level.

Rob Gibson: Representing the Highlands and Islands, I am aware that we have heard a lot about cities. Of course large regional centres suffer the same kinds of problems, but I suggest that, although knowing about travel times between Durness in the far north-west and Inverness might be useful for a small number of people, the developers will still be interested only in making a profit.

Derek Halden: Let us not denigrate making a profit. Most local government employees would not turn up for work if they did not get paid. Yes, we all do voluntary work and we all get involved, but profit is an important driver of what actually happens.

The thing that I would say is that public transport delivery in the Highlands is not too bad. The ratio of car travel time to public transport travel time is way below that of, say, some locations on the periphery of Edinburgh, where the ratio of car travel time to public transport travel time just to get to the supermarket is so huge that no one in their right mind would use public transport. Everyone goes by car because it is so much more competitive to go by car. I am saying that there is no reason for things to be like that. In many urban and peri-urban areas, it should be easier to improve the public transport to make viable public transport trips possible.

That ratio of car travel time to public transport travel time, which I cite constantly, was suggested in Chartered Institution of Highways and Transport guidance—published in 1992, believe it or not—as the most important indicator in land use planning decisions. The good practice has been known about for a long time, but no one implements it because people never get round to undertaking major pieces of analysis for the key developments that are going on all the time—the small developments of 20 houses or whatever—on which the planner will need to say either yes or no without having the information to hand. For those type of developments, central Government could make better data available in a whole range of topic areas. A toolkit should be made available to help planners, who have a very difficult job to do, so that they make the right decisions.

Rob Gibson: I am fascinated to get an example of the ratio of car travel time to bus route time from near Edinburgh. Can you give us an example of where that ratio is too large?

Derek Halden: Look at the work that we did for the Scottish Government back in 1999, when we mapped out all of Scotland, looked at many of the ratios and compared sites such as Braehead. We showed that Braehead, as an out-of-town

development by Glasgow, had a very high ratio of public transport time to car time, which with fairly modest public transport investment could have been reduced very substantially. The piece of work to which I refer is now annex B to planning advice note 75—the work is still there, although it was produced 10 years ago. We have done masses of work since then and loads of other firms have done the same. We could do better than simply to cut and paste, shoving a research report produced 10 years ago into the Government's current guidance on how to do transport and planning.

Rob Gibson: You would not want to denigrate your work of 10 years ago and deny that it is perhaps relevant today.

Derek Halden: Exactly. It is still relevant but we could do much better.

Rob Gibson: The cut and paste would be valuable. Does your colleague have anything to say about this general area of the SPP document in relation to reaching the planning authorities that are dealing with transport aspects of development planning and development management?

Professor Hull: I think that it is a vast improvement. It went through two consultations and it has improved each time, but there are still internal inconsistencies in the document between the housing section and the transport section. The transport section prioritises a hierarchy of transport with walking first, followed by cycling, public transport, roads and so on. There is a sustainable hierarchy in the transport section, but in the housing section planners are exhorted four times to provide for a generous supply of housing land. They are also exhorted to be flexible to the needs of developers, particularly during the recession, to ensure that there is a continuous supply of housing land. That sparks off problems, because it says that, wherever developers want housing sites to be scattered around the countryside, we should go for it to ensure that there is a supply of housing land coming on the market. It does not suggest much restraint.

Last week I was in a hot air balloon over Perth and looked down at the scattered new housing developments around Perth—groups of 10 or 12 houses are being built only about 5 miles away from Perth city centre. I thought that it would be costly to provide public services in those locations and wondered how often the bus would be going round those little scattered settlements. There will be a lot of car travel. Even though the new SPP is consolidated and provides more certainty for developers, you can still see some internal inconsistencies between its different sections, although it is great with regard to trying to get some cross-cutting themes in relation to climate change. I pushed hard to get good design quality

in as well. It did not come through quite as I would have hoped, but there are some cross-cutting themes that hold the different sections together, so I am pleased about that.

Rob Gibson: I could easily be tempted down the route of following up many of those issues about scattered communities. We would quite like to have scattered communities if we can, to enable people to live on their own land in Scotland, much of which has been excluded to them by the approach that individuals have adopted.

Given that other members also need to ask questions, I want to focus on the next question, which is about whether planning authorities should be able to assess the cumulative transport impact of proposed developments rather than having to consider each application individually. If so, how might such a system operate?

Professor Hull: Having developed some cumulative effects assessments for transport projects in a European project in five cities in Europe, I obviously very much support such an approach. Those cities were part of the CIVITAS II programme, so low-energy demonstration projects were being implemented. The UK example that I looked at was Norwich. Each city had 10 or 11 initiatives. Many of them were about awareness raising and behaviour change. Many were about how you enhance public transport or how you develop second-generation biofuel technology and so on.

It was about assessing the cumulative effects of each project against what is already happening in the city and against the likely future development proposals. What you suggest would be a fantastic idea. The planning system is very weak at monitoring and evaluating planning decisions and the impacts of development proposals, whether for housing or for transport.

Rob Gibson: We are particularly interested in transport because of the focus of our inquiry. Do you have any specific things to say about Norwich?

Professor Hull: About Norwich?

Rob Gibson: You were giving us an example.

Professor Hull: You must remember the historical context of Norwich with its pedestrianised streets. The council will be able to pedestrianise more of the centre when it has completed the northern distributor road and there is a complete ring road. Travel plans are really important in Norwich and the council puts a lot of effort into them, working with companies, schools and the University of East Anglia. We also found that Norwich had a successful car club—there was not a successful one in Malmö, in Sweden—that was able to reduce car usage and travel time. It is

very much those behaviour change initiatives that have been successful in Norwich.

Derek Halden: Yes. Rural development is one of the most important things for ensuring the sustainability of rural areas. Norfolk County Council has a very effective joint working culture aimed at finding a patchwork quilt of solutions. The fact that something works for one village does not mean that it will be imposed on another village; it is a case of what works well in each area. I was down there just a couple of months ago, helping the council with some work that it is doing on local transport planning. It is also creating rural car clubs—which people say do not work—and electric vehicle car clubs in the city. Lots of really good things are going on.

I was trying to work out why Norfolk County Council is doing so well. A bit like Tesco, the chief executive has a really big thing about every contact with the public or an external stakeholder being treated as a customer contact. The council asks how it can help people and how it can follow up customer service with real quality public service delivery. There are some really fantastic council activities going on, which must be replicated. Most councils are doing something well, but in this difficult area it is a question of how we can make more of those decisions.

In rural development, creating villages of a size that means that they can support a general practitioner and a shop makes all the difference to the amount of travelling that people have to do. When people work locally, underpinning the rural economy, most of their trips will be to get the groceries and, if the local shop closes, the amount of oil that is burned increases by a massive amount. How do we foster community shops or whatever? If we can sustain one, we can then attract more housing to an area and help rural development. It is a joint process that requires proactive engagement by the council in that agenda.

Rob Gibson: It does, but the problem is that people have already made their choices. Where there are regional centres with large supermarkets, people travel there from 100 miles away. It is perhaps all the more urgent that transport plans and development planning are able to accommodate something more sustainable because we cannot afford to have any more build-up of regional centres. But will developers wear decentralisation without having supermarkets of every stamp in every small town? People can eat, drink and use only so much, and the existing competition in very small centres is unbelievable. So, there is a dilemma. The theory of trying to make journeys sustainable is fine, but there is destruction of every other kind of enterprise when a supermarket comes in.

Derek Halden: That is an important practical point. If you look at my 10 per cent of Scottish councils, you will find that the settlement hierarchy that is used for public transport interchange in the transport department is not the same as the settlement hierarchy that is used in the planning policy of the same council. For example, it is a very simple, practical thing for Highland Council to ask, "What are our 20 towns? What is a major centre? What is a minor centre?" and to ensure that there are transport hubs where people can connect and have a good wee interchange. That could be the local shop with a cafe, where people can wait and be given good information in a heated area. A local community bus could bring people in and pick up the major bus route. Those things transform access for residents and support rural development. They work—they are working in several councils throughout the country—but why do so few do them?

14:30

Rob Gibson: Well, 3.2 of them must do. I am sure that we will try to find out.

The Convener: It might be somewhat less.

Charlie Gordon (Glasgow Cathcart) (Lab): Is strong leadership required to ensure effective integration of land use and transport planning? If so, who should provide it?

Professor Hull: Structuring rules—I am copying this year's winner of the Nobel prize for economics by calling them that—targets and legislation need to be set nationally, but we need to devolve more responsibility to our cities. At the moment, they are just delivery agencies of national Government, so they do not really need to take so much responsibility. Cities, towns and villages are not really responsible for sitting down and thinking about what is best for themselves.

It is about funding, too. We talk about good practice from Europe, but the cities in Europe can raise a lot of money because they own a lot of land. It is, however, difficult to transfer practices from Europe to the UK context.

We need simple indicators and targets. The targets that we have set in the Climate Change (Scotland) Act 2009 on greenhouse gas emissions provide an opportunity. How is the Scottish Government going to devolve to local authorities the target of achieving a 42 per cent reduction in emissions? I know that we have two or three years of thinking before that is going to happen, but it would be really good if, at Government level, we could set that kind of framework of targets for local authorities.

Local authorities need a central requirement, which has to enthuse all the work that they do. If

we are to think about sustainable futures, that has to be about resource efficiency or carbon dioxide emissions. They need something to cohere around—something that will help them to think about health, social services, education, transport and land use. The debate on land use planning and transport needs to be wider. We need to think about, and integrate across, several policy sectors.

Charlie Gordon: The question was about leadership. Do you agree that it is about people as well as about objectives and targets?

Professor Hull: It is about people. That is why I am talking about leadership by the Scottish Government, but I am also thinking about leadership by town councils. The big issues now and in the future are so large that Government has to be big in order to take the lead. I do not think that the private sector will take the lead in addressing some of the big social issues that we will have in the future. Leadership has to come from the public sector. The public sector does a lot on public procurement policies and how public funds are distributed. The public sector can do a lot.

Derek Halden: Leadership is the key to delivery in all of this. I see excellent leadership coming from some individual staff in councils, councillors, the private sector and voluntary groups. The problem is that such leadership is often, rather than being fostered, stifled by the attitude that says that something else is their responsibility. Leadership can come from all over the place. If we create a culture whereby an excellent local government official who is trying to integrate land use and transport is nurtured and supported, we will end up with delivery, rather than end up with leadership that is threatened by a system or an attitude that says, "This is how it must be done."

On transport, I support the principle of voluntary partnerships of councils getting together. If councils can get together to agree where a housing development is going in Lothian or whatever, that is an excellent way forward. If they cannot do that, we need to be able to ask who else will provide the leadership—it might need to be national Government.

I mentioned patchwork quilt-type solutions. The message from Holland is that we should not constrain people. I have been disappointed that Holland has not made more progress in the past 10 years. What looked on paper to be a fantastic plan-led system for development has not worked well; people have ended up with development in places where they did not want it. They are mulling over why the system did not work. In my experience, systems work best when leadership comes from all over the place. That is one of the real strengths of the systems that we have in the

UK, especially in Scotland, where we are often less structured than England, but produce some of the most world-beating solutions as a result. Fostering that approach fits with Scottish culture. I recommend that we nurture really strong leadership, instead of creating a rigorous system around it and trying to make things happen.

Charlie Gordon: What impact does the lack of central or local government control over public transport provision—deregulation, in effect—have on effective integration of land use planning and transport provision?

Professor Hull: We have set up a system of strongly controlled competition and profit. That is problematic. Deregulation has created fragmentation. If you want to get a train from Edinburgh down to London, you will probably find two around the hour but will have to wait another 50 minutes for the next one. That is a problem. Although we have had statutory partnerships—very few have been voluntary—it has been difficult for local authorities to improve services. Lothian Buses is one of the few publicly owned bus companies—there are nine—in the UK.

Derek Halden: If a market is not regulated, it is in effect a black market. We have regulated bus, rail and all sorts of other operations. The question is, what do we regulate to ensure that consumers are protected, services get better and markets work effectively?

“Control” was the key word in the question. No one party can control transport markets, unless we have a purely state command and control economy. Transport accounts for about 20 per cent of the economy—£1 in every £5. It is an enormous part of the economy, and we cannot control it. However, we can develop partnerships. That takes me back to my first remark this afternoon, which was about getting the right partnerships in place. Partnerships should not be vague or woolly, but should be nailed down, with signed contracts that make clear what one party will do and what the other will do in return. That may mean specifying that an operator will run a bus at 5 o'clock on a Sunday afternoon, which they would not otherwise do. There is no need for a national command and control approach that obliges operators to run such services—things can be done in partnership and contracts can be signed. That type of thinking will deliver better bus and rail services in the future.

The problem is that at the moment it is more common for Tesco to ask Arriva to provide a new bus service for a new store that it is planning than it is for the council to administer such a partnership. Let us make partnerships work and have contracts signed for them, so that they are not woolly. Would that address the issue of control? Control means having a legal document

with signatures at the bottom that include those of the bus company that will provide the service, the state, those who secure consumers' interests, the developers and housing providers—the signatures of whoever is needed to ensure that there is appropriate public transport provision.

