



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 21 September 2010

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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Tuesday 21 September 2010

CONTENTS

FINANCE AND SUSTAINABLE GROWTH	Col. 3269
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**TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE
20th Meeting 2010, Session 3**

CONVENER

*Patrick Harvie (Glasgow) (Green)

DEPUTY CONVENER

*Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

*Jackson Carlaw (West of Scotland) (Con)
*Rob Gibson (Highlands and Islands) (SNP)
*Marlyn Glen (North East Scotland) (Lab)
*Charlie Gordon (Glasgow Cathcart) (Lab)
*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:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)
David Wilson (Scottish Government Energy Directorate)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 2

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 21 September 2010

[The Convener opened the meeting at 13:45]

Finance and Sustainable Growth

The Convener (Patrick Harvie): Welcome to the 20th meeting this year of the Transport, Infrastructure and Climate Change Committee. I remind everyone that all mobile devices should be switched off, not just on silent. We have no apologies for today's meeting, but Alasdair Allan is expected to be attending as a substitute for Shirley-Anne Somerville, and Rob Gibson has indicated that he will be a little late.

We have only one item on today's agenda, which is the taking of evidence from the Cabinet Secretary for Finance and Sustainable Growth, John Swinney. He is joined by David Wilson, who is the director of energy at the energy directorate, and David Middleton, who is the chief executive of Transport Scotland.

Cabinet secretary, do you want to make any brief opening remarks?

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): If I were to make an opening statement on the range of issues that we might possibly cover, it would take a long time. I thought, therefore, that I would leave it to the committee to choose areas of interest.

The Convener: Excellent. A relatively new topic, following the statement on the legislative programme, is the anticipated bill on Scottish Water. What process led up to that announcement? What soundings were taken within the industry to assess the level of support for the particular approach that the Government is taking? There is an expectation that there will normally be full consultation on bills. Has there been a consultation in this case?

John Swinney: You are right to say that the bill is a new proposal on the agenda, but I do not think that the discussion about the future of Scottish Water or the water industry in Scotland is at all new. The issues have been well rehearsed pretty openly on a host of occasions.

The committee will be aware that the independent budget review considered the issue and some of the options. With regard to the level of support for the proposition, it is clear to me—and charted by the independent budget review—that there is no broad support for a change in the

status of Scottish Water. That is crystal clear. Therefore, the Government is trying to reflect the fact that there is widespread support and enthusiasm for retaining Scottish Water as a publicly owned asset while finding ways to ensure that Scottish Water can build on the strengths that it has to make a greater contribution to the Scottish economy.

We could have gone through a consultation process, but a year might have passed before we got through all the various elements. The Government took the view that we had an opportunity to recognise what is clearly recognisable, which is that the public mood is for Scottish Water to remain in public ownership and to find ways of strengthening that. Obviously, the bill will be subject to detailed consideration by this committee—I presume—and by the Parliament, and a range of considerations will be taken into account during that time.

The Convener: If the statement had simply been that the Scottish Government remained committed to Scottish Water staying in public ownership, that would not have been seen as a change in position, and no one would have expected a consultation on whether the Government should decide not to change its position. However, in his statement to the Parliament, the First Minister put quite an ambitious emphasis on not only retaining Scottish Water as a publicly owned water utility but on turning it into a major—possibly the biggest—renewable energy generator in the public sector. There might be widespread support for that approach, but I wonder how that support was gauged, whether that scale of ambition is realistic and, given that you argue that there has not been time for consultation on the matter, how you intend to ensure that you bring the industry with you with regard to the proposal.

John Swinney: Perhaps I did not make myself clear enough on that point. I have discussed with the leadership of Scottish Water, on a number of occasions, development initiatives to strengthen the role of Scottish Water and allow it to become a much greater economic generator, particularly in renewables. I discussed it with the board some months ago, and with the chairman and chief executive in the run-up to the formulation of the proposals that the First Minister announced in the Parliament. The Government's thinking has been enhanced and developed as a consequence of that dialogue with the board and leadership of Scottish Water, who had a great deal to contribute to the process. We will continue that active dialogue with the leadership and management of Scottish Water and with other stakeholders.

The Convener: Do you anticipate that the renewable energy industry will raise any issues

about the entry into the market of a major public sector player?

John Swinney: I would not have thought so.

The Convener: You would not have thought so?

John Swinney: I would not have thought so.

The Convener: What about the potential impact on Scottish Water's core duties as they stand? Will you tell us a bit about how this change will work in practice? What legislative changes are needed to Scottish Water's powers?

John Swinney: The existing governance arrangements of Scottish Water require a clear separation of what is described as its core and non-core activities. No part of the Government's proposals will interrupt that distinguishing of responsibilities. They have to be reported on separately, and they would be managed in a fashion that reflected the governance requirements of Scottish Water's core and non-core activities. The process of governance, monitoring and accountability would be undertaken transparently.

The Convener: Will you expand on the phrase "world water issues" that the First Minister mentioned in his statement to the Parliament? What role is being conceived for Scottish Water or for the Scottish Government in addressing those issues?

John Swinney: As the months and years go by, the intensity of the debate on water is increasing. It has been clear for a considerable time that water will become a significant resource in world affairs and in relation to the global issues that we all face. We find ourselves in a strong position. We have an effective, well-managed and efficient water utility in public ownership that can act in the public interest and which is able to demonstrate, in a host of ways, an aptitude for wrestling with the challenges of water supply that will undoubtedly affect many societies in the years to come.

It is also the case that water is a significant economic resource, a consideration that can play into some of the debate around those questions. When the First Minister used the phrase "world water issues" he was referring to exactly that material. We recognise the significance of these questions in international debate and we should use the strengths that we have—essentially, the intelligence, leadership and operational effectiveness of Scottish Water—to contribute to that debate. We should also develop, out of that concept of excellence within Scotland, ideas about the management and resolution of some of those difficult issues and use the capability that we have within Scottish Water to assist in resolving some of those questions.

In among all that activity, the First Minister mentioned in his statement to the Parliament and in his responses to questions some of the opportunities that exist in terms of the international debate about water. Those form part of our thinking as to the opportunities that may be generated for debate in Scotland—and for which there is a domestic economic return. We must try to develop some of those opportunities.

There is a recognition that water will become a more significant political and economic issue in the years to come and that we have something significant to contribute to that debate through the strength of Scottish Water.

The Convener: Finally, can you tell us anything about the timing? When do you expect to be able to introduce a bill? There might be an expectation that the Parliament will consider referring the bill to this committee, so it would be helpful to have an idea of the timescales.

John Swinney: The bill has been drafted. I hesitate to say more, as I do not know whether to do so would be to break some protocol, but I will say what I was going to say anyway. The bill has been given to the Presiding Officer for his purposes—if I have broken any protocol in saying that, I apologise. It has gone to the Presiding Officer and he will consider it. I hope that the clerk can advise me that I have not broken some protocol.

The Convener: You have not, as far as I am aware. So, we can expect the bill imminently.

John Swinney: It is now in the hands of the Presiding Officer, for his consideration.

The Convener: Thank you.

Charlie Gordon (Glasgow Cathcart) (Lab): Cabinet secretary, I will take you back to the potential impact on Scottish Water's core activities of the proposed water bill, which will facilitate the expansion of non-core activities. I understand that some of the working capital for the new activities might initially come, in part, from water charges, which are a key part of Scottish Water's income. It strikes me that there is an element of risk involved in that. How will that risk be managed, controlled and perhaps even capped?

John Swinney: A rigorous governance framework must be in place. That is the point that I made in my answer to the convener about the separation of functions—if I can call it that—between core and non-core activities. There must be a governance framework in place that poses no more than the risk that is ordinarily carried. Water supply is not a risk-free business, but the governance framework must ensure that there is no greater degree of risk to the core activities than has been the case in the past as a consequence

of the steps that the Government is taking. As I said to the convener, we need that governance framework to be distinct, and I expect that to be a material issue that the Parliament will test when it scrutinises the bill.

