



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 7 December 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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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	3489
WITNESS EXPENSES	3490
DRAFT BUDGET SCRUTINY 2011-12	3491

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE
25th 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:

Bob Irvine (Scottish Government Business Directorate)
David Middleton (Transport Scotland)
John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 1

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 7 December 2010

[The Convener *opened the meeting at 13:33*]

Decision on Taking Business in Private

The Convener (Patrick Harvie): Welcome to the 25th meeting in 2010 of the Transport, Infrastructure and Climate Change Committee. Mobile devices should be switched off. Apologies have been received from Jackson Carlaw, Alison McInnes and Cathy Peattie. Alasdair Allan expects to be here but has let us know that he is a bit delayed. I welcome Ian Thomson, who is attending as the committee's budget adviser.

I seek the committee's agreement to alter next week's agenda. Charlie Gordon, in particular, has suggested, following comments in the media, that an opportunity should be given to investigate some of the transport-related issues that have arisen from the severe weather conditions. Next week, the Minister for Transport, Infrastructure and Climate Change is to appear before us on the subject of "Low Carbon Scotland: The draft report on proposals and policies" in relation to the Climate Change (Scotland) Act 2009. There is a reasonable opportunity to build in some time to look at the very current issues around the weather impacts on transport.

Charlie Gordon (Glasgow Cathcart) (Lab): I take it that there will be a ministerial statement tomorrow.

The Convener: I am aware that that is being sought. Chamber business has not been formally agreed yet. It might be useful for the committee to follow up on that with some more detailed questioning.

Charlie Gordon: Okay.

The Convener: Are we agreed?

Members *indicated agreement.*

The Convener: Obviously, some related issues may arise in questioning today in connection with future budgetary provision. The current situation can be raised next week.

The first item on today's agenda is a decision on taking in private item 4, which is consideration of evidence on the budget. Do members agree to take that item in private?

Members *indicated agreement.*

Witness Expenses

13:35

The Convener: I seek the agreement of the committee to delegate to me responsibility for arranging for the Scottish Parliamentary Corporate Body to pay, under rule 12.4.3, witness expenses in relation to people giving evidence to the committee. Are we agreed?

Members *indicated agreement.*

Draft Budget Scrutiny 2011-12

13:35

The Convener: Item 3 is the main business of the afternoon, and is further evidence taking on the draft budget 2011-12. I welcome the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, and his colleagues David Middleton, who is the chief executive of Transport Scotland, and Bob Irvine, who is the deputy director of the Scottish Government's Scottish Water division. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): Thank you, convener. It is a pleasure to be at the committee to discuss the contents of the Government's draft budget for 2011-12.

As the committee will be aware, the budget is set against an acute and challenging financial perspective, with a reduction in the Scottish Government's capital budget of 24 per cent in cash terms in 2011-12 alone. Obviously, as part of our approach, we are taking steps to support the continuation of capital expenditure at a level that we consider appropriate. As I announced to Parliament, I will increase capital spending next year by £100 million through transfers from the current financial year. As part of the budget, we will take forward a range of priorities in relation to transport that are fundamental to the Government's purpose of increasing sustainable economic growth. We are determined to ensure that we continue to invest in transport infrastructure to ensure that it meets the needs and expectations of people in Scotland.

The challenges in this constrained financial environment are significant, given the major construction projects, such as the Forth replacement crossing, that will make a significant contribution to the Scottish economy. We will also complete a range of strategic investments in Scotland's transport infrastructure in relation to the motorway network and, with the completion very shortly of the Airdrie to Bathgate rail connection, the rail network.

The budget makes provision for a range of other transport investments through the ferry services budget and the maintenance of the eligibility criteria for concessionary travel and associated items.

On the theme of jobs and communities, the budget retains a number of key elements from Scotland's successful economic recovery plan. Our investment in industries of the future, particularly those that support the low-carbon economy, provides opportunities in key areas.

Again, those are supported by the provisions in the budget. We will take forward a range of measures to support the low-carbon economy through sustainable transport initiatives, our investment in the low-carbon vehicles scheme and other sustainable and active travel measures.

I am delighted to answer questions from the committee.

The Convener: Our first area of questioning is on transport, after which we will move on to climate change. Obviously there is some overlap between the two, but that is the rough structure that we will follow.

In what way has the independent budget review informed the decisions that the Government has made in developing the transport aspects of the budget? Which key elements of the report were taken up—and which were not?

John Swinney: I will follow the structure of the question in my response by saying which areas we have taken up and which we have not taken up.

The transport capital infrastructure programme remains a substantial programme going forward into the next financial year. The independent budget review was clear in its analysis that capital expenditure contributes significantly to economic recovery and growth. The Government accepts that analysis. Despite the severely constrained capital budget, the structure of the capital programme will be focused on trying to achieve the objectives set out by the independent budget review.

Another important point in the review that we accepted was its acknowledgement of the importance of ensuring that our policies are aligned to support the development of the Scottish economy. A recommendation that we did not accept but which is appropriate to the committee's remit concerned the issue of revisiting the eligibility criteria for the concessionary travel scheme. That was one of the central recommendations that was advanced by the IBR in connection with the issue of universal benefits.