The Convener: Could local authorities' opportunities to discuss new routes or changes to routes be regarded as being a little piecemeal? Would not public sector provision of public transport be more likely to lead to people throughout local authorities having a better understanding of the transport system that would service developments that are going through the planning system? Would such an approach be more likely to give local authorities an incentive to ensure that public transport services are popular and well used? That might turn into a reality the idea that public transport should have a higher priority than private car use has.

Derek Halden: We could go into the wider area of bus regulation. I would be happy to do that now or at any time, because your point about ownership and councils passionately caring about the quality of the bus services in their areas is vital. That matters, above all else.

However, councillors do not insist that councils manufacture the cars or the buses for staff; it is about what councils buy in and how they buy it in. It is about the network of solutions. I am thinking about the clients for whom I work, for example in the retail sector. Are we really going to say to Tesco, which has inadvertently become something like Britain's fifth-biggest bus operator, because it has to provide bus services when it opens a new store, “Sorry, you're not allowed to run buses any more”? If we were to say to each Tesco store, “Right, you're going to pay us a fee to help to run this bus service,” we would end up getting less money into the bus network, because the approach would be opposed. It would become a big deal, in which Tesco would ask, “Why should we pay this fee? It will threaten the whole development.” That would get us into a negative culture.

All I am trying to say is that we can turn that round and have positive partnerships. Tesco needs bus services so that its customers can get to its stores. How can we have got ourselves into a situation in which a large company such as Tesco might regard the possibility of having to pay for a bus service as a threat to its business? Developments need bus services. The provision of such services is not something that the state needs to enforce; it is something that can be done in partnership, because we all need it.

The Convener: In some parts of the country people might regard a Tesco development being

threatened as no bad thing. That takes us into another area.

Derek Halden: Tesco was probably a bad choice of company.

Shirley-Anne Somerville (Lothians) (SNP): Are the structures in transport and planning effective at local and national levels? Are the right structures in place? If not, how should they be changed?

Derek Halden: In 2002, when we did the analysis for the "City Region Boundaries Study", in which we considered economic linkages across Scotland and tried to draw the lines along which we need to plan transport, it was interesting to find overlapping circles everywhere—basically, we have different economies, which are all nurtured. The clear message from that is that we need lots of effective local authorities, which can work in partnership, if they want to do so, for example to consider a regional spatial strategy on which they might all need to agree.

I do not support regional bodies. We need regional spatial strategies, which can be achieved through councils collectively agreeing the structure. Councils can agree on the regional centre and the settlement hierarchy, which will become the transport hierarchy, so work is integrated in that way. We need such work at some level, but Scotland is small enough for there to be no gap between national Government's provision of a clear overall framework and organisations such as regional transport partnerships, whether or not we need them to exist on a voluntary basis, never mind on a statutory basis. It does not matter to me whether RTPs exist statutorily; what matters is that we should have a framework within which local councils can partner in order to agree regional solutions.

14:45

Have we got the structure right? It is right that we have reasonably small councils, which are able to cope at local level, and a strong national framework. The problem is the lack of clarity. It often seems to me that people are dodging and saying, "This is not an issue that we deal with," instead of saying, "This is an issue to deal with." I would prefer to have no ambiguity about who is ultimately responsible: on the land use and transport agenda, there should be absolutely no ambiguity about the facts that responsibility for integration lies with the councils, and that they are held to account by central Government for making integrated transport work better. The minute that we create another tier, everybody can pass the parcel and say, "Oh no. It's not us. Honest, guv—it's them," and we go nowhere. We need clarity of

responsibility and to focus it on the local government level. That is my main point.

Professor Hull: I agree with much of that. We have our four city regions—our four strategic planning areas—so a broad strategy is being produced there and we have local authorities in place. We have the land use planning structures right, but the structures for transport do not map well on to them, which may be slightly problematic.

Derek Halden would be harder on local authorities and would hold them responsible. The real problem with doing that is that local authorities do not have sufficient funding. They must work within the funding that they have and it is difficult to deliver large infrastructure projects unless the funding is available. That is an issue. If we are to give local authorities strict responsibility, we need to give them the funding to ensure that they can carry it out.

Shirley-Anne Somerville: The word "cities" keeps coming up, so I will try to tease out whether the structures that are in place also assist our remote rural and island communities. Do they work for the whole of Scotland, and not only the central belt?

Professor Hull: I have seen some really good joined-up working in the Orkneys, particularly in how Orkney Islands Council is delivering on public consultation across the different public areas. That council is small enough to produce some joined-up thinking.

Derek Halden: I will take the Orkney example, because the Scottish Government recently published a really interesting piece of research that we did because we had been looking in great detail at the issue through the towns in the smarter choices, smarter places initiative. One of the issues in that research that helps to bring land use and transport integration alive is housing expansion in Kirkwall. At the minute, most people in Kirkwall walk or cycle to the town centre; levels of walking and cycling are above most European levels. We go on about not having European levels of cycling, but we have them in Scotland and they are happening in Kirkwall now. The problem is that, if we build housing on the periphery of Kirkwall, the people will be 1.5 miles from the town centre, so they will drive. Then, the people who live only half a mile from the town centre will find that it has become less pleasant to walk to the town centre so they will also start to drive, so soon, Kirkwall would replicate what has happened in every other town in Scotland.

Our research articulates what goes on in the planning process through natural economic growth and development that means that we end up with everybody burning more oil and with a weaker economy. Through the sustainable travel towns,

which is a national Government programme, we are trying to look at the investment in a new way and ensure that solutions are developed so that, if the people on the peripheral housing estates need to drive, they will park at, say, the supermarket on the periphery of the town centre rather than go into the heart of it, so we protect the pedestrianised areas and the quality space.

The question is to ask who pays. Is pedestrianisation of the town centre a direct consequence of housing development? If a planning authority needed to deliver that now, it would face an appeal because it would be investing in part of the town that was not directly related to the development. Therefore, it would lack the funding to invest in the town centre.

We need to work through practical solutions. National Government could do a lot more of that with local authorities, for example through the sustainable travel towns programme. Those two tiers of Government could work through the issue, determine what the problem is and why they cannot do what they want, and they could think about how they could share the problem and jointly deliver the solution. That would not necessarily mean a need for more money. The money might come from the developer or from tools that local authorities already use, such as parking charges, which are a big revenue source for most councils throughout Scotland.

If they succeeded in implementing their transport strategies, most councils would go bankrupt. The bottom line is that most councils in Scotland depend upon failing to deliver their transport strategies because they depend on parking revenue. That is where we are with the lack of joined-up policy in transport and planning: it is as simple as that.

Shirley-Anne Somerville: The question was about the structures that we have in place for remote, rural and island communities. The example that we got was about building on the edge of a town. Do those structures work for remote and rural Scotland and its island communities in the larger sense, as opposed to towns that just happen to be in a rural area?

Derek Halden: I am sorry; I am not making clear the whole settlement hierarchy. In the case of a small village, even if someone lives in a remote farmhouse, what matters is the village 2 miles away where they go for their services. How much travel people do depends on what is there and how much development there is. A busy farmer in a rural part of Scotland has to do loads of things. If the local shop is closed or people have to go further to their general practitioner, they might not go.

To take up the example of health care, there has been a big health care initiative around the country simply because busy farmers are too busy to take up preventive health care because the local GP surgery is closed and they cannot take time out to go further afield. So, there are remote surgeries to take services to people.

We are talking about solutions for communities, which is why it is so important that we start at the bottom. It does not matter whether we are talking about a village community in an urban village in a town or in a rural village. We need bottom-up community solutions and to foster the sorts of solutions that can be developed. Unless each council area creates a clear hierarchy in a plan that makes clear the regional and local centres, what the council will underpin and where, it is all going to fall apart.

Shirley-Anne Somerville: Does, or should, the planning system have a role in balancing local and national economic development priorities with the development of sustainable settlements and transport networks? How do those competing priorities work out in reality? We touched on the issue earlier, so we do not have to go over it again if you think that the point has already been dealt with.

Professor Hull: I am really interested in communities and neighbourhoods in terms of ease of access in moving around them, and people getting the services and facilities that they need. That might not be easy in rural communities because they rely on the market to provide those services, but at least rural communities are strong hotbeds for local food sources and other local initiatives. There are very good communications in rural communities.

Our larger urban environments are also centres for economic growth, and there is a real issue around mixed use in our town centres. In particular, fairly fast roads to the centre of town are required, but they can split communities.

There are issues at neighbourhood level. How do we design and plan a well-functioning neighbourhood that has to exist within a busy settlement that might also be a workplace and have transport interchanges? We need to spend time on getting all those different uses to work together so that there are no negative impacts on people who live in towns and cities.

Derek Halden: The key point here is that the priorities are not so much competing as they are complementary. In reality, it is all about balance. I have a good example that illustrates that. I am showing my age here, but a few years ago, a Showcase Cinemas complex opened in the east of Glasgow. Someone living in Wester Hailes in Edinburgh who wanted to drive to the cinema

could drive to that cinema quicker than to a cinema in Edinburgh. That is such a basic service, especially for youngsters and many other people who rely on public transport, so I wonder how come we are building a world in which the fastest way for people living in the west of Edinburgh to drive to the cinema is to drive to the east side of Glasgow? Okay—we got a cinema in Wester Hailes, which addressed that particular issue, but why was it not planned? For a period of five years, or whatever it was, access to cinemas that we had built into the built fabric right in the heart of Scotland was fuelling unnecessary mileage, because the product at the destination—which involves sitting in a cinema watching a film—is pretty much the same wherever you are. Such travel was a matter of need rather than of choice.

There is nothing wrong with improving strategic transport infrastructure—long-distance links, which many people would oppose—across Scotland, but there is something wrong with improving those long-distance links at the expense of ensuring that local economies are competitive. The burden is to ensure that if we improve a journey time between Aberdeen and Dundee, say, we also invest in ensuring that Aberdeen has a cohesive local economy and that we do not invest in just long-distance links.

That is a significant administrative issue, which goes back to the earlier point about the fact that Transport Scotland currently has all the money; local authorities are starved of money. The money is being spent on reducing long-distance journey times and local authorities are spending less and less on improving local journey times. The result is that there is a real danger that we could be creating in the economy of Scotland a major imbalance that makes us less competitive. Our cities will not be able to compete if everyone has to go elsewhere for everything. We need a bottom-up focus, right the way from the smallest village to the biggest city, whereby we anchor development in the economies of the places that we build.

Alison McInnes (North East Scotland) (LD): That leads nicely to my question. Has sufficient attention been paid in transport and land use planning decisions to reducing the need to travel? I am thinking about the provision of easily accessible local shops or allotments, for example. If not, how might travel reduction become a more significant feature of such decisions in the future?

Professor Hull: As we mentioned when we discussed the previous question, there are a lot of perverse incentives in the present system. We encourage people to travel more. We need to think of ways of seriously reducing the need to travel through the land use planning system and the transport planning system. That could be done through a stronger planning system and more

compact development—we would need to produce workplace and housing developments at a density that would make public transport profitable. To do that without too much public subsidy, we would need developments at a density of at least 40 persons per hectare. That is one approach.

Another way of reducing our need to travel would be to put in place disincentives to travel instead of incentivising it. We could, for example, enforce our speed limits more effectively. Jill Anable and her colleagues did work on that for the Scottish Executive back in 2006. That would be an easy way of reducing our greenhouse gas emissions and our need to travel, as would cutting the speed limits on our motorways and trunk roads to 60mph, as Jill Anable and her colleagues have suggested more recently. We realise that such methods might not be politically acceptable, even though we accept that speed limits are necessary and that they should be enforced.

Another method would be to incentivise means of travel other than cars, the use of which we have spent nearly 100 years incentivising by producing very efficient and fast roads. We could use all the public sector funding and civil service expertise that we use on roads to incentivise other forms of travel and to make our public transport systems more connected. We could incentivise cycling and walking. We could use several different means. We could push in a different direction all the effort that transport engineers put into making roads safe for us—into getting us to use different modes of transport. Behaviour change is a big issue for all us, but if the car is so superior to other modes from the point of view of cost and ease of access, we are more likely to choose the car.

15:00

Derek Halden: There is one regard in which I am highly critical of my own profession, which echoes the point that Angela Hull has just made: sometimes we give politicians proposals that are not politically acceptable and pretend that they are solutions. That is absolutely outrageous. It is incompetence if a transport planner says, "All you need is road pricing," or something. That is nuts. It is not a solution at all if it is not politically acceptable. We are trying to navigate towards something that politicians can deliver, which is what being a good professional is all about. The solution must be something that the market can deliver, that is affordable, that is achievable and that the public want.