The Convener: We now move to a different subject, but stay with Charlie Gordon.

Charlie Gordon: Given the expected budget reductions, has Transport Scotland—or, indeed, have you—ranked or prioritised investment in any particular transport projects?

14:00

John Swinney: As Mr Gordon will appreciate, our preparations for the spending review recognise that there will be significant constraints on capital expenditure. As far as transportation projects are concerned, the Government has made it clear that its primary new transport priority is the Forth replacement crossing and that will obviously have an effect on both the transport and the non-transport projects in the remainder of the capital programme.

Projects have to be prioritised because, as I say, resources will be severely constrained. We have already had to wrestle with reductions in what we expected our 2010-11 capital budget to be, and I expect the 2011-12 capital budget to be about £600 million to £700 million less than would ordinarily have been expected. As a result, projects across the whole Government will have to be prioritised.

Charlie Gordon: In house, though, have you made any decisions on deferring or cancelling projects that you might not be quite ready to announce?

John Swinney: We have taken no decisions on that yet.

Charlie Gordon: How does Transport Scotland intend to review its strategic planning documents, such as the strategic transport projects review, in light of possible reduced budgets?

John Swinney: The purpose of the strategic transport projects review, with which the committee will be very familiar, was not just to create a list of major capital projects to be undertaken but to look at hundreds of transport development options, identify a range of projects that might enhance the utilisation of the transport network's existing capacity, and examine how certain changes to services and provision could expand transport capacity. Essentially, it was a framework that covered the range of possible options that could be taken forward not over two or three years, but over 20 years, and created an agenda that Government could consider, spending

review by spending review, to see what could be achieved over that period.

This spending review gives us the opportunity to look at the material that was generated in the STPR, which was published back in 2008, and from that analysis will emerge the transport priorities for the period going forward. Our information base is very robust, but we will clearly have to make choices, which will be announced as part of the overall spending review process.

Charlie Gordon: What impact will budget reductions have on transport revenue budgets such as concessionary fares or the bus service operators grant?

John Swinney: I said that capital budgets will be under pressure. Revenue budgets will also be under financial strain, although in percentage terms perhaps not as acutely as capital budgets, and what the Government has done is to recognise some of the challenges that will emerge in that respect.

Earlier this year the Minister for Transport, Infrastructure and Climate Change and I negotiated with the bus companies a change to the reimbursement rate for the concessionary travel scheme. That gave us protection around access to the bus network and the availability of routes, and some certainty on the scale of the financial commitment that would be made to the scheme.

As part of that discussion we reached an agreement on the level of the bus service operators grant, but the change in the rate will, between the two operators, still deliver a net saving to the public purse without in any way affecting access to or eligibility for the concessionary travel scheme for members of the public.

Charlie Gordon: I will press you on that answer, because at that time we gained the distinct impression that the compensation rate was being reduced because the investment period for the bus operators' start-up costs—for new ticketing equipment, for example—had passed. Are you now saying that the deal that was done will ensure that substantially the same commercial bus network will be in place for the next couple of years?

John Swinney: Yes.

Charlie Gordon: We will look at that in the light of what happens on the ground.

Jackson Carlaw (West of Scotland) (Con): From the response that I received to a written question that I lodged not so long ago, it seemed that the number of journeys in the concessionary travel scheme had declined where the costs had gone up. I know that the Government has

responded to that by renegotiating the scheme. Is that already impacting on the costs of the scheme? You allude to an overall saving to the public purse. Can you identify, based on a parallel number of journeys, the saving that you expect to be realised?

John Swinney: The revised reimbursement rate is effective from 1 April 2010, so there will be benefits to the public purse in the current financial year, and we expect those to recur in the years to come.

The challenge posed by the concessionary travel scheme, as Mr Carlaw will appreciate, is that usage levels may well increase. I suspect that the lower usage levels that were quoted in the response to Mr Carlaw's parliamentary question were more than likely due to the weather conditions that we experienced at the start of 2010, if I recall the timing correctly. I suspect that that would have been a contributory factor: senior citizens were perhaps making fewer journeys at that time because of the difficulties of getting out and about.

We have negotiated a reduction in the reimbursement rate, and we expect that to generate savings to the public purse.

Jackson Carlaw: Can you quantify, for a parallel number of journeys during the 12-month period, the savings that you expect that to realise for the Government?

John Swinney: The net saving, taking into account the increase in the bus service operators grant, is of the order of £6 million. That is the number in my head; I will let you know if it is incorrect.

Jackson Carlaw: Set against the overall cost of £191 million to maintain the scheme, it is quite a modest saving.

John Swinney: I would not say that it was modest.

Jackson Carlaw: It is modest in comparison with the various options that the independent budget review identified, although I appreciate that those were more substantial in scope.

John Swinney: But that takes us on to a different question with regard to the eligibility criteria for the concessionary travel scheme. The Government has made clear its view that the eligibility criteria should be maintained as they are, but the independent budget review sets out options that are based on restricting eligibility, either by limiting the period during which access to the bus network would be free, imposing a charge or raising the age threshold at which one would gain access to the scheme.

Jackson Carlaw: I appreciate that, and I appreciate that we are not seeking to go into those bigger issues, but, in essence, the Government's response to the independent budget review was to say that it has renegotiated the overall terms of reference of the scheme. In practice, the sum of money that will be saved is modest relative to the amount that would be saved under the other options that the independent budget review canvassed.

John Swinney: The figure that I gave the committee is a net figure that is based on the renegotiation of the reimbursement rate and an increase in the bus service operators grant to take into account various factors such as the increases in the cost of fuel, which is one of the key drivers of the grant. I would have to check the numbers, but my recollection is that the number that is generated purely and simply by the change to the reimbursement rate is about £12 million or £13 million.

The Convener: We will come on to specific transport projects and services but, while we are touching on the financial situation, I have a question on the independent budget review. The report recommends that the Government

"consider the feasibility of adopting road user charging as a means to ... better managing the use of the existing transport networks and financing improvements to those networks."

Will the Government act on that recommendation?

John Swinney: I cannot answer that question, because the Government is conducting its consideration of the independent budget review and we will give a full response as part of the budget in November. We have set out our position on a number of questions and I have left open a range of others. I would not want that to be perceived as an indication of the likelihood of the Government taking forward all the ideas in the independent budget review report.

The Convener: So no decision has been taken on that yet.

John Swinney: No decision has been taken.

The Convener: We will move on to some specifics.

Alasdair Allan (Western Isles) (SNP): Apologies for being slightly late, convener.

It will not come as a great surprise to the cabinet secretary to hear my name again associated with the letters RET. I must declare a bit of a constituency interest when I talk about ferries. Will the cabinet secretary comment on the extension of the road equivalent tariff pilot scheme by a further year in the Western Isles, Coll and Tiree and the rationale behind that?

John Swinney: The rationale is based on the fact that we have seen a number of indications of a positive benefit in volumes of traffic and activity in the affected islands, which the Government obviously welcomes. RET was taken as a measure to encourage economic development in some of our more fragile island economies. As a consequence of it, we have seen an increase in activity in those areas. We clearly committed to undertaking an evaluation of the pilot RET exercise when the scheme was to conclude, which was the spring of 2011. We faced a practical difficulty in that the projections of timetabling, fares and charges for 2011-12 require to be set well in advance of the start of the year, so we decided to extend the pilot to enable operators and users of the services to plan accordingly while we undertook the RET evaluation. The early indications are that the RET pilot has been successful, but we need to undertake the evaluation to come to conclusions and identify the next steps.