The Convener: The intention to rule out changes to the concessionary travel scheme was a fairly early commitment from the Government. Are there any other aspects of the IBR's recommendations that have been ruled out in that way, before consideration?

John Swinney: I am sorry—I should have added the position on Scottish Water to my first answer. The independent budget review ruled out the concept of privatisation. It indicated that it did not think that mutualisation of Scottish Water was workable and it raised the concept of a public interest company. The Government has made it

clear that we have a different agenda on Scottish Water. Our thinking on that will be set out in due course.

The key issues that the Government addressed in the short term, immediately after publication of the IBR, were concessionary travel scheme eligibility, the concept of free personal care for the elderly and Scottish Water. There is a fourth, but it has escaped me. If it comes back to me, I will—

The Convener: You have touched on issues that are part of this committee's remit. I assume that other recommendations in the IBR, for example the road user charging proposal, are receiving active consideration, if they have not been ruled out.

John Swinney: The Government has not advanced any proposals for road user charging and we have no plans to do so. That is a contribution to the debate from the IBR. At the time of the IBR I said that I would give an initial reaction on a range of items, which I have done, and that the Government's budget would essentially be our response to the IBR. For example, the Government's budget sets out provisions in relation to pay and head count. Those were fundamental issues considered by the IBR, which set out the argument that if there was general pay inflation in the Scottish Government and its associated bodies, there would be greater pressure on head count.

The Government has taken forward a range of recommendations, which are evidenced in our budget document. That is our response to the IBR. If there are other suggestions in the IBR that we have not taken forward, I suppose that I would classify those as contributions to the debate that the Government does not intend to take forward.

The Convener: Are you saying that the Government has ruled out considering the feasibility of a road user charging scheme?

13:45

John Swinney: The most accurate way that I can explain it to the committee is to say that the Government is not taking forward work in that respect; it does not form part of our programme.

The Convener: And you do not intend to consider the feasibility of a scheme, as recommended.

John Swinney: I do not have any plans to do so at this stage.

The Convener: One of the objectives that the IBR mentioned was that a road user charging scheme would contribute to the maintenance costs of the road network. It made some other comments about the balance between building

infrastructure and maintaining existing infrastructure. This relates a bit to the lessons that might have been learned from last year, given the condition that the road network was in after the very tough winter. As we go through another very tough period of weather, we are all reflecting on the impact that that will have on the road network. What general approach have you taken to ensure that we have sufficient resources for road maintenance and that building infrastructure does not take away from that?

John Swinney: The budget document does essentially what the IBR talked about by striking a balance between the maintenance of existing infrastructure and the construction of new infrastructure. That balance is of course reflected in the thinking behind and contents of the strategic transport projects review. Within the review was a range of capital new-build projects that we could take forward to enhance infrastructure, but equally there was the distillation of a set of arguments around the maximisation of the effectiveness of our existing infrastructure and what it would contribute towards the economic health and prosperity of the country. The balance that was struck in the STPR and reinforced in the independent budget review report is also evidenced in the way in which the Government has structured its programme. Yes, there are some new-build transport projects; equally, there are other investments to sustain the existing network and to ensure that it is able to meet the expectations of people in Scotland.

The Convener: I just want to think a bit more about that balance between maintenance of the existing network and new infrastructure build, particularly in the context of the series of cuts that we are expecting over the coming years. The road maintenance budget is being reduced. Quite apart from the weather conditions this week and last week, there will be people who are thinking about the lessons that could have been learned from last winter and who might be given pause for thought. Are you confident that a reduction in the road maintenance budget will not come to be regretted by those who see damaging conditions that simply are not being put right?

John Swinney: A number of different changes are made in the Government's budget. We are increasing the budget line for structural repairs for example. That is one element of what the Government is bringing forward. The position on routine and winter maintenance is that the budget is essentially flat in cash terms—the budget has been maintained. I did not rehearse for the committee some of the budget reductions that we are facing. I think that I rehearsed the position on capital, but we are experiencing a cash-terms reduction in our resource budget into the bargain.

Part of the challenge that I have to address as the finance secretary is how we satisfy current demand and how we address future requirements. We have to find a way to structure a balance between those two elements to ensure that our infrastructure is appropriate to the needs of the public and effective. That is a difficult balance to strike, but I point you towards a number of areas in which budgets are being either strengthened or maintained to ensure—

The Convener: But overall the budget for maintenance of the motorway and trunk road network is going down.

John Swinney: Overall, at a global level, that is correct, but we must acknowledge that we need to replenish some of the infrastructure that is part of the trunk road network to ensure that it can meet demand and expectations in the years to come. That is part of the difficult balance that we must strike.

The Convener: Some people will be a little disturbed to think that you have looked at what happened last winter, tried to learn some lessons and concluded that the maintenance budget for trunk roads and motorways can be reduced without giving rise to further problems. Are you completely confident that that particular decision will not be regretted?

John Swinney: Yes, because as I stressed to you a moment ago the routine and winter maintenance budget has been maintained at a time when we are facing a cash reduction in our budget. That is the clear and direct budget line that affects the issues that you raise. Last year, the budget for routine and winter maintenance was £61.6 million; this year, it is £61.5 million.

The Convener: That is a real-terms cut when we are seeing an increased need.