I agree entirely with what Angela Hull said about incentives. I do not see a lot of evidence of sticks or disincentives being particularly successful. However, if we provide the incentives in the system for businesses and individuals to behave in ways that are positive and good for the

economy, we see lots of good progress. That gets into the question of need.

How can we possibly be short of money in transport? Transport is about 20 per cent of the entire economy. The public are spending more than 15 per cent of everything that they earn on transport. I do not agree with the idea that we cannot get them to spend 10 per cent more efficiently and give ourselves an extra £2 billion a year to spend. We should not be short of money in transport. Every time we give the public the opportunity to buy things in transport, such as cars or bikes or parking, they do it in force. We have to find cleverer ways of letting people buy real quality transport. The public do not like being told, "Here's a stick; we're going to force you," just as they do not like being told, "We give our cornflakes away for free, but there's a stick, which is the cornflakes charge in Tesco," which is why we do not sell cornflakes that way and, instead, sell them in a marketplace.

That marketplace could involve councils. Lothian Buses is extremely effective and is the best bus company in Britain; the council runs it really brilliantly. I would love to see councils delivering social services. Whether councils deliver services in social or commercial markets does not matter to me; what is important is that we focus on delivering fantastic places that are viable and collect enough money.

People talk about reducing the need to travel, but who says that it is a need or a want? Changing wants is what marketing is all about. Coca Cola persuades us that we want to buy Coca Cola. Is there a need to buy Coca Cola? I do not know. I cannot get excited about this reducing-the-need-to-travel stuff as a concept; I get excited about the prospect of making it really exciting that people want to create and pay for a fantastic transport system. All the evidence suggests that people want to pay for fantastic transport. As a transport professional, I have nothing to be scared of in that regard, because people want good transport.

Alison McInnes: To be fair, the transport system is usually only a means to an end. In this discussion, we are trying to get an idea of what our new communities need to look like so that people do not need to travel. There is an issue around whether people should need to travel to do everything that they would like to do. If people can access services such as schools and hospitals locally in a comfortable way, that will reduce the need for long-distance travel. We have not got there yet.

In the past 10 years, I have read lots of good local transport strategies and interesting local plans. The vision exists, but the reality does not come about. In the past few months, I have been in housing estates across Scotland, knocking on

doors, and they all look the same and they all have the same problems that housing estates had 10 or 15 years ago—they are not better connected or more sustainable.

I am interested in the barriers between the plans and the vision that councils come up with and the offering of planning permission in order that they can be delivered. What goes wrong in the middle?

Derek Halden: I have spent a lot of the past 10 years developing what is called accessibility planning. A huge amount of our consultancy work is in England, where people have driven that agenda. We monitor change over time and find out whether journeys are being made easier. For example, we ask, if it takes 25 minutes for an old lady in Barrhead to get to hospital or the shops this year, how long did it take her last year and how long will it take her next year?

We talk about how well connected our communities are, but if we measure that we find the situation that I mentioned in my Kirkwall example. The best locations next to Waverley station and so on are used up, and unless we work hard to avoid the problem arising we will find that it takes longer to get everywhere, because there will be more traffic on the road.

It is very simple—we just measure how long it takes people to get to a shop or a GP, as we have done in Wales. We monitor such things annually in England, under a contract with the Department for Transport. However, that monitoring does not take place in Scotland; it takes place only in England and Wales, where it enables us to see how successful councils are.

If a local shop closes and somebody has to travel further, that is an absolute disaster. We cannot prevent that from happening everywhere, but we can expect every council in Scotland to ensure that its residents do not have to travel more minutes for essential services in a typical week, although sadly, for some, that is exactly what is happening.

Alison McInnes: Thanks. Let us move on. Do you think that planners and transport engineers receive sufficient training in each other's disciplines during their initial training and throughout their careers, through continuing professional development, to ensure that there is effective cross-discipline working?

Professor Hull: They probably do not. The annual land use planning course at Heriot-Watt University has transport planning in it, but that is not a requirement of the Royal Town Planning Institute. The Institution of Civil Engineers probably does not require many planning modules in the training of civil engineers, and the Royal Institution of Chartered Surveyors does not necessarily require planning to be addressed in

the training of chartered surveyors. Understanding the different training cultures of those different civil servants is an issue.

Alison McInnes: And it would be beneficial to tackle that.

Professor Hull: Yes, it would be. Higher education is moving towards shorter degrees and more portable qualifications. Masters courses and undergraduate courses are shrinking, and the Scottish Further and Higher Education Funding Council is likely to downgrade the amount of funding for built environment courses. There are lots of issues to think about, especially regarding planning courses. Planners need to be more expert at urban design, they need to understand the property market better and they need to understand transport technologies. There is a lot of pressure on trainers to deliver all of that and produce people who are fit for practice.

Derek Halden: I totally agree about the training course requirements. I have also found really valuable some of the work that we have been doing in England with local authorities through action learning. We go into local authorities, speak to the transport people and help them to join up. There is often a psychologist working in their corporate services whom they have never met before. When you start to pull together integrated teams within authorities, they all learn from each other and you end up building a more inclusive team. We did that seven or eight years ago in East Dunbartonshire, and it is no accident that East Dunbartonshire Council has delivered a step change through its integrated delivery initiative and has been successful in the sustainable travel towns programme, which was funded by the Scottish Government. The council was already thinking in a cross-sectoral way.

That is an example of the culture that we can nurture within local authorities. Have they met their planners? Do they really know them or is it all "Please look at this development control application—not enough parking"? How much do they know each other, get under each other's skins and share problems? Once they do that, things work much better. That is my professional experience.

Professor Hull: Over the past five years, local authorities have increasingly been gearing up multidisciplinary teams, especially to work with large development proposals and large developers. I am not saying that there has been a step change, but there is a move towards more multidisciplinary working.

Marlyn Glen (North East Scotland) (Lab): We have covered a lot of different topics. You mentioned the hierarchy of transport modes, from walking and cycling at the top to the use of private

cars at the bottom—in theory. I take on board what you have said, but would you like to add anything? What is the purpose of the hierarchy and does it have any impact on planning decisions at the moment?

Professor Hull: It is having an impact. Any large institution is now asked to implement a travel plan when it submits a development proposal. The organisation is asked to think about how workers will get to the workplace and it is required to put in place a plan to reduce car driving to work, particularly sole-occupancy car driving. The organisation could put a car-sharing scheme on its internet site or could encourage employees to cycle or walk more. If it was innovative enough, like Tesco—the choice of Tesco is not a very good example—it could work with the local bus company, or it could even provide its own paratransit facilities, whereby staff are picked up at railway stations and taken to their workplace.

There is probably not sufficient monitoring of travel planning in Scotland to find out whether it is working, but at least it is in place. Using student travel surveys, I have tried to lobby Heriot-Watt University, my employer, for a travel plan that functions well. Travel plans are a normal part of the planning system.

I think that you will find that all councils have a cycling officer who will argue for cycling provision and will lobby within the council for more funding for cycling. There will be someone who will argue for a better public realm and for better environments for walking. Such officers make up a fairly small group in councils. It is quite often par for the course for them to argue, lobby and negotiate for the activities for which they are responsible to receive more funding.

Derek Halden: I add that there is a disconnect between policy and practice. What might we get from a report by the committee? It could list practical measures that could be taken to close the disconnect between policy and practice. The policies are all out there—they have been written for some time. We need a practical toolkit to close that disconnect.

One of the major themes that I would include is the need to have some economic levers for the changes that we are trying to make, as well as the regulatory ones, which are important. No one is making any money from walking. It is continually neglected. Find me a transport practitioner anywhere in Scotland who has done well in their career by focusing on walking. It comes down to hard economic levers. We can understand exactly why that is the way it is and why walking is not prioritised, but when it comes to economic value, it is the other way round. In all the research that we do on economic value, we say that it is about footfall. In planning, we use footfall—the number

of walkers—to measure the economic success of a town, but in transport planning, we do not even count how many walkers there are. It is bonkers. It seems to me that walking should be the mode that we concentrate on first—it should be at the top of the hierarchy, as you said—yet we do not even count how many walkers there are. It is terribly important that we get the economic levers right.

What about measuring performance in transport delivery by measuring how much walking there is in an area? We could just about do that, maybe by boosting Scottish household survey sample sizes slightly. It is easily doable and it would wake up the local authorities in Scotland. Think about the difference that it would make if a chief executive of a local authority realised that the authority's corporate performance depended on walking when all it did was count the number of cars. We should not be surprised that local authority chief executives are interested in getting the volumes of cars up, because that is what matters and what pays tax. A huge amount of the taxation that funds public spending is car tax. Our schizophrenia in transport policy makes many things quite difficult. If we simplify the process by creating economic levers that back up the policy levers, we will start to make strong progress.

Professor Hull: I have a slightly different take on that. I think that what we do is very much driven by economic levers. We measure travel time savings, flows of vehicles along streets and stuff, but we do not measure quality of life or people's health and happiness. For me, that raises big questions, such as, what are public authorities about? How do we define the public good? Instead of defining the public good solely on the basis of gross domestic product, why do we not start thinking about gross value added or about the health of the nation?

If we were to start thinking about issues such as health, education, reskilling the population or the green economy, which might come up later, we would require joined-up thinking. We would need to think about whether we needed to travel, what journeys we needed to take and what we could source from within our local communities, whether they be rural or urban. A different way of thinking would be required, there would need to be a different set of decision criteria and targets, and new data would have to be collected. It is quite difficult for organisations to change all that.

15:15

Marlyn Glen: It certainly sounds much more interesting to measure health and wellbeing, rather than just how much parking revenue a council can get. That links to my next question, which is about resources. Is the implementation of national planning and transport policies by local authorities

hampered by a lack of resources? Mr Halden suggested that it is not.

Professor Hull: I disagree. Mr Halden can argue that we do not need more resources, and I will argue that we do.

Derek Halden: We need resources to manage change. It is much easier to manage change in a climate of increasing money, but we face a big challenge in managing change in a climate of decreasing resources. If we manage change, we will get the efficiency gains that we need to fund most of what we need to fund. Ultimately, I am not saying that we need dramatically more resources, but it is hard to see how we can take people with us and persuade them and make it fundable without managing the process.

The visionary way of doing it, if we can, is to create quality-of-life products and start trading in them. The Social Market Foundation lobbied for that last week when it argued that we should give everyone a share in the road network that they can trade. We could start to create social markets and economic growth around that. If we could create the future economic growth of the world in things that we could measure, such as quality of life, I would support that. The reason why I used walking as an example is that it is here now—it is measurable and doable. We could have a shadow market in walking now. How much money the council in Edinburgh gets could depend on the number of pedestrians on Princes Street. That is a practical example of a shadow market in which a council is rewarded financially for driving up footfall. That is the sort of economic market that I am talking about.

We could use parking revenues for that. There is no reason why we cannot take existing revenue streams and optimise and better them. At the moment, the transport departments in most councils do not see the parking revenue—they probably do not even know where it goes. The parking revenue disappears into some hole. Parking is a critical part of managing the transport system but, at present, it is disconnected from managing the transport system. Those are the really critical ways of joining up systems and making the loops work so that we can fund and deliver sustainable transport. The money is there, if we go for it.

Professor Hull: Once again, the issue is definitely about disconnect and perverse incentives. Local authorities cannot raise money in many ways, but they can raise a lot from car parking, so they decide to have lots of car parking spaces. However, encouraging more parking in a city centre, or an excess demand for parking, goes against having a sustainable transport system. That is a real issue. However, that is a result of the structure of local government. Councils want to

increase their parking revenue and hold on to it, because that is one bit of money that they can control.

Transport infrastructure is important for our towns and cities because it determines urban form and the location decisions in new development. However, funding for large infrastructure is not owned by local authorities—they have to go through hoops and hurdles in Transport Scotland and the Scottish Government. There is no control over infrastructure.

The budgets for cycling and walking are very small. This year, the Scottish Government has £812,000 in its walking and cycling budget. I do not know what that is in relation to the total spend on transport, but I would be surprised if it was as high as 10 per cent. In the past the figure for public transport and cycling and walking was 30 per cent. Has that figure gone up or down in the past two or three years?

The budgets are very small, and we have put local authorities in a situation of bidding competitively for funding, so it is not even a win-win situation for them. There is a finite amount in the budget, so who knows whether a local authority will be the lucky one that draws down most of the money? Local authority transport planners are in the business of drawing down money for their local authority. Unfortunately, the money comes with strings attached, so they might not be able to spend it on what they want to spend it on. They have to spend it on a particular project. The tiers of projects in cities or towns do not necessarily make for a sustainable transport system.

Basically, our funding streams for local authorities have perverse incentives. We could use the total available funding much more effectively and efficiently, but we have to decide what makes for good urban regeneration and good community life. We have to decide and agree on what is in the public good, but we have not done that yet.

The Convener: That takes us to the end of our questions. Some of the answers towards the end will be of relevance to our next agenda item, which is on the next few Scottish budgets. I thank our witnesses very much for their time in answering questions.