Alasdair Allan: Will the study specifically consider lessons that might be applicable elsewhere and will it consider the impact on the tourism industry in the islands concerned?

John Swinney: Yes. As a fairly frequent summer visitor to the islands of Scotland, I know the beneficial impact of RET in the tourism sector. The evaluation will look at a comprehensive range of impacts, and the impacts on tourism will be a significant category.

14:15

Alasdair Allan: I do not know whether the cabinet secretary has had a chance to look at this morning's story, but I see that the argument against the extension of RET for a further year has been framed in the form of a potential challenge to its legality. Will the minister lose any sleep over that?

John Swinney: I am pleased to say that Dr Allan is ahead of me in his scrutiny of the press cuttings, because that is news to me. The Government would not be undertaking the RET pilot if it were not legal.

Alasdair Allan: I did not think that it would be.

There has been some debate about the differing subsidy regimes for different island groups in Scotland. How do the sums of money that are made available to the Western Isles compare with those that are made available to other island groups in Scotland, for instance the northern isles?

John Swinney: I do not think that I have all the comparative information in front of me—

Alasdair Allan: My point is that the Western Isles is not the only part of Scotland to have a regime involving subsidy.

John Swinney: That is undeniable.

Let me see whether I have figures that I can share with the committee on the scale of the public subsidy to ferries. Here they are: the Government's support to the northern isles ferry service has increased year on year from £29 million in 2007-08 to £36.2 million in the current financial year, which represents an uplift of some 25 per cent. As far as the overall pot is concerned, the financial support that the Scottish Government provides to NorthLink Ferries is about 59 per cent of the cost of providing those services.

Other subsidies are available to other island groupings as part of the ferries budget. In 2009-10, the Government spent £106.5 million on providing lifeline ferry services in Scotland, so we make a substantial financial contribution to the provision of ferry services to all our island communities. It is by no means just the Western Isles whose ferry services are subsidised.

The Convener: A number of members have supplementaries on that topic, including me.

Are we not just talking about a problem with the timing of the RET pilot? If the pilot was originally designed in such a way that you cannot wait until the evaluation has been done, or even until the consultation has closed, before deciding whether it represents good value for money, because you need to make a decision in advance of the new timetables coming in, does not that suggest that the original timing of the pilot was wrong?

John Swinney: No. We settled on the original timing of the pilot because it is necessary to give such projects a decent time to take their course and to see what—

The Convener: But you have had to extend it before you know what the evaluation says.

John Swinney: I think that that is a relatively pragmatic approach in order to ensure that operators and users know what fares they will be dealing with in 2011-12.

The Convener: I am sure that that is convenient and necessary for the operators and users, but it does not give taxpayers elsewhere in Scotland the information that they need to determine whether the pilot represents good value for our money.

John Swinney: Taxpayers elsewhere will get the information once the evaluation of the pilot has been undertaken. I think that that is quite an orderly way of undertaking the analysis, as it gives the Government the opportunity to test a particular concept, to learn the lessons and to decide how they can be applied.

Charlie Gordon: If you do not mind, convener, I will bowl this question overarm rather than underarm.

Cabinet secretary, I want to press you on the same point. You commissioned Halcrow Fox to produce an evaluation of the RET pilot. It produced an interim report in March this year and is scheduled to produce another in December, I think. When you embarked on that process, did you and/or Halcrow Fox not realise that ferry timetables and fares change every year?

John Swinney: We have come to a sensible approach that involves letting the pilot take its course, undertaking the evaluation and learning the lessons. Is that not good policy making, to undertake an orderly process that allows you to understand the lessons of particular initiatives?

Charlie Gordon: I think that that was a rhetorical question, convener.

The Convener: Do you have one for the cabinet secretary in return?

Charlie Gordon: No.

Alison McInnes (North East Scotland) (LD): I am not at all convinced by what the cabinet secretary is saying on the matter. You would surely have been aware at the launch of the pilot project that timetabling was an issue. The situation seems to be extremely convenient to yourselves, and commentators are saying that special provision is being made for one area. Can you give an example of any other pilot scheme in your portfolio that has been extended in this way, after such a long initial run-in period?

John Swinney: Government regularly takes decisions on pilot projects. That is one of the tools of policy making that is regularly used by Government to test whether a concept is worth while. If we do not give enough time to a project such as RET to find out whether it will deliver all the benefits that we believe it has the capability to deliver, we would be criticised for not giving the initiative enough opportunity to have its effect. However, the Government has done that.

Alison McInnes talks about what commentators have said. I tend to pay little attention to the opinions of commentators on such questions. I am much more interested in seeing what the course of a particular pilot will be, what its impact is, what its effect is and what lessons we can learn from it. I think that we have put in place a perfectly orderly process that will enable us to do that.

Alison McInnes: You have no other examples of a four-year pilot scheme.

John Swinney: The first factual correction that I would make is that it is not a four-year pilot. Plenty of other pilot exercises are undertaken over a long

period to determine what the policy lessons are. Examples of such interventions in policy terms can be found within the fields of the economy, education and social welfare. Such projects help us to understand how we can tackle some of the fundamental challenges in our economy; what we are trying to do with RET is find out whether it can teach us lessons that will help us to support fragile island economies. I would have thought that colleagues across the political spectrum would have thought that that was a particularly welcome initiative. If Alison McInnes is saying that her party does not believe that fragile island communities should be considered—

Alison McInnes: You are taking that a step too far, cabinet secretary.

John Swinney: Maybe I am wrongly conflating Alison McInnes's views with those of the commentators.

We are undertaking an exercise to determine whether the measure will assist in supporting the development of fragile island communities.

Alison McInnes: My party and I think that all fragile economies should be supported, not just one special one.

John Swinney: In my answer to Dr Allan, I demonstrated that all fragile island economies are well supported by the level of subsidy that the Government is providing to those services.

The Convener: We will have to move on at this point.

Rob Gibson (Highlands and Islands) (SNP): My question is about the part that is played by ferries in reducing greenhouse gas emissions. It might be seen to be a disproportionate approach if those who use ferries are expected to address the means whereby those ferry services should reduce their CO₂ and greenhouse gas emissions, while people who travel in cars or buses in the bulk of Scotland are never asked those kind of questions. Can the cabinet secretary reassure me that there will not be an attempt to curb ferry services or reduce the CO₂ emissions of ferries disproportionately, compared to other forms of transport?

John Swinney: It is no secret that some of our biggest challenges in transport are to do with reducing emissions. When we consider the scale of carbon reduction that must be achieved sector by sector, we can see that transport is a major area in which we must deliver reductions. That will apply right across all transport connections. That is why the Government is taking forward a number of different investments to try to assist in reducing emissions across different parts of the transport network. I assure you that the question will be wrestled with not just in relation to the ferry

network but right across the transport networks of Scotland.

Rob Gibson: It would be possible for ferry networks to have more efficient vessels that use less oil, and to have fewer crew members in the future. There are models around the world in that regard, in similar seas to ours. I hope that that will be factored into the thinking that happens at the end of the review.

John Swinney: Those are important issues to consider in the context of the efficiency of the ferry network.

Jackson Carlaw: I want to move on to high-speed rail. I am tempted to say that we should have a pilot. Then the whole thing would unfold at a much greater rate of knots.

John Swinney: We could try that, Mr Carlaw.

Jackson Carlaw: I know that Scotland is always keen to lead.

John Swinney: We could do that if the committee was prepared to be patient, of course.

Jackson Carlaw: We had a useful debate on high-speed rail before the recess, after the election of the new coalition Government. I think that all members who spoke in the debate recognised that the high-speed link is a generational scheme and acknowledged the importance of its extension to Scotland, but I am not here to rehearse all the arguments that were made in the debate. Some months have gone by since then. What conversations has the Scottish Government been able to have with the United Kingdom Government about the project?