John Swinney: There is an acknowledgment of the fact that we are facing a cash reduction in our budget. There is any number of suggestions about how I could spend more money on particular items, but I do not often hear suggestions about how we could spend less on other items, so I have had to strike a judgment in the decisions that we have arrived at on the budget.

The Convener: I was going to mention the new Forth bridge next; as you are asking for areas where you might save money perhaps that is good timing. What other spending, either on maintenance or on other infrastructure, will be affected, delayed or deferred because of the enormous investment in the new Forth road bridge?

John Swinney: I have said that there are a number of smaller schemes and road improvement projects that we would ordinarily

have liked to take forward but which we will not be able to take forward as a consequence of the significant reduction in capital expenditure that we have experienced and the fact that we have to take forward major capital infrastructure projects, the largest of which is the Forth replacement crossing. Two factors have an impact: one is an issue that we have to address—the necessity of building another Forth crossing; and the other is the response to the reductions in our budget that have been applied by the United Kingdom Government.

The Convener: In that context, is it not overwhelmingly obvious that we should check whether it is necessary to press ahead with spending what is an astonishing amount of money by first waiting to find out how the dehumidification is working on the existing bridge?

John Swinney: I agree that it is an astonishing sum of money, but what is also astonishing is the sum of money that would be lost to the Scottish economy if we waited several years to see whether the dehumidification work was successful, found out that it was not successful and then had to take a decision in a hurry and in far from ideal circumstances to close the Forth bridge. If we had to do that, the disruption to Scotland's transport networks, and subsequently to the economy, would have a permanent impact on the Scottish economy.

Clearly, it would make life an awful lot easier if we did not have to spend the sums of money that we will have to spend on the Forth replacement crossing, but the advice that I have points me to the conclusion that, if we do not take steps to build a replacement, we will be taking an approach that runs the significant risk that we would not have a credible and effective crossing of the Forth for vehicle traffic at Queensferry. Irrespective of who comes to sit in front of the Transport, Infrastructure and Climate Change Committee in five or six years, nobody would thank me if I did not take the decision to prepare for that eventuality.

The Convener: I have heard no one argue that there should not be a road crossing. However, I have also heard no one argue that the bridge is likely to be closed in the near future, only that it may be closed to certain types of heavy goods vehicles. Is it not at least possible that the engineering reports on the existing bridge that we will get less than a year from now will say that we do not need to do anything for a good 10 years? At that point, people may want to rewrite this budget.

John Swinney: With the greatest respect, that is a hypothesis.

The Convener: It is a credible one.

John Swinney: It is a hypothesis that is not based on the evidence that is before me at the moment. Your description of the sequence of events is correct. If we do not get decisions on the Forth bridge correct, use of the bridge first by HGVs and, ultimately, by private vehicles will be restricted. If at any stage we needed to repair the bridge significantly, we might be able to do that by closing one carriageway permanently, so that the bridge was restricted to single-carriageway operation. That is the very least that could happen, but I am not absolutely sure that it is a credible option. If the bridge needed to be repaired, it is likely that it would have to be closed for a prolonged period to enable that to happen. My point remains that that would be very damaging to the health of the Scottish economy.

The Convener: I have one further question. The Scotland Bill that has been published at Westminster contains proposals for borrowing powers, although my initial reading of the bill suggests that the Scottish Government will require Treasury permission to exercise the powers for which the legislation provides. Is that reading accurate? What is the Government's assessment of the likely impact of the Scotland Bill on its ability to make decisions on infrastructure investment in roads, bridges, railways or anything else?

John Swinney: My reading of the provisions is slightly different from yours. I read the bill as setting a Treasury limit on the volume of borrowing and an annual borrowing level. I do not think that it is as prescriptive as you imply or that Treasury approval will be required for specific projects, with one exception. I do not understand why, under the proposals in the bill, the borrowing provisions must take so long to be enacted; that could be done a great deal more quickly. However, the Treasury suggests that a pre-payment arrangement might be put in place, by agreement between Her Majesty's Government and the Scottish Government, to manage the Forth replacement crossing. We will pursue that possibility.

Charlie Gordon: I start with a brief question about the air services budget, in which there is a slight move from resource to capital of around £200,000 in cash terms. Can you tell us a bit more about what that involves?

John Swinney: I think that it relates to infrastructure for some lifeline services. I cannot be any more precise than that, but I will provide you with a specific answer.

Charlie Gordon: There will be best-value issues around the air discount scheme. Are you on the case and are you satisfied that it still represents best value? I know, for example, that it is very much your intention in the year under discussion to strip out some of the business-

related travel claims pertaining to the air discount scheme.

14:00

John Swinney: Clearly, in the current financial climate we have to assess and consider all public expenditure very carefully. Best-value issues must be considered, but so must questions of equity. I gave evidence this morning to the Equal Opportunities Committee, and many issues about equity emerged. The air discount scheme obviously contributes to addressing some of the costs that are faced by our residents in more isolated communities.

Charlie Gordon: Three supported air routes between Glasgow and Barra, Tiree and Campbeltown are categorised as a public service obligation. Are you satisfied with the robustness of that designation?

John Swinney: I am.

Charlie Gordon: So you do not have any worries that there could be future difficulties with the European Commission.