I suspend the meeting briefly to allow for the changeover of witnesses and a short comfort break.

15:21

Meeting suspended.

15:25

On resuming—

Budget Strategy 2011-12

The Convener: We will crack on with agenda item 2, which is consideration of the budget strategy for 2011-12. This is the first evidence session that we have held on the topic. We will hear first from two transport academics who are familiar to the committee and then from First ScotRail and the Confederation of Passenger Transport Scotland. We will consider how the local government and Scottish transport budgets are likely to be affected by constraints on public spending in the next few years.

I welcome our first two witnesses: Professor David Gray, from the centre for transport policy at Robert Gordon University; and Professor Iain Docherty, Professor of Public Policy and Governance at the department of management at the University of Glasgow.

Are you able to identify what proportion of the Scottish Government's transport budgets, both capital and revenue, is discretionary and, therefore, what impact cuts to the budget over the next few years may have on projects and programmes that are funded by the discretionary portion of transport spending?

Professor David Gray (Robert Gordon University): My colleague from Transport Scotland will answer first.

Professor Iain Docherty (University of Glasgow): This is obviously the point at which to remind the committee of my other role, as one of two non-executive directors of Transport Scotland. As will become evident, nothing that I say should be taken to be the agency's corporate line.

The standard line is that quite a high proportion of the budget is in some way fixed. The two items that are always at the top of the list are road maintenance, for which the agency, the Government more generally and local authorities have statutory and legal responsibilities, and the passenger rail franchise and associated costs. I cannot say off the top of my head what proportion of the overall transport budget fixed costs represent but, having been party to several discussions in round terms, I know that it is significant. The running estimate that people give is easily more than half and probably nearer two thirds or three quarters. There is a grey area at the margin concerning what is really required and what is discretionary. Later we can discuss items that are currently funded and have come to be seen to be necessary but are, in fact, optional. One immediately thinks of concessionary fares.

It is probably easier to look at the question in reverse and to ask what we could do without if there were large, immediate cuts in the budget. The figure of 20 per cent hangs around in the political debate, assuming that there is the same ring fencing of areas of public spending in Scotland for which the larger UK parties are arguing in the current Westminster debate. That means that non-ring-fenced areas, of which transport is assumed to be one, may face real-terms cuts of about 10 to 20 per cent over one spending review cycle and that capital spending will come under immediate pressure.

The Treasury has already published its forecasts for net public capital investment, which will effectively wither to nothing over the current cycle. That means an end, more or less, to new road building, unless we can devise ways of repackaging that in long-term, revenue-based, design, build, finance and operate contracts. It also means that other transport capital investments will come to an end, more or less.

With cuts on that level, we must look carefully at some of the increases in spending that have happened over the past few years, two of which come to mind. The first is the concessionary fares bill. None of the political parties is yet examining that issue seriously, but the scale of the cuts is such that it may need to be addressed. The independent budget review panel will no doubt look at it, as £185 million or so a year is a large number. The second is the bill to run the railway, which is roughly £700 million a year in Scotland. That is in the order of 400 per cent of the equivalent bill before privatisation. Under that level of scrutiny, the rail budget will be under intense pressure.

15:30

Professor Gray: I do not have an awful lot to add. The strategic transport projects review has become discretionary, simply because we have not got any money to spend on any of it. I also agree with Iain Docherty's comments about concessionary fares. I realise that it is difficult for politicians to talk about tackling that issue, but the fact is that we will not be able to bear the scheme's costs, as they take up too much of the revenue budget. How one addresses that without haemorrhaging votes is a different matter, and I sympathise with the politicians who will have to tackle that difficult question.

A lot of transport spending is already discretionary, through the single-pot allocations to local authorities. That will be more and more under threat because at such times education and social services tend to get protected while transport loses out. When local authorities start to receive a

diminishing budget, local transport services will be big losers.

The Convener: You have both touched on subjects that will come up later in questioning, but I want first to look at some of the large capital projects that are working their way through the pipeline towards final approval. Given the constraints that are likely to arise, should there be a financial review of projects such as the extra Forth road bridge and the Aberdeen western peripheral route before any decision is made whether to press ahead with them at the current time?

Professor Gray: The consensus in recent years is that Scotland needs the bridge. Basically the STPR contained one project and 28 others and I suspect that that will still be the case. Over the next few years, there will be a limited amount of capital spending based on the premise "Well, we'll do the bridge and see what else we can afford." The subway will go ahead because Strathclyde partnership for transport is borrowing the money and the Edinburgh to Glasgow rail enhancements will probably happen but, beyond that, I cannot see many new projects going forward.

As for the Aberdeen western peripheral route, you have really tossed a political grenade at us and I am trying to think how best to answer the question. I presume that it will be a design, build, finance and operate project. There is a danger in putting too many projects on tick, because at some point they need to be paid for out of either revenue or capital budgets. It all seems like a good idea when future budgets are expected to rise, but the plan is not so good when budgets are being constrained. I question the number of projects that we will be able to fund in such a manner, given that it will simply stack up problems for budgets in future.

That said, I would not like to say whether the AWPR project should be revisited, because I know that I will get into hot water back up in the north-east. What I will say, however, is that I would certainly not plan to build 70,000 houses around it, which is what the structure plan is rumoured to be suggesting. That would be an absolute disaster and my response to such a proposal is simply, "Don't bother." After all, the road is supposed to ease transport problems in the north-east, not create more.

The Convener: Again, that connects with our previous discussions on transport and planning.

Professor Gray: I was not going to touch on that but, if you want a case study on everything that is wrong with town planning, integration and transport planning in Scotland, that would be it: fund a route to ease transport problems and then stick 70,000 houses—a city the size of Dundee—

around it, probably without bothering to think about what will happen when people try to get to work in the morning.

Professor Docherty: And in so doing ensure that Aberdeen continues to depopulate at the rate that Glasgow depopulated in the 1970s and 1980s. That particular statistic always strikes me as somewhat salutary.

To answer your question directly, one would hope that in developing transport projects appropriate financial planning was carried out at all stages of the business case from inception to the final decision. I see no reason to suspect that that is not the case but, again, we are in a kind of phoney war in which we simply do not know the real extent of the cuts that will be made over the next two or three years. When we know that, we might wish to revisit some projects.

The Convener: Perhaps the timing issue is the key part of the question. Perhaps in some of the projects, the financial considerations were looked at in a prior period, and over the next few months we will learn a lot more about what we will face over the next few years and what the financial circumstances will be when the Scottish Government expects to spend money on those projects.

Professor Docherty: Yes. It should be remembered that it is not only the availability of cash resources or the scope for borrowing that makes the difference; for the infrastructure revenue, the forecasts of usage in the case of public transport schemes, the costs of construction, and the costs of borrowing money from the financial markets to construct schemes also make a difference. All those things are very different from what they were two or three years ago for certain schemes. One would hope that the financial planning for those schemes will continue to be revised until the final decision to construct is made. That strikes me as being good governance. Having said that, I have every sympathy with colleagues in Government and local authorities who understand the wider financial climate and what it is likely to mean in general and specifically for their own institutional budgets and the financial viability of specific projects. Equally, they still have to plan on the basis of the numbers in the real budgets as they are at the moment, and we have not yet seen the impact of the cuts feeding through.

An interesting consequence of how the Scottish Parliament and Scottish Government are funded is that there is a delay while the UK budget feeds through to the Scottish financial settlement and then into individual local authority, agency or project budgets. The impacts of UK national financial cuts and spending increases are somewhat delayed as they feed through to

projects in Scotland. There is another timing challenge in that respect.

I want to say something about the affordability of projects and projects that will go ahead. I think that I have said to the committee before that nobody, perhaps with the exception of a few people in Fife and the editor of *The Scotsman*, wants to build a new bridge across the Forth for the sake of it. It will be built if it is required, if the engineering assessment of the state of the current bridge remains as it is and we need to replace it, and if the economic cost of not building a replacement bridge is significantly higher than the economic cost of doing so. That is the situation that we are in, and I do not see any change happening to that strategic context. Like David Gray, I think that the bridge will go ahead. It will probably take the lion's share, if not the entirety, of the capital budget that is available for transport over the lifetime of the scheme and leave very little behind.

The other schemes that may survive may be those that are, in effect, funded by moving capital expenditure into the revenue account. I am talking about wrapping up major road construction and long-term DBFO packages, which can result in potential savings if the maintenance of the existing network can be packaged into the deal. Such an approach sometimes makes good financial sense. Some recent large road projects have been financed through that model.

There are also projects such as the Edinburgh to Glasgow rail improvement project. In that case, Network Rail is able to borrow funds as a third party, and the Scottish Government can pay that money back through the revenue accounts in future. Of course, as David Gray said, that is in effect a credit card. Our current capital spending is being financed on credit, and we will have to start to pay the bill sooner or later. We are probably at the limits of the affordability envelope now; I do not think that we can add much more on to our debit balance.

Professor Gray: I presume that there is a fabled spreadsheet with the risks of some of the projects for the Cabinet Secretary for Finance and Sustainable Growth or Transport Scotland, and that those risks are monitored. Perhaps one or two projects are beginning to flash red. It will not be up to us to decide whether to cancel them, but one would hope that the committee would be fully consulted to avoid the kind of controversy that there has been with the Glasgow airport rail link.

The Convener: I think that that is the third time in this session that we have heard the phrase "one would hope that."

You have both touched on the final question that I want to ask before I bring in other members. On assumptions about the likely reduced expenditure

scenarios over the next few years, 20 per cent cuts have been speculated on. There are other scenarios that we might need to consider. If we make those assumptions and assume that projects such as the Forth road bridge will proceed, will anything be left? Is that likely to take up the entire capital budget or is any wriggle room likely to be available for other projects, notwithstanding what you have said about projects that can be funded in other ways and which do not require a capital budget?

Professor Docherty: A definitive answer to that question would require sight of the internal Scottish Government and Treasury numbers, to which we are not privy—and nor are committee members, I guess. However, it is worth saying that we have been here before. In the recession of the early 1990s, such were the public expenditure cuts that the transport capital programme throughout the UK and in Scotland was radically scaled back. All too often, that period is reflected on through rose-tinted spectacles as the opening salvos of the sustainable transport debate and a time when many sensible decisions to shift resources around were made. The reality is that we went quickly from “Roads for Prosperity” and the largest road-building programme since that of the Romans to virtually nothing, because of the scale of public expenditure cuts. We have been there before—life went on and some projects still happened.

It is also worth saying that the baseline expenditure level now is much higher than it was then. The cuts might be painful in the short term, because we will be unable to do much of what we had hoped to do. We might have to cut back on, stop doing or spend more modestly on some of what we have done recently, but we are not in the territory in which activities will stop or we will have problems, simply because the baseline expenditure level is much higher than it was when we previously went through this part of the cycle.

Professor Gray: If wriggle room exists, I would like politicians to stop being preoccupied by the large-scale infrastructure projects and to look for medium to smaller-scale projects, such as strategic park and ride, perhaps even active travel and sorting out local junctions rather than dualling large stretches of road. Such projects cost much less and will deliver better value for money in the short to medium term than will the larger projects that we cannot afford.

Professor Docherty: To be fair, that is a top-level aspiration of the STPR—to make the network work better. A modest real-world programme of road improvements in particular could be undertaken in the next three, four or five years on safety-led enhancement and junction work—on several smaller and sensible safety-led projects.

Alison McInnes: Would prioritising the projects in the STPR have benefit? As David Gray said, only one priority has been identified. However, several smaller interventions might be beneficial. Alternatively, given the scale of the budget cuts that might be ahead, is a wholesale review of the STPR and the national planning framework projects needed?

Professor Gray: I have discussed with the committee before the fact that I would like prioritisation of the projects in the STPR. Transport Scotland is doing work to bring some projects to a state of readiness, so that they can proceed at relatively short notice, but prioritising the list of 29 projects is in the realm of what is political. I would like prioritisation, but it might be difficult politically.

Professor Docherty: Prioritisation—yes. I understand the problem that the Government has had with the list of projects in the STPR. Much more and much better research, analysis and evidence underpinned that list and choice of projects than was ever the case before. Given the question that was posed over a 20-year timeframe and given expected resources, the STPR projects will probably continue to be the projects that we should take forward.

Too often, we and our colleagues have bemoaned the fact that transport priorities chop and change too often. That is part of the reason why we do not deliver, given the long timescales that are taken to implement projects. The last thing that we want to do is to undertake a wholesale review of where we have reached, which would not be worth while. That is not to say that changing circumstances are not taken into account—they are always taken into account in the sensible and sensitive business planning of any project. In previous inquiries, the committee has examined in detail the concept of having a preparation pool and being flexible about the projects that can be brought forward at any time to suit financial circumstances. That is the correct approach.

Prioritisation—absolutely. Wholesale review of the projects—probably not.