John Swinney: There has been detailed engagement at official level with the Department for Transport and High Speed Two (HS2) Ltd to take forward many of the issues. That has been an open channel of communication.

We have been in correspondence with Theresa Villiers, who is the relevant minister in the United Kingdom Government, and we have an agreement that Ms Villiers and Mr Stevenson will meet to discuss our shared interests. The meeting has not yet been finalised, but we are optimistic that it will happen before the end of November. I have no issue with that, given that there are currently many demands on UK ministers' time. The meeting can help to build on the productive discussions between officials and the discussions that Mr Stevenson and I had with Theresa Villiers on the matter prior to the election.

Jackson Carlaw: I am encouraged to hear that. Is there a feeling among ministers and officials about whether the discussions are happening in their own right or in conjunction with a broader understanding of the financial pressures that there

will be and the bearing that that might have on the planning of what I think everyone regards as a priority link?

John Swinney: No discussion is taking place just now that does not have finance as a major part of it. Some pretty sizeable numbers on possible reductions in the finance that will be available to the DFT have been put in the public domain. Such reductions would have a substantial effect on the proposition that we are considering. That is in the realms of speculation; I will not be able to say more definitively what the numbers might look like until after the publication of the comprehensive spending review. I assure Mr Carlaw that discussions are not taking place in isolation or devoid of the financial context in which we are operating.

14:30

Alison McInnes: Let us turn to a project that is close to my heart—the Aberdeen western peripheral route. I am fully behind the project, particularly because it is necessary for the continued economic wellbeing of the north-east. Are you, too, fully committed to seeing that road built?

John Swinney: Yes, I am fully committed to seeing the Aberdeen western peripheral route built.

Alison McInnes: Thank you. That is very helpful. The committee saw the road orders in March, but we have not heard much more since then. Can you tell us whether the previously indicated cost or the implementation timetable for the road have been subject to any review?

John Swinney: The cost information has not been subject to review. We will review it once the project is in a position to move to procurement. I do not think that I am revealing any new information in saying that the timescale has been affected by the fact that we now have a legal challenge to ministers' decision to approve the Aberdeen western peripheral route after a public local inquiry. That will undoubtedly have an effect on the timescale for delivery of the road. I very much regret that we are facing a legal challenge on the project, which I feel is entirely unwarranted. It is an unhelpful intervention that is simply delaying our progressing with a major priority for the north-east of Scotland.

Alison McInnes: How will that delay impact on spending decisions?

John Swinney: The procurement will have to wait until we are able to undertake the project—as things stand, we are unable to undertake it just now because of the legal challenge. At that stage, we will assess the financial cost of the project.

Regarding transport project costs, we are in a fundamentally different economic situation from that which we were in a couple of years ago, and we are certainly in a different situation from the one in 2007, when some other transport projects were procured. We would obviously want to undertake a procurement within the appropriate market environment. There is a very big difference between the market environment today and the market environment of 2007 and early 2008.

The Convener: As there are no supplementary questions on the topic, let us move on.

Marlyn Glen (North East Scotland) (Lab): My questions are on the Forth crossing. Have there been any changes to the completion timetable or estimated costs of the Forth crossing project?

John Swinney: No, there have been no changes to the previously announced position on the Forth crossing.

Marlyn Glen: On both?

John Swinney: On both timescale and cost.

Marlyn Glen: What progress has there been on implementing the committee's recommendations regarding cross-Forth public transport?

John Swinney: A public transport strategy is being developed as part of the project, and our decision to utilise the existing crossing as a public transport corridor helps us in making progress on that public transport strategy. That initiative will be of enormous significance in assisting public transport connections across the Forth.

Marlyn Glen: Do you have any more details on that?

John Swinney: The strategy that is being developed sits alongside the Forth Crossing Bill. Much of the delivery of the complementary measures will be taken forward alongside the development of the new crossing. There will be dialogue with all the relevant public authorities on some of the practical issues that arise from that. Measures are being taken forward under the auspices of Fife Council in relation to park-and-ride facilities on the Fife side of the bridge. Later this year, we will have a workshop with the relevant local authorities and the south east of Scotland transport partnership to take forward some of the practical measures that can be undertaken to support the public transport strategy.

Marlyn Glen: We look forward to seeing the detail. Finally, has the need to finance the Forth crossing prevented other transport projects from going ahead, such as the AWPR, of which you have already given details, and the A8 upgrade?

John Swinney: The decisions that have been taken to date have had no impact on those

projects. I return to a point that I made earlier to, I think, Mr Gordon. It is clear that the capital budget is going to be under intense pressure in the years to come. The capital reduction will probably be of the order of 21 to 22 per cent between 2010-11 and 2011-12, which is a substantial reduction in the Government's overall capital budget. The Cabinet is yet to take any decisions on the scale of the transport components within that budget.

Marlyn Glen: So, there have been no decisions to date. Thank you.

The Convener: Am I right to say that the elements that you mentioned in relation to public transport and the Forth crossing are roughly what was known when the bill was introduced, so they do not take account of the recommendations in the committee's report?

John Swinney: The content of where we will go on these questions will certainly take account of the committee's recommendations on them. The workshop in November, which I mentioned in my previous answer, should provide the opportunity for many of those issues to be aired.

The Convener: The issues that you mentioned basically comprise the situation as it stood when the bill was introduced.

John Swinney: The core of the public transport strategy was developed alongside development of the Forth Crossing Bill, but there will be developments in that strategy as the project takes its course.

Charlie Gordon: I wish to ask the cabinet secretary about the Clyde fastlink project. Strathclyde partnership for transport recently produced several route options for the project with positive numbers in the outline business cases, and I gather that Glasgow City Council has asked, or will soon ask, you to consider making a financial contribution to the project. Can you say whether you are considering that just now? Do you have some money put aside that you will put into Clyde fastlink?

John Swinney: The Government has said for some time that we will contribute funding to fastlink with the objective of improving bus services between the city centre and the Scottish Exhibition and Conference Centre, to 2014 Commonwealth games venues, and to the Southern general hospital. I am happy to restate that commitment to the committee today. The outline business case from SPT is for a much more comprehensive concept. We have certainly made clear the commitment that I have given to the committee today, and we will take forward dialogue with SPT and Glasgow City Council on the contents of the outline business case that they have produced.

Charlie Gordon: So, it is still conceivable that the outline business cases, which I presume your officials are studying, will influence the amount of resources that you put into the project.

John Swinney: I have said that the Government will contribute funding to fastlink. The basis of what the Government has always said would be its commitment is the connections between the city centre, the SECC and the Southern general and the link to Commonwealth games venues. We would be delighted to take forward discussions with SPT and the city council on that basis.

Charlie Gordon: Is it conceivable that the outline business case for the route might be so encouraging and exciting that you feel compelled to write a cheque for a slightly larger sum?

John Swinney: Mr Gordon tempts me to go on to ground that is new and emerging. I have set out the Government's commitment. I will certainly be happy to take forward discussions with SPT and the city council.

Cathy Peattie (Falkirk East) (Lab): How does Transport Scotland ensure that funds that it releases to TIE for the Edinburgh trams project are achieving value for money?

John Swinney: Essentially, the City of Edinburgh Council must satisfy Transport Scotland of value-for-money considerations for any expenditure on the trams. The onus is on the council to undertake that analysis to Transport Scotland's satisfaction.

Cathy Peattie: If Transport Scotland is not convinced that things are going well and if there are disputes between the contractors and the City of Edinburgh Council, can Transport Scotland withhold money and decide not to proceed until the situation is sorted out?