John Swinney: We must be mindful of ensuring that we comply properly with any obligations that are applied by the European Commission. Obviously, if there are issues to be addressed in that regard, the Government must address them.

Charlie Gordon: My next question links concessionary travel and the bus service operators grant. The figure of £185 million for concessionary travel seems to be £5 million above the original cap that you told the committee about in a previous evidence session. However, the figure for the bus service operators grant appears to be £5.7 million less than the figure of £66.5 million that you gave to the committee earlier this year. Can you clear up those sums?

John Swinney: The sums on concessionary fares and the bus service operators grant that appeared in the budget are the sums that were negotiated with the bus operators as part of the Government's approach to providing the necessary financial control that we would expect over the concessionary travel scheme. Those numbers are the ones that I offer the committee today. If reconciliation of those numbers with numbers that we raised previously is required, I am happy to arrange for that to be done.

Charlie Gordon: I wonder whether there has been an element of rebadging around the £5 million or so, cabinet secretary. For example, in the *Official Report* of 18 March you said that you would

"increase the funding for the BSOG to £66.5 million a year."—[*Official Report*, 18 March 2010; c 24723.]

You also used the figure of the £180 million cap for the concessionary travel scheme quite a lot previously.

John Swinney: I think that I said to the committee previously that, taking BSOG and the concessionary travel scheme together, there was a net saving to the public purse. Clearly, though, we will be happy to ensure that there is clarity about that.

Charlie Gordon: It may just be a question of detail.

There appears to be a significant increase in the order of £7 million for the smart card programme. Given that the bedding-in of the new ticketing machines for the bus operators was completed by August, to what does the proposed new capital expenditure for smart cards pertain?

John Swinney: The expenditure relates to software upgrades to ensure the operability of the smart concessionary travel system.

Charlie Gordon: I see. Is that likely to be an annual or periodic requirement? The item seems to be lumpy, if I can use that term.

John Swinney: That is a fairly accurate term to use. We hope that the item will not be too lumpy, if I can carry on that usage. The upgrade is certainly not annual.

Charlie Gordon: Was it an unpleasant surprise?

John Swinney: Let us just say that I could have done without it.

Charlie Gordon: If Parliament agrees to that item for next year, can you estimate how many years it will be before we are asked to endorse something similar?

John Swinney: I cannot give a definitive figure, but I know—

Charlie Gordon: But the item will not appear annually.

John Swinney: It will definitely not appear annually. I can say that Parliament would expect to have effective and operational smart card technology to enable us to manage the concessionary travel scheme properly.

The Convener: Does the smart card technology have potential uses beyond transport that could impact on the budget in future years?

John Swinney: The concessionary travel card could be used for other purposes, if that was desired by the Government. We have no plans to roll out any other provision that is associated with that.

The Convener: So nothing is planned that would have a financial impact.

John Swinney: That is correct.

Rob Gibson (Highlands and Islands) (SNP): The ferry services budget will increase by about 20 per cent in real terms, whereas investment in vessels and piers will be nearly halved and support for the road equivalent tariff will be down by about a third. Why does support for ferry services continue to increase at a level that is well above any measure of inflation?

John Swinney: The budget must catch up with the reality of where the ferries budget is going as a consequence of several factors, but principally the cost of fuel, which is the significant element in the changes with which we wrestle. In this financial year, we are finding resources to support the actual costs of running the ferry network. The 2011-12 budget reflects some of that challenge, which the Government is addressing.

Rob Gibson: I understand well the point about diesel. What increases are being given to support the network? We have talked about a general increase that is well above inflation.

John Swinney: That relates principally to the increase in fuel costs—that is the factor that we wrestle with. Other costs will undoubtedly rise, but we are working with the operators to maximise the efficiency of their contribution to the cost of the ferries budget.

Rob Gibson: Is sufficient capital being made available to ensure the upkeep of the fleet and the onshore infrastructure?

John Swinney: Part of the challenge that we face, to which I suspect that we will return time and again in our discussions, is that capital expenditure will be under enormous pressure. Capital expenditure will reduce by about 38 per cent in the four years of the spending review, which is a huge decline.

All that is about choices. When we make our choices, that constrains our ability to do all that we would ordinarily want to do. With our capital expenditure programme, we are examining, exploring and in some cases deploying all the innovative funding mechanisms that we can identify to maximise its extent and effectiveness. If there are any ways in which, with a bit of ingenuity, we can encourage additional capital expenditure, we will seek them out.

Rob Gibson: I understand that perfectly, but we know, for example, that over the next five or six years we will need 100 new ferries to deal with the problem of our fairly old stock. Have there been any discussions in Government about or has any thought been given in future programming to finding a dedicated facility in which we can build

ferries for our own services? Could we, in considering the potential for dedicating a new site for such activity or using existing firms, compete with other high-cost centres such as Finland and Norway?

John Swinney: Much as I am attracted by Mr Gibson's concept, I have to point out that we would have to address the dreaded state aid implications of such a move. My firm view is that there is no reason why we cannot repeat in shipbuilding the superb performance of Scotland's strong manufacturing sector with regard to the manufacturing agenda, and I am sure that opportunities will emerge in that respect.