15:45

Professor Gray: As the Cabinet Secretary for Finance and Sustainable Growth has been keen to emphasise, there are three elements to the STPR: maintaining and safely operating existing assets, making better use of existing capacity and improving infrastructure. Apart from the Forth bridge, I suspect that Transport Scotland will focus very much on the first two elements for the foreseeable future. However, much depends on how long the STPR goes on and how long it is likely to take to implement. Obviously, if the

timescale is up to 50 years rather than 20 years, it might become sensible at some point, perhaps 20 years down the line, to have a further review. There is a strong sense that the conveyor belt of capital projects is slowly grinding to a halt. It depends how quickly it accelerates again if the economic outlook gets better. It is probably a bit early to rule in or rule out a review, but we are looking at quite a long time period for delivery.

Alison McInnes: Given that the delivery period is, at best, likely to be stretched—

Professor Gray: It will be.

Alison McInnes: It will be stretched, so is it not more important that we have transparency about what the Government and Transport Scotland think are the priorities? I worry that we have an ad hoc approach to projects. You have both said that you think that Transport Scotland is ferreting away at working up projects that it can bring forward if something comes up. To me, that is not the best way to deliver the projects. I would have thought that it would be helpful to have a plan rather than just to bring forward projects that fit the budget at any particular time.

Professor Gray: There is a careful balancing act. On the one side, there is delivering what we can when we can, when the money is available, but we want to avoid at all costs the return to short-term strategic planning and the charge of practising pork-barrel politics, which is what has let us down in the past. The good thing about the STPR is that the list of strategic projects is supposed to underpin socioeconomic growth. We should try as hard as possible to deliver that list in a reasonable timescale. We do not want the sense of strategic planning to go out the window in favour of short-term gain or political gain.

Professor Docherty: I agree whole-heartedly. Again, we and others criticised the early years of devolution as having produced a transport investment priority list that was partly pork barrel and partly political luck. The STPR was a big step forward in terms of its transparency and the fact that we have a list that we want to try to deliver over the medium to long term. Granted, as David Gray said, we clearly have to monitor that, and if timescales get so stretched that the environment changes, we must begin to review. However, we are not there yet. In general terms, we can never have enough transparency, because the choices are inevitably political as well as economic. There is obviously a degree of equity of investment around different parts of the country, as well as the naked economic case for each of the investments. Investment decisions are therefore made in a very political context, because the investments are usually so big and come along relatively infrequently. Transparency is therefore very important.

Alison McInnes: Professor Gray said that the maintenance of transport networks is an important part of the work that we need to do. Can you quantify how important investment in maintenance is at the moment, and how important is it that such investment is sustained when there are pressures on the budget? What impacts could cuts in the budgets have on the infrastructure?

Professor Gray: As Iain Docherty suggested, road maintenance tends to be a line that is easy to reduce, especially at local level, until we get a winter like the one that we have just had—for example, every road in the north-east of Scotland is full of very deep potholes. However, it is difficult to predict winter weather. Having invested in our road and rail networks, it is important that we put in sufficient resources to keep them running and keep them modern.

Professor Docherty: The bubble in capital investment that we have seen in recent years, especially regarding the railways, was in large part necessary because of years, if not decades, of underinvestment on the maintenance side. It is a difficult balancing act. There is the short-term pressure of constrained resources, but not investing in the infrastructure and its wellbeing stores up financial and other problems for the future.

Increasingly, when researchers ask businesses what they think is important, they point to the condition of the local roads network, which they use to get their goods and services mobile and which also ensures that their staff, customers and clients can access them. The local roads network and local journeys seem to be becoming more important to business than the longer-distance trunk movements on which policy has focused in the past. Whether that tells us something about the way in which the economy is changing, it is too early to tell. Local road conditions can make a huge difference to the reliability of journey times at the local level, especially if there is imposed maintenance or emergency repairs, and not investing in what appears to be mundane maintenance can cause real economic problems.

Alison McInnes: I have one final supplementary question. Are you able to quantify the spend per kilometre on trunk road maintenance and tell us how that compares to the spend on local road maintenance?

Professor Docherty: No, but I am sure that can be done from the published figures. I do not know the figure.

The Convener: Okay. We can perhaps dig into that a little later.

Rob Gibson: I will stick with roads and turn to the railways in a minute. Do you think that the current trunk road maintenance contract offers

value for money for the taxpayer? If not, what changes need to be made to the provision of trunk road maintenance?

Professor Gray: I defer to my colleague from Transport Scotland on that one.

Professor Docherty: I will be honest and say that I do not know. We seem to be in a period of relatively problem-free maintenance of the trunk roads network in comparison with the situation that we have faced in the past. That is a good thing. Does that mean that our current governance arrangements do not require market testing? No, it does not. I am sure that we need to do that. Does it mean that they are, by definition, more efficient than alternatives such as direct provision? No, not necessarily. We are where we are because a previous Administration made a choice that that was the kind of system that it wanted. The system seems to be working quite well at the moment, and the trunk road operating companies have responded well to the challenges of the winter. They work closely with the Government, and that relationship is strong and improving. On the outside, there does not seem to be much of a case for intervening strongly at the moment to change things. Does that mean that the system that we have is better than the alternatives? We are not sure. However, the cost of changing the tendering structure for the contracts is not trivial, so I do not think that the Government would want to go down that line at the moment.

Rob Gibson: People complain about the state of the roads, but much of the trunk road between Inverness and Thurso is in surprisingly good condition, although some short sections are not. That perhaps reflects what you have just said about the system working better.

Professor Docherty: An alternative piece of evidence to back up that general position is the valuation of the trunk roads network that is carried out every year for the Transport Scotland/Scottish Government accounts, which is thoroughly scrutinised by Audit Scotland and others. Any marked deterioration in the maintenance standard of the trunk roads network would quickly have an impact on the asset value, given the amount of money that would be necessary to bring it back up to the required standard. That has not happened, and the audit structures seem to be quite happy with the maintenance of the trunk roads network as an asset base. There is lots of anecdotal and financial evidence that the system is working quite well, but that is the paradigm that we are in and whether we should do something completely different is another question.

Rob Gibson: We have mentioned that local authority road maintenance budgets could be under pressure. What is your view on that? How might further budget cuts exacerbate the

situation? Interestingly, in the far north, the bits of the trunk roads that are in towns are among the worst.

Professor Gray: I remember going to conferences at which a guy from Highland Council used to stand up and tell us how many hundreds of years it would take the Highland Council road maintenance budget to bring the roads up to standard—Highland was about 120 years behind on road maintenance. After this winter, it will be about 300 years behind, I suspect.

At local level, road maintenance has been an easy budget to cut traditionally, especially with milder winters. If you are going to cut anything at local level and you do not want to lose too many votes, nibbling into road maintenance and winter maintenance—as, ironically, I think Highland Council did this year by cutting one of its gritters just before the winter of snow came back to bite it—is an option. With revenue budgets in local authorities having to be squeezed—there is no realistic prospect of that not happening—one might say, perhaps arguably, that the two losers will be road maintenance and capital grants to regional transport partnerships.

Rob Gibson: In practical terms, quick patching is a big waste of money in local government budgets. Spending a bit more and making more permanent repairs is far more cost effective. We should look at that issue when we talk to local authorities, because they will save money in the long term if they do that. We know that, further north, short-term patching disappears with the next frost or rain.

Professor Docherty: It might also be interesting to revisit the small part of the interminably complex local government funding formula that relates to the local road network, which was traditionally based on road length. Local authorities would be delighted if they could purchase road maintenance by length rather than by area, because they pay by the square metre. It would be interesting to revisit that to ensure that authorities at the centre of labour market areas, which provide roads for the use of not only their own citizens but people who come in from adjoining local authority areas, have that traffic genuinely reflected in their maintenance allocation.

Rob Gibson: Coming back to the railways, is there scope for Network Rail to save money on day-to-day rail maintenance and enhancement? Why are European rail infrastructure operators able to provide similar services at a lower cost?

Professor Docherty: I mentioned at the beginning that, in round terms, the railways cost us 400 per cent of the figure that they cost before privatisation, which puts into context the 40 per cent growth in both passenger numbers and

freight that we have seen in the interim. A 40 per cent increase is all very well, but at a cost of 400 per cent it is not exactly an improvement in productivity. It is hard for those of us who do not have sight of the core numbers and who observe—albeit, I hope, from at least a semi-informed position—to point to things that organisations such as Network Rail do and tell them that they could save money by adopting different practices or whatever. That is particularly the case given that we have been there before with Railtrack and we all know what happened after a rather brutal programme of efficiencies.

That said, the committee will no doubt be aware that the Office of Rail Regulation's strategic review of the industry's cost base is on-going and is looking precisely at the question whether we get value for money from the infrastructure base of the railway network. It is true that the railways cost us more in the UK—or Great Britain, to be more accurate—than they cost in most other European countries. It is also true that that cost has ballooned since privatisation. As I have said before, we therefore need to ask ourselves some hard questions about why that is the case. It is not any secret that lots of commentators inside and outside the industry have pointed to the structure that we inherited after privatisation and the number of interfaces between different organisations that are required for the day-to-day running of the industry. An interesting question is what the potential savings would be from any reform that we might wish to engage in. Since the formation of Network Rail, the Railways Act 2005 and the devolution of infrastructure powers to Scotland, there has not been much of an appetite to engage in such reform, because we wanted the current settlement to bed down. However, interesting things are happening, not least the change in the general financial climate. In Scotland, we are spending something like 1 per cent of our GDP on the railway. Is that what we want to do? Can we afford that in future? I am certainly not arguing that we should cut back on the railway, but at that level of expenditure it is not a cheap item in the Scottish budget. Can we make savings? Is the industry infrastructure part of that?

16:00

It is interesting to note that this month Sweden—one of the few European countries that has also pursued the privatisation experiment—has recombined its Government transport directorate, transport agency, roads agency and rail agency into one organisation to make strategic savings and to run its transport networks more efficiently. Things are happening from which we should perhaps learn. The last thing that we want after a period of concerted railway expansion, which we hope will continue with the various

projects that are still in the plan, is to have to start cutting back again. We do not want to make those investments just to find that the overall financial position is somehow unsustainable. We will have to ask some hard questions about why the railway costs us so much.

The other interesting thing that is happening is the advent of what the DfT calls “directly operated railways”—East Coast, for example. We might want to ask other interesting questions about whether we might be better off directly operating our railways inside the public sector or in some not-for-profit vehicle. That is another huge political hot potato, but the time has probably come at least to ask the questions.

Professor Gray: I jotted down a number of bullet points and, rather annoyingly, Iain Docherty answered them one by one. I think that the committee took evidence on the subject before Christmas, and the reported figures are that rail accounts for 30 per cent of the annual transport budget, but only 2 per cent of trips made by motorised mode are by rail, which is only 12 per cent of total person kilometres. Obviously, there is a significant imbalance between cost and modal share. The rail industry has been calling for vertical integration of all the managed costs for many years. That would certainly work in Scotland because the size of the nation is appropriate for the introduction of vertical integration. As Iain Docherty said, the only question then is whether the private sector should be allowed to run a vertically integrated railway in Scotland, or whether the railway here should be under public ownership. That could be explored in stages—one could vertically integrate the railway in Scotland and then see whether the private sector could run it. If not, why not have public ownership?

Rob Gibson: That is interesting. Thank you.

The Convener: I want to follow up on something that Iain Docherty said about 1 per cent of GDP being spent on the railways. In the previous parliamentary session, albeit during a different inquiry, I think that the figure used was that 15 per cent of GDP was spent on transport as a whole. Are you saying that there is a greater need to look at the 1 per cent that is being spent on the railways than the 14 per cent that is being spent on non-rail transport? If so, why is that need greater?

Professor Docherty: Sorry. My point was simply that that 1 per cent of GDP is public expenditure—it is money that the Scottish Government is paying out to support the railway—that could be spent on any of the range of public services for which the Government and Parliament are responsible. The 15 per cent figure encompasses all household spending on transport, so it is a much wider figure. Whether we

should seek to reduce that figure for economic, environmental or social policy reasons, or indeed whether we should seek to increase it for those reasons, is an important but different question from the more focused one about the exposure of public expenditure to the subsidy profile of the railway.

Charlie Gordon: Before I ask my questions, I hope that the convener will permit me a supplementary on the last point that the two professors made about vertical reintegration of the railways, which would be more operationally efficient in my view—I am absolutely clear about that. Is that course open to the devolved Scottish Government under the present legislative and constitutional arrangements?

Professor Docherty: That is a question for our learned friends. The consensus seems to be that that approach is not open to us and that it would require some amendment to the Railways Act 1993 and/or other Westminster legislation. Interestingly, if devolution had happened after the 1992 UK general election—it could have happened if there had been a different result—we would have had a vertically integrated ScotRail, which would have been responsible for the same domestic services and infrastructure that we have today, albeit that it would have been slightly smaller in scope, with lower passenger numbers and with the intercity operators coming to some agreement on the use of the network for those journeys. I cannot imagine that it is beyond our wit to recreate that structure if that is what we decide to do.