John Swinney: That question is slightly different from your first question. It is important to go through some of the contractual issues. The contracting body is TIE. The client is the City of Edinburgh Council. Transport Scotland is a substantial funder of the project. The answer that I gave a moment ago reinforces the point that the council carries responsibility for ensuring that any expenditure that it is asked to approve and to seek from Transport Scotland passes not only the value-for-money test but the appropriateness test.

We gave a commitment to fund the trams project to the tune of £500 million. I have repeatedly made it clear that the Government will not contribute more than that. That is well and widely understood. It is the city council's responsibility to find the means and the mechanisms to address some of the issues in Cathy Peattie's second question through dispute

resolution and to deal with other matters, to enable the project to make more progress.

Cathy Peattie: How does the Scottish Government respond to criticism of Transport Scotland's management of the allocation of trams funding? You are telling the committee that whether issues have been handled properly goes back to the City of Edinburgh Council and its relationship with TIE. You have made it clear that you will not go over the fixed amount of money. Are the criticisms of Transport Scotland right?

John Swinney: No—they are not. I say that for the same reason as I explained who is responsible for what. The point is important. The analysis of the Stirling-Alloa-Kincardine rail project, with which Cathy Peattie will be familiar as it is in her neck of the woods, showed that too many people could be considered to be in control of it and that too many players were involved. One conclusion of the audit work was that clear guidance was needed on authority, control and governance.

14:45

That is why I took the committee through the fact that TIE is the contracting authority, the City of Edinburgh Council is the client and Transport Scotland is a significant funder of the project. I did that to make it absolutely clear where responsibility for the contractual management lies and why it is utterly inappropriate to say, and I would emphatically refute, that Transport Scotland in some way has an operational management responsibility in relation to the trams project. That could not be the case, given the lessons that were learned from the Stirling-Alloa-Kincardine rail link, in which the principal conclusion was that the governance structures were not clear in any shape or form.

The governance structures in the trams project are crystal clear. Whether they have delivered the project efficiently and effectively is, as I said in the Parliament on Thursday, for members to consider and assess. However, in my opinion, they are crystal clear and it would have been counterproductive for us to have muddied the waters around them.

The Convener: Is there not a public expectation that the Government and Transport Scotland should not simply fold their arms and say, "We are just the funders, so sort it out yourselves," but should recognise that, having been charged by the Parliament with implementing the project, they have a responsibility?

John Swinney: I would have to go back and check what Parliament passed on the occasion to which the convener alludes, but I cannot imagine that it was quite as precise as he suggests that it was.

Until the cuts in public expenditure started, the Government funded £3.5 billion of capital expenditure in Scotland every year. Neither Transport Scotland nor any other Government body controls the spending of, and operational decisions on, every £1 of that money. Some of it is controlled by Glasgow City Council, the Scottish Environment Protection Agency, Angus Council or Greater Glasgow and Clyde NHS Board—various organisations are responsible for the management of individual projects. The point that I made to Cathy Peattie was the significant one that the lesson from the Stirling-Alloa-Kincardine rail link is that if too many people are in the governance structures, the opportunities for confusion and uncertainty are enormous.

For example, Transport Scotland is in the driving seat on the completion of the M74, as it is the client; that project is ahead of time and on budget. Transport Scotland is also responsible and the client for the M80 project; it, too, is ahead of time and on budget. Mr Middleton is clear on his responsibilities to me as the accountable officer for those projects. The governance structures must be crystal clear. We fund the Edinburgh trams project, but we also fund countless other projects throughout the country, and Mr Middleton is not responsible for running them all. He carries a particular responsibility for designated projects, but not for all of them.

The Convener: I understand the point that you make about the specific legal relationship between the City of Edinburgh Council and TIE, but is there not a reasonable public expectation that the Government should, not necessarily change the governance structures, but give a lead through its stance on the issue? Let us imagine that our positions were reversed and I was a cabinet secretary for finance presiding over an M74 project that encountered similar difficulties. The reasonable charge from my political opponents would be that I never wanted it to happen anyway. Is there not a danger of that perception growing?

John Swinney: You make my point for me, convener. Any day of the week, I will be responsible for the costs on the M74 and the M80 because they are projects in which the Government is the client and the chief executive of Transport Scotland is the accountable officer. The chief executive of Transport Scotland is not the accountable officer for the operation of the trams project. He is the accountable officer for the Government's contribution to the project; he must be able to convince the Public Audit Committee, the Auditor General for Scotland and me that the money has been spent appropriately. He does that by monitoring the work of the City of Edinburgh Council.

The Convener: Are you saying that it is in no way part of his or your remit to ensure that the money is spent effectively and appropriately and that the project is completed?

John Swinney: I have discussions with the City of Edinburgh Council and TIE to make clear what the Government expects from the project. It expects the project to be completed, with the Government contributing £500 million. I will give other advice and guidance that I consider appropriate to my responsibility as a funder. However, the Government is not responsible for the operational implementation of the trams project. The governance arrangement is crystal clear.

The Convener: I am aware of the time and of the fact that we need to move on to the climate change part of the committee's remit. The last item that I will raise before we do so is the national transport strategy. The strategy was published in December 2006, before the strategic transport projects review took place, before the current economic situation developed, before the Climate Change (Scotland) Act 2009 came into force and before many other pieces of work were completed. Why has the intention to review the strategy been dropped? How can a strategy that was written before all the major developments that I have listed still be correct?

John Swinney: Let us look at the developments that have taken place since the national transport strategy was formed. The work of the strategic transport projects review was undertaken within the context of the national transport strategy and crystallised many key considerations in the strategy. During the STPR, the judgment was made that we would consider spending review by spending review the further initiatives that we undertook in relation to the STPR. The Minister for Transport, Infrastructure and Climate Change and I judged that that provided a mechanism sufficient to enable us to review on-going priorities in the context of wider work in the Government.

As the committee knows, the Government has an obligation under statute to develop a number of elements of climate change policy, including producing an energy efficiency action plan and a report on proposals and policies, that inevitably encroach on transport territory; I refer members to the answer that I gave to Mr Gibson earlier this afternoon. Our judgment was that we had a range of opportunities, through the STPR and the report on proposals and policies, to consider some of those questions and that a refresh of the national transport strategy would not add a great deal to the process.

The Convener: Are you saying that the previous strategy is still being changed but that

that is being done through a range of other documents?

John Swinney: I am saying that I could not see the value of our undertaking a piece of work on the national transport strategy when much of the same ground would inevitably be covered in the report on proposals and policies. We arrived at a judgment on the number of the documents that were needed. If the committee has a strong concern about the matter, I will reflect on that. However, when I look at a lot of documents, I tend to think that I have read them before, because I see bits of them in other documents. If we have made the wrong call, the Minister for Transport, Infrastructure and Climate Change and I will consider the committee's representations on the issue.

The Convener: Are you able to give us an update on the proposed merger of Transport Scotland and the transport directorate? We have discussed the matter before, but we have not heard much about it since that discussion.

John Swinney: The merger of Transport Scotland and the transport directorate took final effect on 1 August and David Middleton is now responsible for all combined areas of transport policy strategy and operational development in the Government. The merger is giving good focus to our transport work and I expect it into the bargain to deliver operational efficiencies and to allow us to take an integrated look at all the transport challenges. The process has worked well, but I will, as time elapses, be happy to update the committee and give guidance and feedback on the practical benefits of what has happened.

Alison McInnes: I seek your views on Transport Scotland's own internal travel plan, which was published earlier this year. Its aim of achieving a 20 per cent reduction in its air travel did not seem very ambitious, so I had to wonder whether it had already wiped out most of its air travel and could do no more in that respect. I was therefore surprised to discover that, over the past year, there had been 660 domestic flights, the vast majority of which were taken between Edinburgh and Glasgow and London and Birmingham—*[Interruption.]* I mean, between Edinburgh or Glasgow and London or Birmingham. *[Laughter.]* I am glad that I rephrased that—that would have been really bad.