The other aspect of Mr Gibson's question is the importance of ensuring that we make long-term investments in the ferry network. MV Finlaggan, which as he knows will be delivered and start in service on the Islay route next year, will make a major addition to Caledonian MacBrayne's capital programme and, as I have said, we are exploring ways of sustaining investment in the years to come.

Rob Gibson: I take it that your thinking will include the consideration of overland routes that cut out extra infrastructure costs and the need, in some cases, for very large vessels. MV Finlaggan stands as a very good example of how the islands have been traditionally served but, in the long term, other cheaper ways might well be found. For example, people on the Shetland Islands have been thinking about tunnels, although I am not suggesting that that would be appropriate with regard to capital costs.

John Swinney: I accept that point, given the effectiveness of fixed links in different parts of our island communities. Interestingly, in view of the ability of fixed links to capture energy, there could be cross-collaboration with wave and, in particular, tidal sectors. There is a lot to explore in that respect.

Rob Gibson: Indeed.

Does the continued support for the road equivalent tariff pilot represent value for money?

John Swinney: Yes, I think that it does.

Rob Gibson: I take it that there will be an assessment of how the costs have been reflected in the prices that carriers charge for things and so on.

John Swinney: The RET pilot's effectiveness is being assessed. That work will be published and form the basis on which we will assess our approach to RET.

The Convener: Going back to the new Forth road bridge, I suggested that the decision was premature and that it might have been better to

wait for information that will be available next year to inform any decision. Does the same argument not hold true for RET? You have said that you think that it represents value for money, but that an assessment is being carried out. Should we not wait until we have that assessment, or rather should the pilot not have been designed differently to ensure that budget decisions were informed by something that had been assessed rather than by what you thought about something before it had been assessed?

14:15

John Swinney: We have a programme that is under way and we are obviously interested to see the impact that it has had. The initial assessment is that it has had a beneficial impact on the communities that have been affected. Part of good policy making is to be in a position to consider the effectiveness of programmes in determining how they should be taken forward in the years to come. We have the pilot, and we will do the assessment in a fashion that does not interrupt the ability of the scheme to operate and, crucially, have what certainly appears to me to be a beneficial impact on the economic prosperity of the Western Isles and other communities.

The Convener: Is there a short-term, interim extension to the scheme pending the assessment, or has the Government done anything that would lock in a subsequent Government and prevent it from making changes even if the assessment showed that those changes were justified?

John Swinney: We have not locked in any future Administration. We have extended the RET pilot.

The Convener: Until?

John Swinney: By an extra year.

The Convener: Okay. Thank you.

Rob Gibson: We turn on to motorways and trunk roads—if the slip roads are actually open. I want to look at the reduction by three quarters of the network strengthening and improvement budget, which has been mentioned before, and think about how the Scottish Government can continue to fund major trunk road improvement projects, such as the Baillieston to Newhouse one, given the current budget restraint.

John Swinney: The Baillieston to Newhouse proposal has been subject to a public local inquiry and it awaits a ministerial decision. If the ministerial decision is supportive of the work that is envisaged, it will be undertaken as part of the non-profit-distributing programme that I set out in the budget statement.

Rob Gibson: So we can expect that some of the large items that have been mentioned, such as the M74 Raith interchange, the associated network improvement project and the Aberdeen western peripheral route, will feature under that newer form of finance.

John Swinney: There is an explanation of the contents of the NPD programme on page 42 of the budget document. It covers a range of transport projects along with education and health projects.

Rob Gibson: That should help us to achieve more for every pound that is spent than has been achieved under some previous methods of calculation.

John Swinney: That is correct. The Scottish Futures Trust is doing an excellent piece of work on ensuring that we maximise the value for money of this approach to investment.

Rob Gibson: Thank you.

The changes in the budget lines in areas such as motorways and trunk roads will have an effect on our efforts to reduce emissions. We will come back to that, but do you have any thoughts on it at the moment?

John Swinney: We are in a situation where we have to face reductions in the budget. I do not particularly want to make the reductions, but I have to face up to them. We have to accept that we will not be in a position to do everything that we would ordinarily like to do. That is essentially what the budget does—it sets out our priorities and choices, and indicates what we are able to do. Although there are reductions in the budget, a very substantial sum of money is still being expended within the budget to invest in the future of Scotland.

Rob Gibson: I will take this chance to ask David Middleton about the overtaking lane at Moy on the northbound carriageway of the A9 trunk road, which I passed on Sunday. It seems to have been designed wrongly and has been coned off. What happened in the design and delivery of that imperfect arrangement?

The Convener: As it relates to the 2011-12 budget, that is.

Rob Gibson: That might well be, if it has to be sorted out.

David Middleton (Transport Scotland): I do not want to say definitively what the issues are around the junction. We monitor accidents and close calls on the network carefully. The chief road engineer and other road engineers were concerned about near misses, which they think might have arisen from the design of the junction, so they took the decision to make adjustments and study the traffic flows and the recent evidence.

When we have reached a conclusion, we will tell the relevant members and the public what our next step will be.

Rob Gibson: The next step might fall into the next budget period, given the time that it will take to assess the situation.

John Swinney: The overtaking lane was constructed in accordance with established design standards. The fact that the issue is being addressed demonstrates the need for us to keep under constant review significant issues in relation to safety, which concerns us all.

Rob Gibson: I welcome the freeing up of traffic. I hope that the problem will not take too long to sort out.