Charlie Gordon: Do you share my view that, notwithstanding the uncertainty over those constitutional and legislative questions, it is possible for a Scottish Government to remove Network Rail from the equation, in a limited context? If I look at the developing plans for the Borders rail link, I could see vertically integrated arrangements in that context. Do you have a view on that?

Professor Docherty: I am not sure that I do, although I could report some of the discussions on that subject that one hears and takes part in with colleagues. That approach would be possible, when it comes to new, relatively free-standing routes—that is why the Borders project is often discussed as a comparator.

It is never as simple as that, however. We would encounter the problems that the line must end somewhere and that there will be an interface with the current network and Network Rail somewhere. How would that work in operational terms? It quickly becomes terribly legalistic and complex.

It would be easier to agree that Governments—plural—would be able to do the sort of thing that

you have described if there was shared political will. Where the individual powers and responsibilities lie is a little uncertain.

Professor Gray: I would be reluctant to do things piecemeal, because it would be harder to achieve the cost savings that we seek if we do not approach things at a Scotland-wide level, not least when having to buy in professional skills, which currently reside with Network Rail. We might as well build a team to do that, rather than bringing in one or two individuals to run small parts of the network.

Charlie Gordon: Does the current First ScotRail franchise agreement offer value for money to the taxpayer? Are there options for saving money from future franchises without substantially reducing train services?

Professor Docherty: In answering, one could ask another question: does the current franchise offer value for money within the current, franchised structure of the railway industry? There is a fairly unequivocal view that the answer to that is yes. ScotRail is a well-regarded, highly performing franchise, although there is always scope in any business to become more efficient and effective. There is relative consensus that the current franchise holder has done well in precisely that regard—the franchise has been more effectively and efficiently run since First took over. Under the current structure, the franchise is effective and efficient and offers value for money, as Audit Scotland said in its review.

I return to the core question about why the railway costs so much. It costs us a lot more than equivalent European railways cost, and it costs us very much more than it did not so many years ago. If we move out of the current paradigm to where we might be, and if financial imperatives are such that we need to make substantial savings, the question becomes very different.

Professor Gray: I agree completely.

Charlie Gordon: How might budget cuts impact on the air discount scheme for island residents?

Professor Docherty: Given the relatively modest cost of that scheme within the transport budget, which is not unadjacent to £2.5 billion per year, that is a very political question. There are a number of schemes, projects and support budgets. We have already mentioned the air discount scheme and the concessionary fares scheme, which are relatively small in the context of the budget overall. When every pound counts, however, such schemes may well come under scrutiny during the forthcoming budget exercises. They carry substantial political toxicity—once something is introduced, it is very hard to take it away.

The straightforward answer is that cuts could have a range of effects, depending on how much of the budget ministers wish to cut, but it is hard to imagine the likelihood of budgets for such schemes suffering in the world of realpolitik. As David Gray said, there is much more likely to be some nibbling away at the big, relatively unseen headings, such as road maintenance, which is always the first to go.

Professor Gray: Given the size of our population, we spend a disproportionate amount of the budget on air and ferry links. However, those are regarded as lifeline services, so perhaps they do not have the same parameters for scrutiny as other spending lines. As Iain Docherty says, the process is far more politically sensitive when we start attacking our remote and island communities in such a manner. Such measures are difficult to repeal once the money has been made available. The same is true for concessionary fares.

Charlie Gordon: Nevertheless, what implications might a reduction in transport funding have for the potential roll-out of road equivalent tariff fares to the entire Scottish ferry network?

Professor Docherty: The same answer applies, although where there is a pilot project and something has not become universal, there is the attractive option of the fudge, which is to delay implementation. That is often politely referred to as moving something to the right on the timescale. That applies not only to revenue projects such as the road equivalent tariff, but to capital projects. At least in the short term, a sensible political narrative for any Government, whether the Scottish Government or the UK Government, will be about delaying, rescheduling, reprioritisation or other such terms, rather than not implementing or cutting back.

Professor Gray: There will be implications, because the extension of the scheme at this point would involve reopening the wallet at a time when we are trying to close it.

Shirley-Anne Somerville: We talked earlier about the importance of smaller projects, which is sometimes missed. One aspect that the committee has been considering for some time is the subject of active travel, or walking and cycling. Will budgets for walking and cycling take a hit when budget decreases are considered, or are they so small that they might be missed? Should we still attempt to increase those budgets? Where should such projects fit in the hierarchy of projects?

Professor Gray: They tend to be included in other lines in the budget and are easily hidden and not particularly transparent. The Cabinet Secretary for Finance and Sustainable Growth has alluded to that. Such projects are important in that they can deliver good returns for relatively modest

investment. I would like an active travel strategy—an explicit, coherent, strategic, integrated and costed strategy for all active travel measures. We could bring them out of different budgets, put them all together, appraise them fully—so that we get an idea of what works and what does not—and ring fence the funding. It would be almost a mini STPR for active travel.

Professor Docherty: David Gray and I might be in danger of disagreeing slightly for the first time this afternoon. I am a bit of a sceptic about the concept of active travel in the way that it is currently packaged. In essence, it is predicated on substantial revenue support—spending money on transport service subsidy—to enable or encourage people to do what they would be able to do anyway. In every other area of the economy, the purpose of capital investment is to reduce future revenue exposure by making the system more efficient and effective, but the active travel approach is precisely the opposite. I wonder about the focus on active travel and some of its claimed benefits. There is not much research about it. Some early research showed huge benefit cost figures, but the figures tend to be slightly more modest in more recent work. I wonder about the extent to which those figures are true and the extent to which the approach builds in wishful thinking.

That is not to say that the concept of having people travel more actively is wrong, because of course it is not. I wonder whether spending money on it is the right thing to do, although there is the obvious and powerful critique that that would be much cheaper than building lots of new roads. I would like a focus on something a little different that encourages active travel and addresses some of the maintenance issues that we have talked about. We talk about local roads and local road maintenance, and we are all guilty of building in the idea that that is about motor traffic.

I would also like investment in streets. The quality of the streetscape in this country is a national disgrace; indeed, it is why people do not walk and cycle as much as they should and why our urban road safety record is so bad. The urban environment, which is based on the street, is really poor and instead of gently encouraging people in suburban houses not to use their four-by-four every once in a while we might find it nicer to spend money on improving the environment for the many more people who use our streets for walking, cycling and bus journeys.

16:15

Professor Gray: Iain Docherty thought that he was disagreeing with me; actually, he agrees with me completely.

The Convener: Nice for him to be told that.

Professor Gray: By active travel, I mean not only smarter choices but capital projects involving cycle lanes, the streetscape and pedestrianisation, and by appraising I mean that we should look at what works and what does not work. There are grumblings about whether the smarter choices programme will deliver everything that it says it will over the long term, given the substantial revenue commitment involved in keeping people doing these things. However, having been involved with European partners in cities such as Bremen and Leeuwarden, I find it amazing what you can do when you invest in proper cycle lanes instead of simply painting a line at the side of the road. You can improve the urban realm as well as giving people a safe place to cycle.

That, I suggest, is one strategy: appraise the measures to see what works and then ring fence a funding pot to invest in them.

Rob Gibson: Last week, I made the point to Government planning officers that it is impossible to walk—and pretty dangerous to cycle—from the centre of Inverness to the main shopping centre on the golden mile. I know that you have answered questions on this issue but surely it is reasonable to assume that, in the huge developments that have already taken place, active travel should be possible. However, Iain Docherty does not seem to think that it is a good idea to spend money on that sort of thing for the outcome that we would get. Surely the ability to get round a town the size of Inverness should have been built in.

Professor Docherty: Of course it should have been built in. Just to be clear, I am sceptical about whether we should support people by making travel cheaper through revenue subsidy when they could make the same choices anyway. More people could choose to use the bus or other public transport, walk or cycle more often. I do not necessarily think that we need to spend more public money to encourage them in that respect.

I think that Professor Gray and I disagree far more with the previous panel than we do with each other. However, it is true that, because of the kind of growth that we have chased for decades, we have created a set of urban environments that, frankly, are not very good. They are car-dominated, are of very low aesthetic value and are not nice places. Indeed, I am sure that we could all share examples of such not-very-nice places in our own communities. The question is whether we can do something about that. Undoubtedly the answer is yes, but it is difficult because any such move requires making hard political choices about where we get the money from to invest in those places and make them better. For me, the answer is to tax the people who make them bad in the first

place. The big retailers would be the first in my sights, because the retailing environment has had a particularly bad if not disastrous effect on the public realm and the important spaces and places in many of our towns, villages and city centres. That investment priority is different from—and, to me, much more important than—the simple sticking plaster of living with the current settlement structure and hierarchy and somehow making them slightly less unsustainable by encouraging people to make the odd journey by bus. I fear that many active travel initiatives might well lapse into that.

Shirley-Anne Somerville: Witnesses, particularly academics such as yourselves, keep bringing up the concessionary travel scheme in discussions about the budget. I want to press you on your view that the scheme should be changed, reviewed or made different. What changes would you make? How would the scheme look in future if it were to be changed—indeed, if it were to exist at all?

Professor Gray: Perhaps there could be a maximum number of annual trips per cardholder. Much of what we are talking about is focused on discouraging unnecessary car use; perhaps we should also be discouraging unnecessary bus use. It is exactly the same thing. If we encourage someone to travel into town five times a week, that has a cost. If they have the resource only to travel in two or three times a week, that will cut the budget by 40 per cent—not including administration costs, of course.

Professor Docherty: For the benefit of any journalists listening to this conversation who try to edit it exotically to say that we are both against the concept of concessionary fares, it is important to say that that is not true. The point of the concessionary fares scheme was surely to make people in the groups who are eligible for it healthier, safer, more socially included and so on—that is a good thing. It would have been nice if we had thought about whether the concessionary fares scheme was the right way to do that before we introduced it, but we did not do that. The choice was made for particular reasons, but we are where we are.

I do not think that the kind of cap on the number of journeys that David Gray has talked about would in any way diminish the utility of the scheme for the people whose lives are made safer, more included and more comfortable by it. We want to help those people. However, we probably do not want to subsidise the famous man in a suit who is over 60 and commutes to work for free, because that is perhaps not the best use of public funds in a time of straitened financial resources, particularly if that person continues to make 90 per cent of his other journeys by car, for example. As

long as there is a research base to imposing a cap that allows us to understand properly the different kinds of use of the concessionary fares scheme, I do not think that a cap would disadvantage the people whom the scheme is intended to help.

At the same time, though, we should also think about whether we need to extend the scheme to other people. The question is always why some groups are eligible while others are not. There is a lot of research around about the importance of building in knowledge of public transport for young people in particular for the years when they become independent and start to travel by themselves, so that public transport becomes an option for them and they do not get captured by the car as soon as they are able and ready to drive one. Again, it is a difficult question. There will be short-term financial pressures to look at the concessionary fares budget, but we also need to think about whether we might save ourselves money in the long term by investing in it or perhaps changing the eligibility criteria.

Professor Gray: Absolutely. The cost of the scheme is now creeping up towards £4,000 per head of population a year, and it is about £194 million in total. The cost is obviously higher for taxpayers, but £4,000 per head of population per year is a lot of money. I have nothing against concessionary fares, but I fear that, with an ageing population, the cost to the revenue budget is going to spiral out of control. As Iain Docherty said, only one group is eligible for the scheme. It is obvious to me that we need to widen eligibility and manage the cost. The fine detail of how we do that is up to politicians. However, it is clear that the current blank cheque, on which the amount being filled in is getting bigger each year, is unsustainable at a time when we are trying to close the wallet, not open it further.

The Convener: Could I just check that the cost of the scheme is £4,000 per head of population?

Professor Gray: It is £194 million a year in the 2010-11 plans published by the Scottish Government.

The Convener: But that is not £4,000 per head for a population of 4.5 million or 5 million people.

Professor Gray: We divide £200 million by 5 million.

Professor Docherty: It is £400, is it not?

Professor Gray: Yes, sorry.

Professor Docherty: But even so.

Professor Gray: Even so.

Charlie Gordon: Professor Docherty talked about perhaps extending eligibility for the scheme to other social groups. Could or should we make a case for substantially extending it to other modes,

with wider eligibility for use on ferries and, crucially, on trains?

Professor Docherty: One could. However, the classic question that immediately arises is whether we have the capacity to do that. Further, would people make lots of trips simply because there is the opportunity to do so for free? Our railways are pretty full for large parts of the day, so the kind of non-time-restricted concessionary scheme that we have for the bus industry would be very difficult to justify or sustain if it were applied to the railways. Again, though, that does not mean that there are no other opportunities to make use of off-peak capacity.

We also have to be careful about the wider impacts of that, and again, I am mindful of the snippet of evidence that we heard from the previous panel. Exporting people to larger centres for free to spend their disposable income has big consequences for small local communities. Making travel cheaper has a geographical and social impact. It is often beneficial for the individuals concerned because it reduces the costs of what they want to do and gives them wider choices, but it can have quite a profound impact on the local economic and social viability of particular places, so we need to be careful with that.