Do you think that the 20 per cent target is ambitious enough? After all, we are talking about our own national transport agency, which among other things has been tasked with reducing carbon emissions. Were you disappointed to find out these figures?

John Swinney: I am always interested to read news releases that are affectionately headlined

"McInnes reveals Transport Scotland jet-setting"; it certainly captured my attention.

Alison McInnes is correct to say that there have been 661 domestic flights. When I probed further into the figures, I discovered that, of course, a return journey counts as two flights. One particular journey, which has to be undertaken to meet a range of contractual monitoring obligations in relation to new rolling stock on the Ayrshire lines, is from Glasgow to Düsseldorf via Birmingham, which counts as four flights in the way that the figures have been tabulated. A breakdown of the 661 flights shows that the number is perhaps not quite as high as we might have thought.

However, I am not going to minimise these concerns, because there is a very clear desire to reduce air travel. I know that Transport Scotland is bearing down heavily on the matter and ensuring that, as far as domestic air travel is concerned, only essential journeys are taken. When, for example, I visited London last week, I took the 5.50 train from Edinburgh, which is a very good service, but I had an evening commitment on Government business in Glasgow, which meant that I had to fly back. Ordinarily, I would have come back by train, and there would have been no need for a freedom of information request about that journey. The point is that, sometimes, certain practical considerations and commitments that require people to be in a certain place will intervene. I also make it clear that no international travel can be sanctioned in Transport Scotland without its chief executive's authorisation, and Mr Middleton is bearing down heavily on all such matters.

Just yesterday, I came across some information about the volume of Government air travel. I will make that available to the committee, as it shows a substantial reduction. I am happy to say that it also demonstrates a significant reduction in the cost to the Government of first-class rail travel, particularly between the cities of Edinburgh and Glasgow—I cannot quite comprehend that as a concept. The information provides encouraging news about the reduction in the number of journeys.

15:00

Some of the flights relate to an international body in which Transport Scotland plays a part. Membership of that organisation has resulted in a major international conference of that organisation coming to Glasgow for the next three years, which will bring 400 to 500 delegates to Glasgow. I suppose that there will be various FOI requests to all their host authorities.

I entirely accept that it is important that we limit air travel. Transport Scotland also accepts that,

and I am confident that arrangements are in place to do that. As I have said, I will share with the committee the information on the Government's air travel, which I hope it will appreciate.

The Convener: Some public authorities in the United Kingdom take a much simpler approach. The mayor of London and the Greater London Assembly, for example, simply do not support domestic air travel. For them, if a journey is to be within mainland UK or within the range of the Eurostar, it will be by train. Would it not be much simpler and more straightforward for the Scottish Government to take that approach? If a trip to London is important enough, four hours can be spared.

John Swinney: In general, I now try to travel to London by train—

The Convener: I did not mean to be *ad hominem*—I was not referring to you personally.

John Swinney: And my ministerial colleagues try to do as I do. However, in the example that I cited, I was required to go to London for a meeting with the UK Government at relatively short notice, and I had a pre-arranged commitment in Kirkintilloch on Government business on the Wednesday night, which I did not think it appropriate to break, as I would have had to do if I had returned by train.

Without wishing to puncture your example, I am not altogether sure that the mayor of London will make as many trips to Edinburgh or Glasgow as my ministerial colleagues and I are required to make to meet Her Majesty's Government in London. The meeting on Wednesday was supposed to take place in Belfast, but it was rescheduled to take place in London.

I certainly assure the committee that ministers and civil servants are working to reduce the volume of air travel, and I will continue to maintain a close personal interest in that matter.

The Convener: We shall move on to the climate change part of the committee's remit.

Cathy Peattie: I want to consider emissions trends and climate change reporting. Can any Scottish Government policies that were put in place in 2007 be identified as being responsible for any of the emissions reductions in that year?

John Swinney: In looking at the range of the Government's policy interventions, I think that it is an accounting challenge to create a direct link from a specific policy to a specific carbon reduction. However, the Government's work on renewables and energy efficiency, its investment in public transport networks and sustainable transport initiatives and the points that arose from the Sullivan review of building standards are all

helpful contributors in the process of reducing emissions.

Cathy Peattie: Some of the initiatives that have been taken are welcome, but they are quite long term, and it is surely difficult to measure how successful they have been to date.

John Swinney: I accept that measurement is always a challenge, but the fact that those actions are being taken is beneficial in reducing carbon emissions.

Cathy Peattie: Obviously, I welcome what is being done, but people are quite concerned about the availability of data. How is the Scottish Government progressing in ensuring that accurate greenhouse gas emissions data are made available more quickly?

John Swinney: We depend on the Committee on Climate Change's assessment of data, but perhaps David Wilson will make more detailed comments.

David Wilson (Scottish Government Energy Directorate): The Office for National Statistics published the 2008 greenhouse gas inventory numbers only last week, in September 2010. We share the view that we would like that information more quickly and that some of the data sets should take into account specific Scottish circumstances. We are working with the ONS and other organisations, particularly the Committee on Climate Change, to ensure that we can improve the timeliness of information as well as the accuracy of individual data sets so that they are as appropriate as possible to Scotland.

Cathy Peattie: That is welcome. The committee will want to look at that. It would be much easier to discuss the issues that the cabinet secretary raises if he could see up-to-date figures and share them with us.

John Swinney: On the wider question, I am open to the committee looking at what information is available and its timescales. If there are suggestions as to how we can enhance that, the Government will be willing to consider them.

Cathy Peattie: Staying with the same trend, will you tell us what the latest position is on consumption-based reporting measures?

John Swinney: Last October, we made information available on the Scottish greenhouse gas footprint. We are looking at a number of different options, some of which might be in-house and some of which might require external input, to give us further information of different types to refine what we know about the drivers behind those emissions. Work is continuing to determine what can be done to enhance the details.

Cathy Peattie: How has the Scottish Government sought to lock in emissions reductions resulting from the recession?

John Swinney: That takes us on to ground around the annual targets. When the committee took evidence in May, one of its requests was that we take steps to lock in the product of the recession. That has been a material part of the discussions that Mr Stevenson has developed as part of the short-life working group on the subject. That will be reflected in the orders that are presented to Parliament.

The Convener: Consumption-based reporting is a new field and it is understandable that the Government might not yet have made firm decisions about the methodology that it will use. I think that the requirement under the 2009 act is for such reporting to be included in the report that covers 2010. This year is the first year when that type of reporting is required to be laid before Parliament. Are we to expect that before the end of the parliamentary session?

John Swinney: We will certainly make every effort to fulfil that commitment.

The Convener: Thank you. I was going to ask about the annual targets, but the committee has received a letter from Stewart Stevenson today that indicates that the new order on the annual targets will be laid tomorrow. In the interests of time, I am tempted to leave that matter until the formal consideration of the order when it comes to the committee. Are there any other questions from members on the annual targets, or can we leave it for now?

John Swinney: I will add one comment, if I may. The minister has appreciated the opportunity for dialogue that took place across the political spectrum. The order will be lodged tomorrow and the committee and Parliament will consider it thereafter.

The Convener: I am sure that those of us who took part in that dialogue also appreciated the opportunity. Apparently, I am getting to sit down with the computer models later this week and see how much of that I understand.

John Swinney: There are many rare treats offered by the Scottish Government, but I was not aware of that one.

Rob Gibson: It is likely that the rewetting of peatlands could make a positive contribution to reducing net emissions. I am aware of the international developments that recognise that. What is the Scottish Government doing to improve the evidence base on the rewetting of peatlands?