The Convener: When Rob Gibson asked about the implications of the Government's decisions on trunk roads and motorways in the context of emissions, the cabinet secretary replied that, because of the cuts, there are things that we cannot afford to do. Is that answer not a wee bit worrying from a Government that was committed to getting its climate change targets in place, and which has been told year after year by this committee that prioritising the motorways and trunk road infrastructure locks in high-carbon behaviour? If even the Government that introduced the targets will not make the right decision when times are tight, how can we think that every subsequent Government between now and 2050 will do so?

John Swinney: With the greatest respect, I am not sure that I am often told by the committee that investing in the motorway infrastructure is the wrong thing to do.

The Convener: We have frequently criticised the balance between high-carbon and low-carbon transport investment.

John Swinney: I recognise that sentiment on the committee. However, members of the committee have also demanded that we do this, that and the next thing to the motorway and road network, into the bargain.

I should have given Mr Gibson a more complete answer that established what else we are doing in relation to the development of and improvements to Scotland's public transport infrastructure. For example, the Airdrie to Bathgate railway line will open just next week—

David Middleton: On 12 December.

John Swinney: That is on Sunday.

The Convener: Do you accept that if, as a result of spending decisions, road traffic levels increase, emissions will be higher, whether or not rail traffic also increases?

John Swinney: I suppose that the strategic challenge is that people in our society want to move about. They want to travel. I very much regret that many people could not do that easily yesterday, which was unfortunate. We must create the basis on which such a lifestyle can be sustainable. That is the focus of many of our interventions.

I was surprised when I heard that the Airdrie to Bathgate extension is the largest rail development project in Scotland in 100 years—that had not dawned on me. The opening of the line is remarkable and is something to celebrate.

The Convener: Does that not say more about the past 100 years than it says about the Airdrie to Bathgate line?

John Swinney: At least we are doing it. That is a good thing.

The Convener: Let us move on.

Marlyn Glen (North East Scotland) (Lab): I want to move on to the area of other transport policy and projects. Why is the Scottish Government supporting the development of infrastructure that will help with the roll-out of electric cars? What specific work will that expenditure deliver?

John Swinney: The work will enable us to make the transition that I have discussed with the convener, which is about making our journeys as citizens more sustainable and taking steps to reduce carbon emissions. We are talking about new technology and new areas of activity. The Government sees it as part of its role to encourage the development of such infrastructure in Scotland.

Marlyn Glen: There are different ways of making such changes, but what specific work do you expect that expenditure to deliver?

John Swinney: I may have to get a bit of help on some of the detail but, essentially, we are looking at how we could put in place the infrastructure that would allow a credible electric vehicle network to operate. We would do that through a pilot, to test out what the infrastructure would comprise, how the technology could be deployed and what issues its deployment would raise, and to identify what lessons needed to be learned as a result.

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

John Swinney: I can certainly share details of it with the committee in writing.

Marlyn Glen: Thanks very much.

As I said, there are different choices to be made on how to reduce carbon emissions. Electric cars

are certainly one way of doing that, but will you clarify the future of the cycling, walking and safer streets budget? I understand that it is the subject of negotiations between the Scottish Government and the Convention of Scottish Local Authorities.

John Swinney: Those discussions are under way. We will, of course, advise the committee when they have been concluded.

Marlyn Glen: So you have nothing to add on that.

John Swinney: No. The discussions are under way.

Marlyn Glen: That is not reassuring at all, but we will wait and see what details we get.

The Convener: I would like to ask a supplementary on that. When do you expect to conclude those discussions? The committee will be drawing up its report on the budget soon. We have received written as well as oral evidence from a number of organisations that, over the years, have consistently made the case that more needs to be spent on walking and cycling. To date, we have not had a favourable report on the Government's record in that area. If it was appropriate to maintain ring-fenced funding for the cycling, walking and safer streets budget at the beginning of the Administration, why would it be inappropriate to ring fence such funding now?

John Swinney: I know that ring fencing causes a sharp division of opinions, but we must ensure that we take the correct steps to guarantee that resources are deployed as effectively as they can be to work in unison with other areas of public expenditure. That is part of the discussion on ring fencing. Those discussions with COSLA are under way and I will be happy to give the committee an update on their contents as soon as that is possible.

The Convener: Is the Government taking a different view on how to deliver the CWSS work from the view that it took at the beginning of its term in office?

John Swinney: No, we are not taking a different view. We are having a discussion with COSLA about those matters.

The Convener: Is it correct that your approach is about how to ensure that that funding remains ring fenced?

John Swinney: Yes, that is the approach that we are taking.

The Convener: Will you be able to report back to us before we report to the Finance Committee?

John Swinney: I cannot give you a guarantee on that, but I will report back to the committee as soon as I can.

Marlyn Glen: I have a supplementary that mixes up transport and equal opportunities considerations. It would be interesting to carry out an equality impact assessment on the investment of resources in the development of electric cars. Who will win and who will lose? Electric cars are a wonderful technological advance, but which people in the area to which the small pilot relates will benefit from it? I am talking about all manner of groups; to take a direct example, we know that car ownership levels differ between men and women. If the budget for cycling, walking and safer streets is cut in absolute terms, you should carry out an equality impact assessment.