Professor Gray: The other thing to say about that is that the scheme is biased towards urban areas because they have thicker bus services. If there is no bus service or access to some sort of subsidised taxi, people are disadvantaged by concessionary fares, which is an equity issue. Someone who lives in a remote island area that does not have a bus service, or has even a limited bus service, will make far more journeys by car. If they do not own a car, those journeys will be made in someone else's car and they will have the burden of giving others a lift to go shopping or, as is more likely, to health services or work. That most important element of public transport in its widest sense in remote, rural and island areas is not subsidised at all, but we are putting £200 billion into subsidising concessionary fares that are largely being used in large urban areas.

The Convener: I want to come back briefly to what to do about the scheme as a whole. Whenever the issue of smart ticketing comes up, we are often told that, before we know it, we will all have a little plastic card like the Oyster card on to which we might load money, or we might be able to load the equivalent of a flexipass, a season ticket or a particular route that we commute every day. Even if the idea of a cap on the concessionary scheme is a blunt way of describing it, are you saying that we should have a debate about the range of products that might be subsidised or free, to whom they should be

subsidised or free, and whether they should be part of an integrated smart ticketing system?

Professor Gray: Absolutely. I have argued for that for a number of years now, and my argument is based on equity and the remote, rural and island areas. A fixed amount of subsidy could be put on to a smart card for each individual in an eligible group, and they could spend it on bus travel or even air or ferry travel. If they rely on someone else to drive them because they have no or limited access to a bus, for example, they could use their smart card to pay for someone else's petrol. It could even be used to sustain turnover in local shops rather than driving to a supermarket. That would be a far more equitable and effective use of subsidy than the blunt concessionary fares scheme.

The Convener: That brings us to the end of our questions for you. Thank you both for your time in giving us evidence. We will suspend briefly to allow a change of witnesses.

16:28

Meeting suspended.

16:30

On resuming—

The Convener: I welcome to the meeting Steve Montgomery, managing director of First ScotRail; Kenny McPhail, finance director and deputy managing director at First ScotRail; George Mair, director of the Confederation of Passenger Transport Scotland; and Paul White, public affairs executive at the Confederation of Passenger Transport Scotland.

We have quite a number of questions first for the CPT and then for First ScotRail, but I will begin with a general question for the panel. What impact has the recent financial crisis had on passenger numbers and ticket revenues in each part of the industry?

George Mair (Confederation of Passenger Transport Scotland): In general terms, the industry's view is that, for the past 12 to almost 18 months, there has been an impact on patronage and revenues in most parts of Scotland. It has been a challenging time for the industry in general.

The Convener: Can you quantify what the impact is?

George Mair: It is likely that, after the growth trend that we have enjoyed over the past three to four years, patronage will hold or even decline slightly.

Paul White (Confederation of Passenger Transport Scotland): I agree. We have seen four years of growth and we will be lucky if it holds.

Steve Montgomery (First ScotRail): Like every industry, we have seen a decline. Last April, we saw a decline for the first time in any of the years of the current franchise. Such a dip was inevitable after the private sector started its downturn and many people were paid off. What is encouraging for us is that we have started to see a recovery over the past few months, particularly after the new year, although the weather blips have made it difficult to understand the trend. We saw a 3 per cent decrease in the early stages of the downturn, before it came back to the flat. We have now begun to see growth in the region of 2 to 3 per cent. That does not take into account the current disruption to air travel.

Kenny McPhail (First ScotRail): I support what has been said.

The Convener: My next question is for CPT Scotland. You say that the impact of the recession has been a levelling off, static levels instead of growth, and perhaps a decline in patronage. Have bus operators been forced to redefine or cut services—whole services or services for part of the day—to cope with the decreased revenue? What type of services are in line for such changes, and will the changes impact differently on various groups in society?

George Mair: It has been quite a unique scenario, in that, at the same time as the overarching economic situation has prevailed, the bus industry has been faced with uncertainties to do with concessionary travel and the bus service operators grant. It is within that mix of factors that the industry has had to consider the shape of the business, the investment and the services and suchlike that are operated.

It is fair to say that it is horses for courses in different areas of the country. In some areas, the partial removal of services and widening of frequencies is the first stage, moving on ultimately to the removal of services that the industry was previously in a financial position to support but which it is now saying can no longer be supported as commercial services and have to die. In conjunction with that, the industry is looking at the whole spectrum of costs that it faces and trying to be even more efficient than it has been in the past. It is taking a pretty broad-brush approach to trying to manage through this difficult time but, as Steve Montgomery said, things are on the turn, and the industry hopes to be able to put back in some of the things that had to go previously.

The Convener: Are you saying that there are parts of the country where services have not been reduced in that way, or has that happened pretty much across the board in Scotland?

George Mair: Across the board different types of changes have been made, from widening a

frequency in a high-frequency operation in an urban environment to looking at services in a rural area that are on a wider frequency. Across the country, different things have been happening, but there will have been impacts on networks pretty much across the board.

The Convener: If that is as a result of job losses in the wider economy, have commuter services in the rush hour been affected, or have other services been cut to reduce costs?

George Mair: Again, it is probably a mixed bag in different areas. In urban areas, for example, there has been a bigger decline in retail footfall, which has had an impact on the demand for high-frequency services. Operators in such environments have widened the frequency from a 10-minute to a 12 or even 15-minute frequency.

The Convener: Have local authorities attempted to step in to subsidise socially necessary routes, or are the pressures on local authority budgets making that impossible? Have there been any moves in that direction?

George Mair: There will have been a willingness in certain areas to sit down with operators and look at the situation. However, as you commented, just as the industry in general is struggling, so too are the local authorities. Money is tight. The general feeling that we get from our members is that, far from supporting additional services, local authorities are pulling back and reducing the number of tendered services that are being operated. That is certainly not the case everywhere, but it is in numerous areas in Scotland.

The Convener: So there has been a reduction in existing subsidised services.

George Mair: As opposed to an increase.

Charlie Gordon: There have been suggestions that some bus operators are using the current financial crisis to cut their marginally performing routes with the expectation that local authorities will step in and provide a subsidy for the continued operation of those services. How do you respond to those suggestions?

George Mair: That would be most unusual. The general feeling among our members, with very few exceptions, is that the local authorities have been pulling back on providing support for services. In that environment, it would be pretty risky to follow the strategy that you outlined. Matching resource to demand is the bottom line. If the demand is not there, the service has to be reviewed.

Charlie Gordon: In your view, has the revised reimbursement rate for the national concessionary travel scheme for elderly and disabled people had any effect on the provision of bus services?

George Mair: That is a difficult one to answer, given that we negotiated the arrangement. We negotiated a three-year deal, which gives the security to bus operators in Scotland that for the next three years—hopefully—we understand the revenue that will flow from that stream. The revision of the rate from 73.6p to 67p has inevitably had an impact. We spent a lot of time with officers and met senior politicians, and the package was agreed. Over the three-year period, there will inevitably be an impact.

Charlie Gordon: The original reimbursement rate, as I understand it, contained a proportion of start-up costs. With the completion of the installation of the electronic ticketing system—I think that it will be completed in the next few weeks—those start-up costs are no longer present. Earlier, you mentioned the bus service operators grant. I understand that it will grow in parallel over the next three years, by 10 per cent gross.

George Mair: You could spend a hellish lot of time trying to get to the bottom of the argument on start-up costs. Lots of consultants have made a fortune on that piece of work over the years. There has been a cost, which was borne by the operator at the start of the scheme. There has been substantial growth in patronage, and the operators have had to put in some resource. That resource has not been removed. There has been additional mileage and additional vehicles. When the original agreement was reached, it was accepted that the reimbursement was correct. There has been a review and, although we did not necessarily agree with all the conclusions, in the interests of getting agreement and moving forward we are where we are now.

Charlie Gordon: Following negotiations, you signed a deal, but no doubt some of your members are not happy.

George Mair: I guess it is like being a politician.

Charlie Gordon: What is your view on the long-term financial viability of the national concessionary travel scheme for elderly and disabled people? You were no doubt sitting listening to our discussion with the previous witnesses.

George Mair: With the distinguished witnesses, yes. We were disappointed that some of the issues that the guys raised were discounted at an early stage. Things such as age criteria and the availability of the scheme for use for morning journeys pre-peak time were discussed as part of the general review that took place in 2006. There was nothing new there. Everything that the witnesses said was part of the mix of things that we had proposed. We attempted to put a value on some of them. If concessionary travel before 9

o'clock in the morning is reduced, that might include the 60-year-old guy going to his work at the Bank of Scotland to whom you have given a nice concessionary card.

It is a political decision. You are the paymaster, you decide who participates in the scheme and we operate the scheme on your behalf. There was nothing new in the things that the previous witnesses quoted. They formed part of the review and the Government decided, for its own reasons, not to adopt those options. The Government decided, under the three-year review that we agreed with, that there would be no change to the eligibility criteria.

Charlie Gordon: There are two things to say about the review. First, in 2006, the country was not in the present financial pickle. Secondly, the review was pretty much bilateral, not a big general public consultation. It was mainly the CPT in dialogue with the Scottish Government—starting under one Administration and carrying on under the incoming Administration.

George Mair: I am not sure how many consultees were involved, but there is a fairly substantial list in the back of the report that was produced. I was not directly involved at the time, other than being an operator's managing director, but there is an indication of the others who were involved in the consultation.

Charlie Gordon: The CPT had suggestions, which it could revive, as to how the concessionary travel scheme could be altered, if that was thought necessary to keep some control over the emerging costs to the public purse.

George Mair: Yes, and I would be happy to share those views with you at a meeting or at any time, Mr Gordon. We put forward some suggestions in the past. A decision was reached, and we operate the scheme as the Government sets out.

16:45

Shirley-Anne Somerville: Charlie Gordon has already mentioned the bus service operators grant, but I have a further question on it. The Government is committed to reviewing the grant, so what would the CPT like to see come out of that review?

George Mair: I guess we would ask you to take a step back. Originally, BSOG was introduced as a protection mechanism for passengers. Each year, the Chancellor of the Exchequer would announce an increase in fuel duty, and the operators would react to that. With the advent of BSOG, customers were protected to an extent from the full impact of fuel prices going up. That has now been removed and there is no linkage to fuel duty increases in

Scotland. We understand that there is a scheme for the next year, based on current arrangements but, as an industry, we are not yet clear where that will go beyond 1 April 2011. We have ideas about links to low-carbon vehicles, which would fit with the Government's policy on reducing the carbon impact. We will engage with officers at Victoria Quay over the next few months to try to come up with a scheme that better reflects the Government's aspiration and protects the mechanism to help customers.

Shirley-Anne Somerville: I suppose then that we are looking at what different Government priorities we are trying to achieve with this one grant. Should BSOG still be related to fuel prices? Do you envisage the new climate change agenda being involved? What priorities do you want to see in framing a scheme?

George Mair: It is right that we have a look at the mechanism, but the beauty of BSOG was that it was simple, worked well and protected the customer. We have changed something because of fear about European legislation. It strikes me that the changes that have been made are perhaps bigger than required and call into question more the legal challenge from Europe than the original arrangement. We must work hard with the officers at Victoria Quay over the coming months to try to get something sensible and practical in place that still does the original job.

Shirley-Anne Somerville: Perhaps what you are getting at is that we are trying to tick too many different agenda boxes with one grant. Should the Scottish Government be providing additional support for bus operators on top of BSOG and the concessionary travel scheme, whether directly or through local authorities?

George Mair: I guess, as an industry, we are not looking for any further support than is already there. It is true that parts of Scotland, particularly the more rural parts in the Highlands and suchlike, are dependent on support but, in general, Scotland has a highly commercial bus network. I am not aware of any pressure from members to seek additional support for bus services. The support is there; we just want to see it being delivered and operators using it sensibly and on the basis of good value. At the end of the day, the legislation allows local authorities to fund services that they feel are needed socially. However, as we have discussed, the instances of that are reducing and will, I think, continue to reduce over the next few years as money gets tight.

Rob Gibson: I have a general question for First ScotRail to start off with. Can you demonstrate that FirstGroup provides value for money in its operation of the ScotRail franchise?

Steve Montgomery: Yes. That can be seen in what we have delivered, using FirstGroup as the overseer. Our bid to run the ScotRail franchise and last year's deal to extend it have offered good value for money. As someone said earlier, Audit Scotland has looked at that, and there appears to be a good return. When the deal was settled, no one realised that the economy would drop back, but a commitment had already been made for £70 million additional expenditure on railways in Scotland. The franchise is run well; we get a lot of support from FirstGroup, which values the franchise.

Rob Gibson: I want to consider in more detail service delivery for passengers within that. On long-distance journeys in Scotland, people have to endure three and a half to four hours on commuter sets, with no hot drinks in winter, because they run out when the train is busy, and erratic heating systems. Also, organisation seems to go totally awry when we get bad weather. I wonder whether passengers on the services that I use feel that they are getting value for money.