John Swinney: Most of our work in that area will be a combination of the monitoring activity that is undertaken by Scottish Natural Heritage and, to

a lesser extent, SEPA, and initiatives, more than likely through the Scottish rural development programme, that are designed to enhance peatlands. Obviously, those initiatives will be reflected in the analysis that is undertaken by SNH. That, essentially, structures the approach that the Government takes to restoring peatlands and monitoring the impact.

Rob Gibson: Is the cabinet secretary aware that it seems that the Department for Environment, Food and Rural Affairs, which is doing a lot of the calculations, uses rather damaged peatlands in the north of England to do so? The gold standard is the flow country, where we can show considerable success in rewetting. Is there a possibility of looking favourably at the development of the academic approach to monitoring, because it fits well with the work done at the environmental research institute in Thurso and other universities in Scotland?

John Swinney: There is every opportunity to do that. Mr Gibson's point about best practice emerging from the flow country is one that the Government accepts. That is a very sound example. If we are going to look for a comparative assessment, we should at least go to the gold standard to make that assessment. There are opportunities to do that.

David Wilson: Some further research work is being done in Scotland. Mr Gibson is right that the Natural England report, which looked at some of the experience in England, has been taken as the key assessment and that that is what is feeding into the various international assessments of the benefits of peatland restoration, but we have further information that we can add to that. There is a whole set of issues to do with the effectiveness of peatland restoration in making emissions savings that that work can improve.

Another issue is cost effectiveness. There is also the issue of carbon assessment: when and how the carbon savings will be delivered by peatland restoration and how that is taken into account in the various estimates that we have to make of CO₂ emissions. All that is being considered and, as has been said, the report on proposals and policies will be published later in the year.

Rob Gibson: I will follow up on two aspects. First, you mention that the SRDP is available for the rewetting of peatlands. Are you satisfied that the routes for land managers to access the SRDP for this purpose are as direct as possible? It has been suggested to me that sometimes people have to try to get at peatland rewetting via forestry development, which is of course the exact opposite of what is happening in the flow country. Have you looked at routes into the SRDP closely?

John Swinney: I would need to write to Mr Gibson with a view from Richard Lochhead's team. I can certainly say that I know that the Cabinet Secretary for Rural Affairs and the Environment is anxious to ensure that routes into the SRDP are as clear and straightforward as possible. I know that he has spent a great deal of time engaging with different sectoral interests to ensure that he properly captures that principle in all that is being done. I give an undertaking to write to the convener with a view from Mr Lochhead on that question.

15:15

Rob Gibson: I take it that the potential contribution of such a policy to emissions reduction is something that the Scottish Government part of the British delegation to Cancún will press strongly for.

John Swinney: It is one of a number of issues that we could contribute to that discussion.

Jackson Carlaw: I return to the issue of the independent budget review panel and the estimates from the Scottish Government thereto in relation to the climate change challenge. The Government estimated that achieving the 42 per cent reduction by 2020 could lead to a cost in the order of £8 billion. It would be interesting for the committee to hear the rationale behind that, and how that information and the information contained in the report is being used to assist you in setting the Scottish budget.

In addition, given the statutory obligations surrounding the move to achieve those emissions reductions, how comfortable are you about the priority that the reductions may have to have over other key areas of Scottish life? To what extent do you think that the public will understand that priority if it has to be placed ahead of what might be seen as more immediate needs of the economy?

John Swinney: First, in the remit that I gave to the independent budget review panel, I reflected the importance of ensuring that the recommendations took account of the requirements of the Climate Change (Scotland) Act 2009 and the challenges that that would pose.

Secondly, we have said that we have three major considerations in our approach to handling the budget situation. The first is to support the process of economic recovery, the second is to protect front-line services and the third is to tackle carbon emissions. We would be making a huge mistake if we viewed those three considerations as self-contained compartments that have nothing to do with each other. In some of the interventions that we could make, the linkages between

economic recovery and tackling carbon emissions are quite strong.

That brings me to the nature of the cost of measures to deliver the carbon reductions that we have set in statute. Those reductions do not all need to be achieved by Government; they can be achieved by the private economy seizing the opportunities that the low-carbon economy provides. Indeed, Parliament will have the opportunity to debate that issue on Thursday. There will also be areas of public expenditure in which, if we act to protect front-line services, there will be a beneficial effect on climate change. For example, we could decide to take forward home insulation and energy efficiency public services, which would benefit the work on carbon emissions.

My final point in response to Mr Carlaw is on public attitudes. The challenge here is to encourage the public to play their part in reducing carbon emissions. I am extremely encouraged in that regard. Around the country, and certainly in the communities that I am privileged to represent, I see people responding substantially to the challenge of managing resources and reducing resource use. People are being more efficient about their use of resources, for example by adopting different travel patterns. I do not underestimate the scale of the challenge, but I think that the public are engaged with the issue.

Jackson Carlaw: There is more of a debate to be had, but possibly not today.

The Convener: Would I be correct in suggesting that the figure of £8 billion is at the upper end of a range of estimates that have a degree of doubt about them, and that the Government would expect there to be a range of benefits as well as costs?

John Swinney: That is absolutely correct, convener. The figure of £8 billion does not take into account, for example, the economic benefit that would come to Scotland as a result of developing all the offshore renewables activity. Some of the estimates for the low-carbon market in Scotland show that it will rise to around £12 billion by 2015-16, therefore it is important to look at both sides of the equation.

The Convener: Thank you. Rob Gibson has a supplementary question. For the remainder of the meeting, I ask members to keep their questions as short and direct as possible in the interests of time.

Rob Gibson: As a matter of interest, would a reduction in transmission access charging reduce that figure of £8 billion considerably?

John Swinney: Yes, it would. That is what is called looking at the two sides of the balance sheet.

Alison McInnes: The Climate Change (Scotland) Act 2009 requires that a report on proposals and policies be published, but that has been delayed because of the annual targets discussion. Are you now able to give us a timeline for the publication of that report?

John Swinney: Work has been done on the report on proposals and policies. Assuming that the annual targets are adopted, I consider that we will be able to make progress on the report relatively swiftly. I cannot give a definitive timescale, but I want to make progress on it and I hope to introduce it to Parliament by mid-November.

Alison McInnes: That is helpful. Such reports will have to carry political support, both in the Scottish Parliament and in a number of other Parliaments, if they are to be successful. Are you confident that the report will carry that kind of support?

John Swinney: It would be nice if I could wave a magic wand and there was political support for all these things trundling along. The Government is committed to publishing material that reflects careful consideration of the options that exist for us, and we will work tirelessly to create agreement across the political spectrum. Along with the other parties, we have put a lot of effort into trying to find agreement on the annual targets, and I hope that we will find that agreement. I expect Mr Stevenson to take a similar approach to the proposals and policies report.

Alison McInnes: That is helpful. Thank you.

Cathy Peattie: Let us turn to public duties and public engagement. A consultation document containing draft guidance on public duties was published yesterday. Unfortunately, the committee has not received that document and, to be honest, I have not read it in great detail. Nevertheless, I welcome it. I am pleased that we have recognised the importance of public duties in the 2009 act, and I was pleased to hear Stewart Stevenson express how important those duties are. What challenges is the Scottish Government finding in developing those public duties, and is it on track to meet the deadline of January 2011?

John Swinney: We are working on delivering for January 2011—that commitment is contained in statute, and we intend to pursue it. As Cathy Peattie says, we issued draft guidance yesterday on which the consultation will close on 26 November. That will enable us to produce the guidance by 1 January.

This morning, I was involved with the Carbon Trust in acknowledging a number of public bodies' effective participation in the formulation of carbon management plans. About 50 organisations received commendations for their activities. I listened to a fascinating example of the work that is being undertaken by the National Library of Scotland, which has dramatically reduced some of its energy use by challenging assumed absolute requirements.