14:30

John Swinney: I am a bit surprised by Marlyn Glen's line of argument on electric cars. If we do not explore new technologies—

Marlyn Glen: I accept absolutely that we should do that, especially given the industries that are located in Dundee.

John Swinney: I was about to make exactly that point. I thought that it was curious that a member who represents North East Scotland should not be keen on electric vehicles, given that most of the batteries come from Axion Technology in Dundee.

The other day, when the Government announced the conclusions of the low-carbon buses initiative, I saw some positive endorsement of the way in which we are using public expenditure to shift attitudes to the procurement of lower-carbon vehicles. The expenditure on electric cars is another example of our attempts to do that. The convener indicated that Mr Stevenson will appear before the committee next week to talk about the report on proposals and policies, which is full of ideas about how we can move to different ways of doing things. If we do not explore those options, the Government will undoubtedly be criticised for failing to explore them. Now we are being criticised for exploring them. I find the member's line of argument odd.

Marlyn Glen: It is not at all odd. At this morning's meeting of the Equal Opportunities Committee, we discussed how we can mitigate the effects of decisions that we take in the budget. The budget line on the future of cycling, walking and safer streets has an impact on many people. I hope that the cabinet secretary understands how seriously I take that and that he takes it seriously. I also hope that he will re-examine whether the matter has been assessed properly from an equalities point of view.

John Swinney: The other argument that is deployed to the Government and which we have taken seriously is that we should undertake a

carbon assessment of the budget. This is the second year in which we have published such an assessment. If we do not take steps in the fashion that is suggested to develop new technologies such as electric and low-carbon vehicles, the carbon assessment of the budget will not indicate that the Government is taking steps to shift emphasis in the way in which, I imagine, Parliament would expect it to do to meet many of our obligations under the Climate Change (Scotland) Act 2009 and other pieces of legislation.

Marlyn Glen: I will repeat what is obvious. Active travel—walking and cycling—has the least impact on the environment, so it is very important that we promote it. We will return to the issue.

At what level does the Scottish Government intend to finance measures that are required to meet its commitment in the cycling action plan for Scotland that, by 2020, 10 per cent of all journeys should be made by bike?

John Swinney: Budget decisions below the level of £25.1 million are yet to be taken. I am happy to share further details with the committee once they have been arrived at.

Alasdair Allan (Western Isles) (SNP): My apologies for my late and slightly dishevelled appearance. I have just arrived from the Isle of Lewis by train—partially by train, I should say. I pay tribute to the work of Scotland's railways in operating today.

That leads me nicely on to my question, which is about rail fares. Will you comment on the decisions that have been made about capping regulated fares in Scotland and on how the situation compares with that in England?

John Swinney: Our position on regulated rail fares is that they are set to increase at the current level of the retail prices index plus 1 per cent. The United Kingdom Government has taken a stance that regulated fares should increase at RPI plus 3 per cent. If my recollection is correct, the mechanism of RPI plus 1 per cent is an implicit part of the franchise—I am pretty sure that it is but, in any case, it has been the model that we have maintained for some time.

Alasdair Allan: Is Scotland trying to keep the existing balance between taxpayer and passenger support for the railways in a way that is not happening elsewhere in the UK?

John Swinney: I certainly think that it is important that the balance is kept. As the budget numbers show, the railways are expensive to run, but I think that we all appreciate that they provide a very good service on which we all depend, so we have to strike the balance between what taxpayers and individual transport users pay.

Using RPI plus 1 per cent is a reasonable approach that strikes the correct balance between the two factors.

Alasdair Allan: Finally, it is often commented that the railways in the UK in general compare unfavourably in price with railways on the continent. Is that a fair criticism and something that you ever see changing?

John Swinney: The committee can see the numbers that are involved and the scale of public investment. I suppose that there are three variables. The first variable is the cost of travel—the prices paid by individuals. They could go up, which would help to meet the cost of railways, but the Government has made its position clear that increases for regulated fares should be based on RPI plus 1 per cent.

The second variable is efficiency in the operation of the railways, and we are giving great encouragement to the McNulty review that is currently looking at these questions. Just the other week, the Minister for Transport, Infrastructure and Climate Change and I met the board of the Office of Rail Regulation when it was in Glasgow, to take forward the discussion on securing more efficiency in the rail network.

The third variable is public subsidy. Increasing that is another choice but, as members will see, rail infrastructure and the rail sector are already an expensive part of our programme.

Charlie Gordon: You said that increases in rail fares in Scotland based on RPI plus 1 per cent are an implicit part of the ScotRail franchise. Are they a contractual part of the ScotRail franchise?

John Swinney: You will have to let me confirm that to you in writing, Mr Gordon. I cannot quite recall the foundation of the use of RPI plus 1 per cent—whether it is a Government specification or a contractual element—but I will confirm that to you.

Charlie Gordon: Can you tell us notionally what the effect would be on the draft Scottish Government budget for next year of fare increases in ScotRail of RPI plus 3 per cent, as per the UK Government?

John Swinney: Yes, we can give you an illustration of that.

The Convener: If there are no further supplementaries to the rail and transport questions, we will turn to the climate change questions.

In general terms, the budget provides more money for roads and road bridges, and less money for housing and so on. Is it a budget that will increase emissions in Scotland?