Steve Montgomery: On your first point, the rolling stock is the stock that was available in the franchise when it was signed in 2004. As you will be well aware, new rolling stock would mean a huge additional cost to the franchise, which the Government would have to meet. Given the distances that we travel to and from Inverness—a three-and-a-half hour journey—it could be argued that we should put on the Intercity-type stock of high-speed trains. However, that would represent a huge expenditure. Can we justify such expenditure? It is not the franchise holder that would have to meet that cost; it would be a future Government.

On the provision of coffee, inevitably there are times when the service runs out on the train. Many parts of the provision of catering services—for any operator, not just ScotRail—run at a heavy loss. Such services are heavily subsidised within the franchise. Initially, the service was franchised out, but we took it back in-house because of the quality, which has now improved dramatically. We could improve it further, but we have to consider the issue in an economic sense and say that it does not make money. We must also consider our responsibilities to our customers, particularly on routes in the far north. Therefore, we must strike a balance, and accept that we will have a loss on that service. It is unusual for us to run out of stock as often as you imply. We may be criticised for having no one on the train, but not for running out of stock.

On heating, we have failures of our heating systems, but we have spent a lot of money to try to improve the situation. There have been extreme temperatures this year, which have made it difficult

to get trains up to any level of heat and to keep systems running. Your criticism of the chaos that ensued during the adverse weather is a bit unfair. ScotRail kept running when many operators decided just to get out. Considering that people had to work in -17°C and use steam lances to try to blast off ice under units to keep them running, it was difficult to run services. I do not think that things were chaotic or shambolic. They were challenging circumstances, the like of which we had not seen—certainly in the past 30 years, if we look at the weather archives. As always, there were lessons to be learned. We did a lot of work after the winter to consider how we can improve next year. We will see further improvements if we are hit with those conditions again.

Rob Gibson: My questions were specifically about the lack of hot drinks. We might ask why you cannot refill the flasks. When I talked about erratic heating systems, the issue was not just to do with this winter; there is a long-term problem with the trains. If that is value for money, I ask whether the passenger should expect better.

Steve Montgomery: I was speaking in general about the heating systems. There were problems before, and there were problems during the winter that exacerbated things, but we have invested in the heating systems. We have carried out major enhancements to the air conditioning and heating systems on the 170, 158 and 156 units. A lot of work has been done to enhance those systems over the past couple of years.

You spoke about running out of hot water. Where do we top up the hot water on the services that you have been speaking about? Going from Inverness down to the central belt, Perth is probably the only main location where the station is manned all day.

Rob Gibson: I wanted to divert on to some of those realities—I note that we need to consider the question of value in more detail. I want to have a constructive discussion about that.

Does the current First ScotRail franchise agreement allow for the Scottish Government to reduce payments to FirstGroup without major reductions in services?

Steve Montgomery: We have a franchise service delivery requirement, which is a set cost over the length of the franchise. The Scottish Government could approach us and negotiate a change to it, but that would have to be a negotiated settlement.

Rob Gibson: Where does the financial risk lie should there be a major drop in ticket revenue on the ScotRail network: with FirstGroup or with the Scottish Government?

Steve Montgomery: It lies with FirstGroup.

Rob Gibson: Why is that the case?

Steve Montgomery: That was agreed under the franchise extension. Previously, we had a cap whereby we could earn so much, and then we paid 80:20. If revenue fell below a certain amount, that would attract revenue support. The revenue support that we have now is far more extreme, in that we would need to lose—or gain—significant amounts of revenue before going into the support mechanism.

The Convener: To be clear, if revenue goes up, that brings an additional benefit to FirstGroup compared with the previous arrangement, but if revenue goes down, there is not a reduced benefit to FirstGroup, compared with the previous arrangement.

Kenny McPhail: Previously, there were quite tight arrangements for revenue support and revenue share. Under the new arrangements, there are much wider parameters. We have to gain significantly more before revenue share applies, or lose significantly more before revenue support applies. The parameters for the support and share mechanisms are far wider than they were previously.

The Convener: I had understood the description properly—that is fine.

Kenny McPhail: In between, it is all FirstGroup's risk when it comes to revenue.

Alison McInnes: What has FirstGroup been doing to increase passenger numbers, and therefore fares revenue, on ScotRail services since the franchise was extended? How successful has that been?

Steve Montgomery: It has been successful in that there was steady growth in every year of the franchise until the economic downturn. Where there have been enhancements to services and new services have become available, that has helped the situation. There has been a turnaround from the previous franchise, with greater investment being put in—in staff training, in the quality of the units and in the number of staff we employ to carry out cleaning, for example. Customers are now seeing a difference thanks to many of those enhancements. That is why we got good scores nationally for what the customer sees. I will not take away from what Rob Gibson said, however. We have to keep improving, and there is still a long way to go.

Fares wise, we have put good promotions out into the market. We were the first train operator to do kids go free, so that an adult can take two kids for nothing. We have a club 55 promotion, which means that over-55s can travel anywhere in Scotland for £15. All those promotions have

helped to grow our revenue over the years and have proven to be successful.

17:00

Alison McInnes: Which one of those has been the most successful at increasing your passenger numbers?

Kenny McPhail: We do club 55 on a promotional basis and it does very well at generating passenger numbers. Kids go free is all year, and that also helps, particularly during school holidays.

Alison McInnes: How often do you run club 55? Once a year?

Steve Montgomery: About three times a year.

Alison McInnes: ScotRail increased some of its unregulated fares by 3 per cent at the beginning of January this year. Will you explain why that was necessary?

Steve Montgomery: We looked at our fares basket and increased only a small number of unregulated fares by 3 per cent. We looked at areas in which we believed that we had not carried out increases in previous years or in which we believed that there was scope for an increase that would not significantly damage patronage.

Alison McInnes: Were those increases equitable throughout Scotland? Did they impact on any particular section of society or area?

Steve Montgomery: They related more to a particular product. We protected certain areas, such as the Highlands, where there was less movement and where passenger volumes were dropping on certain fares.

Alison McInnes: What is the annual profit to FirstGroup from the ScotRail franchise?

Kenny McPhail: I can tell you what the profits were for the year ending March 2009. I think that it was around £12 million, but I may have to confirm that by going back to the records from a year ago.

Alison McInnes: Will you confirm that?

Kenny McPhail: Yes.

Alison McInnes: That would be useful.

Finally, how much additional annual subsidy will the Scottish Government have to provide you with to operate the Airdrie to Bathgate route, which is due to open?

Kenny McPhail: The figures relating to that have not yet been agreed.

Alison McInnes: So you are still in negotiations on that.

The Convener: You may have heard the discussion with the previous panel about what might happen in future and about the fact that the rail network has been identified as one of the big-ticket items in the Scottish Government's transport budget. There were arguments about whether there is legal competence or political will for a vertically integrated network, what benefits could flow from that and whether it should be run directly by the public sector, on a not-for-profit basis, or on some other basis. Would you like to respond to the arguments that we heard from previous witnesses?

Steve Montgomery: We picked up small snippets from Iain Docherty and David Gray, but I do not know what was said prior to that. On how the franchise is set up, it is difficult for us to make a great deal of comment on what the future holds. A lot will depend on what Government wants and whether the private sector runs the whole operation or it begins to go back into public ownership. One issue is whether we would have the same level of investment in the ScotRail franchise if it were not in the private sector. If the franchise went into the public sector, would it have to compete more for the money that is available? There are probably arguments both ways on the issue of how the franchise might be run in future.

The Convener: The argument about competing with other Government priorities still applies in the negotiation of a franchise. A transport minister will argue for the resources that he or she might want to put into that particular priority against other Government priorities.

Steve Montgomery: There is the issue of whether the franchise is for seven years or 11 years. People set out their stall early on and are committed to that, although the parameters can change if the Government wants them to. People know what they will be committed to over the length of an Administration, or two Administrations, depending on the length of the franchise.

The Convener: If the current Government or a subsequent one came to you and said that it was in a difficult hole, was expecting cuts and needed to sit down and talk about the rail network and where it could take out some costs, that would be the subject of perhaps quite complex negotiations. What would First ScotRail's stance be on that? What likelihood would there be of identifying areas where there might be an outcome?

Steve Montgomery: Our stance is that we have to be open to looking at that, depending on the circumstances. If there is pressure on Government finances and rail takes up a lot of those finances, we would be open to look at that. We have an awful lot of data that we would obviously make available. Decisions would have to be made after

that, whether on service cuts or whatever. The franchise itself accounts for a lot of cost, but there are heavy infrastructure costs, too, associated with Network Rail. There are a lot of fixed costs in the franchise, one of which is Network Rail and another of which is rolling stock. Many of them are unmoveable within the terms of the franchise, particularly the rolling stock companies and the Network Rail track access charges.

The Convener: Would there be options to explore that would not involve service cuts?

Steve Montgomery: Within the terms of the franchise, that would be quite difficult. As I said, most of the costs are made up of track access charges and rolling stock leasing costs.

The Convener: As there are no further questions for the panel, I thank you all for the time that you have spent in answering questions. Before moving on to the next item on the agenda, I suspend the meeting briefly to allow the witnesses to leave.

17:06

Meeting suspended.

17:07

On resuming—

High-speed Rail Services

The Convener: Agenda item 3 is a discussion of our response to recent developments in relation to high-speed rail services. Members have been provided with a paper that outlines some of the recent developments and looks at options for us. Obviously, we do not know what the UK Government's stance will be after 6 May. We are not looking for a discussion here today that involves people defending their particular priorities for what the UK Government ought to do. The issue is what our stance should be after the UK general election, regardless of the outcome. One suggestion is to see whether we can take evidence from the Glasgow-Edinburgh collaboration initiative. I am not sure whether people have views on whether that should be done formally or informally. The other suggestion is to approach whoever the UK transport minister is after the election.

Charlie Gordon: Apart from anything else, time does not permit discussion of this. I assume that we have all read the paper. I am happy with what I will call the recommendations in paragraph 21. However, I think that we should try to keep the issue moving along.

Shirley-Anne Somerville: I agree with Charlie Gordon and support the recommendations in paragraph 21. I know that we have a very tight work plan, but I think that it would be useful to have some informal sessions at least. As Charlie said, we can keep the issue moving along, and try to do so in public sessions. However, if time does not permit that, informal briefings are certainly better than nothing. Having said that, I would like the committee to keep the issue on the formal agenda.

Rob Gibson: Discussions with Lord Adonis are always business-like. Indeed, he sent us important information about the likely stance of any alternative Government, which will be practical as well—there may be tweaks here and there. However, the question about having access to a fast rail service from both Glasgow and Edinburgh is quite important. A Glasgow-Edinburgh collaboration is a different matter. I would be very wary about that. We must make it quite clear that we are still looking for discussions that allow both Glasgow and Edinburgh services to become high speed, and that it is not about a link between the two cities.

Charlie Gordon: I agree with Rob Gibson's point, but I am satisfied that what has now emerged into the public domain shows that we have won the argument about having a Y-shaped

service that will enable high-speed trains to start in and return to both Glasgow and Edinburgh.

The Convener: I thank members for their comments. I assume that we are content for the clerks to explore inviting the appropriate UK Government minister to come and give evidence. In advance of that, we will explore with the Glasgow-Edinburgh collaboration initiative what the most suitable format would be, based on the range of people that it would like to bring before us. It may want to have a much bigger group to discuss the issue with us, in which case a round-table format or an informal briefing might be better than having a witness panel. However, we will explore the options and keep members up to date.

Transport and Land Use Planning Policies Inquiry (Witness Expenses)

17:11

The Convener: Under agenda item 4, I seek the committee's agreement to delegate to me responsibility for arranging for the Scottish Parliamentary Corporate Body to pay, under rule 12.4.3, any witness expenses in relation to the inquiry into transport and land use planning policies. Is that agreed?

Members *indicated agreement.*

Budget Strategy 2011-12 (Witness Expenses)

17:11

The Convener: Under item 5, I ask for the same responsibility to be delegated to me in respect of those giving evidence on the budget strategy. Is that agreed?

Members *indicated agreement.*

Subordinate Legislation

Members *indicated agreement.*

Meeting closed at 17:12.

**Road Traffic (Permitted Parking Area and
Special Parking Area) (Renfrewshire
Council) Designation Order 2010 (SSI
2010/96)**

**Parking Attendants (Wearing of Uniforms)
(Renfrewshire Council Parking Area)
Regulations 2010 (SSI 2010/97)**

**Road Traffic (Parking Adjudicators)
(Renfrewshire Council) Regulations 2010
(SSI 2010/98)**

17:12

The Convener: Item 6 is subordinate legislation. We have three Scottish statutory instruments to consider. Members have the briefing paper in front of them. There have been no motions to annul these negative instruments. The Subordinate Legislation Committee had comments on one, but we are satisfied by the Government's response. Are we agreed that we do not wish to make any recommendations on the instruments?

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