Public bodies are responding, but the guidance is designed to reinforce that work and help it on its way. I certainly assure the committee that we will listen carefully to the feedback to ensure that the guidance for public bodies is as effective and appropriate as we can make it.

Cathy Peattie: That will be reported on and discussed. Will you make a commitment that the Government will encourage people to ensure that relevant plans are put together and that they move things forward? You are right to say that many people are doing things already, but good practice is developed right across sectors. People should not be saying, "It's nothing to do with me."

John Swinney: That is a fair point. I return to the presentation that I saw from two officials from the National Library of Scotland this morning. They explained how they had gone about engaging their colleagues within the organisation in reducing carbon emissions. Their techniques were exceptional, in my opinion, and it was a lively presentation. The world did not have to come to a sudden halt. Various assumed practices were challenged and found to be completely unnecessary, and as a consequence the organisation has reduced its energy bills substantially.

The organisations that I dealt with this morning have reduced their energy costs by £35 million. In the context of the current financial environment, those organisations have reduced not only their carbon emissions but their costs, which is an enormous benefit to the public purse and the public good. Such initiatives are predicated on people buying into them, embracing them and taking them forward, and I am confident that they are doing so.

Cathy Peattie: Can I take that a wee bit further and look at the public engagement strategy? You spoke about what is happening in your area in terms of people getting involved and seeing the benefits, and you also spoke about home insulation, energy efficiency and so on, but if people are to sign up to those things they need to see the benefits and they need support. What priority has the Government given to the public engagement strategy and what are the plans for the immediate future?

John Swinney: Work to prepare the public engagement strategy is continuing. It is required to be published by 31 December. Our officials are involved in discussions with a range of stakeholders on the contents of the strategy and we expect it to come to ministers well in advance of its launch. The purpose of the work is to try to capture some of the innovation and good practice that is under way throughout the country and to capture some of the enthusiasm and energy to resolve some of the questions. There are solid foundations for what the public engagement strategy can achieve, and ministers will certainly actively consider that before the strategy is published.

Cathy Peattie: Except that there is a big issue with some people thinking that it is nothing to do with them. There is a hearts-and-minds issue. If we want to be successful in meeting our targets and our ambitions, there is a big job to be done. People who are interested in climate change are already starting to sign up, but a host of people think that it is nothing to do with them. How do we deal with that? How do we ensure that the strategy starts to engage people who are not engaged at the moment?

15:30

John Swinney: I can only agree with Cathy Peattie on the need to ensure that that is the case. That will certainly underpin ministers' thinking on the public engagement strategy. After all, there is no point in having such a strategy if it does not capture the mind and attention of the public.

The Government has been criticised for some of its advertising campaigns, but I have to say that some of our work on climate change and our messages about energy efficiency and carbon reduction have been very effective, successful and cleverly done. They come at a cost, of course, but the Government has made choices about what should be in its advertising and communications programme and that is only one element of it.

I can cite other examples. The local authority in my constituency is wrestling with the public's too enthusiastic response to recycling; indeed, it has reached the point where the council is struggling to cope with the volume of disciplined recycling that is taking place within the community. The fact that the council is facing such a capacity challenge says to me that people have got the message and are prepared to play their part. I accept that household and domestic recycling is perhaps at the easier end of the spectrum, but that indicates that people are willing to participate.

The Convener: I realise that you are keen to get to your Cabinet meeting, cabinet secretary, so we will move to our last few questions.

Marlyn Glen: The 2009 act requires that a land use strategy be published by the end of March next year. What have been the challenges of developing such a wide-ranging strategy and is the timescale still deliverable?

John Swinney: Yes, the timescale is still deliverable. Marlyn Glen's question, however, touches on the difficulty that we face in making such a proposition relevant given the comprehensive nature of the issue. The key consideration in our thinking behind the land use strategy is to develop a proposition that complements many of the other elements of our policy framework, whether it be the national planning framework or the contents of the Wildlife and Natural Environment (Scotland) Bill.

A consultation on the land use strategy will be launched in the autumn and a final version will be laid before Parliament in March 2011. We are discussing the preparation of the draft strategy with Scottish Environment LINK, NFU Scotland, the Convention of Scottish Local Authorities and the Scottish Rural Property and Business Association, but the challenge of bringing together a pretty broad range of considerations into a single proposition of this type is a big one.

Alasdair Allan: The 2009 act requires an energy efficiency action plan to be published. However, I understand that publication has been delayed because the Government believes it inappropriate to publish before the short life working group on annual targets has concluded its work. Can you say any more about the timescale for publication and the amount of work that has been done to date?

John Swinney: A great deal of work has certainly been undertaken on the plan, which is in an advance state of preparation. I hope that the committee understands our view that we need to get the publication sequence correct and ensure first that the annual targets are in place.

On the question of timescales, the best response that I can give the committee is that it will be published later this autumn. It might well form part of the material that will be published in and around the Government's budget in November.

Alasdair Allan: How in the Government's view does energy efficiency sit with issues such as carbon reduction, which we have already discussed? Do the two subjects go hand in hand with regard to energy generation and points that the Government has raised about the fairness or unfairness of transmission charging?

John Swinney: Clearly, carbon reduction, energy efficiency and energy use are all linked. Indeed, my discussions this morning were essentially about public bodies identifying ways of

reducing their energy use. It is a matter of their being disciplined in their approach, and I heard a number of very good examples in that respect. All of that has to percolate into the practical thinking that will be contained in the energy efficiency action plan.

Alasdair Allan: How would the Government's approach to energy efficiency and carbon reduction be affected if, as has been mentioned in the past, it had access to the fossil fuel levy?

John Swinney: With access to the levy, we could access a dedicated set of resources that could be used only for renewable development to assist us in maintaining our leadership in many aspects of this policy area. We are discussing with the UK Government how to take forward the issue, and I hope that it will respond positively to our proposition. After all, our being able to access that money in addition to our block grant will have benefits and allow us to make the kind of impact that we all want in this area.

The Convener: Finally, I have some questions about certain funding streams under the climate change heading. First, the climate challenge fund has supported a range of different projects around the country to take forward its own climate change agenda. Has any decision been made on whether the fund will continue or have any lessons been learned as to the direction in which the fund might develop in future?

John Swinney: We will certainly look closely at a number of lessons that have been learned about different interventions that have had maximum impact. However, as you will appreciate, we are still considering the contents of the Government's budget. We have made no decisions one way or the other on the climate challenge fund, but it will be a material part of our budget.

The Convener: I have a similar question about the Sustainable Development Commission, which advises the Government on a range of issues including climate change. The UK Government has decided to abolish the commission and, given that its work has been praised in the past by the Scottish Government, I would have thought that there would be a public expectation that that work would continue in some form or other. Has any decision been taken about the Scottish Government's financial contribution to the commission and whether its work will be continued?

John Swinney: We have not taken such a decision, but I will say that it is unimaginable that the Scottish Government will be able to pick up the full cost of continuing the commission. You asked whether its work would be continued in some form or other. Considering that would be the scope of our examination. In all honesty, I cannot sit here

and say that we can continue the Sustainable Development Commission as it was—there is no question of doing that—but we are exploring what would be the right thing to do in this context.

The Convener: I would not expect the Scottish Government to be able to fund everything that the UK Government previously funded, but am I right in assuming that the Scottish Government is considering how it might use its financial contribution to the commission to continue some element of its work?

John Swinney: We are certainly exploring all those questions within the context of a decision taken by the UK Government. Given that we were not consulted on the decision, we are now considering a situation that has developed in a way that we did not expect. I can say no more than that at this stage.

The Convener: We were going to touch on some of the other international issues that arose in earlier questions but, if members have no further questions, I will simply thank the cabinet secretary and his colleagues for taking the time to answer our questions this afternoon. As there are no other items on our agenda, I close the meeting.

Meeting closed at 15:39.

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