John Swinney: I do not think that it is.

The Convener: We will come to the carbon assessment later, which deals with the Government's in-house and business emissions. However, what impact will the budget have on emissions in Scotland? Will the level of emissions go up or down? Can you quantify that?

John Swinney: Last year's analysis of the 2010-11 draft budget showed an emissions total of 8.2 million tonnes of CO₂ equivalent—

The Convener: Sorry—perhaps my question was not clear. I was talking not about the carbon assessment, which deals with the Government's in-house emissions, but the impact on Scotland as a whole. Has that been assessed?

John Swinney: Let me just—

The Convener: The carbon assessment does not count the emissions that arise as a consequence of, for example, building a piece of infrastructure. There will be questions about the carbon assessment later, but I am wondering about the wider impact on Scotland.

John Swinney: All the budgets are a balance. We are taking steps to construct a new Forth replacement crossing, which, once it is completed, will open up an infinitely superior public transport corridor for the communities in Fife and the Lothians, and for wider Scotland. There is a balance there.

I have mentioned the Airdrie to Bathgate rail line, and the balance that is struck in that regard. We have talked about electric cars, and there are various other measures. Part of the challenge in setting the budget is about providing a set of measures that adequately meet the various competing challenges that we face. There are many measures in the budget that will contribute to the Government's obligations to reduce emissions.

The Convener: Some of the witnesses from whom we heard evidence took the view that climate change has lost out to other priorities in that competition. How would you respond to that?

John Swinney: I do not accept that. There are a number of different elements; I have just mentioned the rail franchise and the implications of the concessionary bus travel scheme, and we have discussed those. We have not talked about the climate challenge fund—that budget line is not under the portfolio for which I am responsible, but it is part of the climate change agenda. There was a lot of concern that the fund was going to disappear, but it is not. There are a range of different areas in which there is a strong and positive explanation of what we have been able to deliver.

The Convener: I want to ask about one of the pieces of work that the Government is due to

undertake next year. This month, the Government is due to publish the public engagement strategy, so one would assume that it will act on that next year. I have been trying to find out through parliamentary questions whether funding has been allocated to pay for the implementation of the strategy but, so far, I have not managed to ask the right question that would get me the answer that I am looking for. Where in the budget is the funding for the public engagement strategy shown and how much resource has been allocated to it?

John Swinney: The funding for the public engagement strategy will come out of general programme budgets, some of which may be in certain portfolios. For example, in my budget line on page 105 of the budget document, there are elements of expenditure on climate change. There will be budget lines on some aspects of sustainability in Richard Lochhead's portfolio. Elements of support for the public engagement strategy will also be funded out of the Government's administration budget into the bargain. Operational decisions will be made about where the support will come from, depending on the balance between programme costs and core administration costs.

14:45

The Convener: How much resource will implementation of the strategy require? The strategy must have been written now, as it is due to be published in the next week or two. You must have some sense of how much it will cost.

John Swinney: That is a question that is probably best left to the public engagement strategy, once it is finalised.

Charlie Gordon: Do you believe that, in relation to transport, the draft budget has optimised the carbon value-for-money potential?

John Swinney: Essentially, I have been trying throughout my evidence to set out how the Government has taken a set of decisions that address fundamental realities that we have to consider in terms of our public infrastructure. Principally, that discussion has revolved around the Forth replacement crossing and the requirement for the budget to take account of our duties under the Climate Change (Scotland) Act 2009. In that respect, I consider that that test has been passed, but I am happy to consider Mr Gordon's observations on the issue.

Charlie Gordon: You will appreciate that there might be seen to be a difference between a balancing act and optimisation. If it turns out that there is a reduction in, for example, local funding for cycling and walking, many people might think that that is not only not optimal but not balanced.

John Swinney: I am sure that we will consider these questions during the budget process.

Charlie Gordon: I will ask you a more specific question about the freight facilities grant. Some freight operators perceive that it has been reduced from £10.3 million this year to £2.9 million. That would seem to be the case when one looks at table 7.12 on page 99. I gather that some of the funds may have been moved into other categories. Historically, since 1997, something like 33 million lorry miles per annum have been avoided by the use of the freight facilities grant and related grants. Where is that money going? Is there a cut of the level that is perceived by some in the freight industry?

John Swinney: This is one of these quite difficult issues. The first thing that I have to say is that the budget has been reduced. This is one of the areas where I have had to take some money out of the budget. That sometimes happens in difficult areas and I acknowledge that that is the case here.

Since 1 April 2007, there has been a capital budget for freight facilities grant projects of more than £40 million, but awards of freight facilities grants over that period totalled less than £8 million. In effect, we have had a budget that has been set at or about the 2010-11 level of £10.3 million, but we have not been able to spend that money on projects. In the course of the in-year changes, the money will have been reallocated and spent on other priorities. Maintaining the budget at £2.9 million allows us to continue to support 13 specific freight operation projects that are up and running, delivering—I was going to say delivering the goods, which is largely what they are doing, actually. Those includes ventures such as the train that goes from the central belt to Inverness; I saw it going through Perth station the other week and, if it had one wagon on it, it had 30, which is 30 articulated lorries that are not going up the A9.

I accept that there is a budget reduction, but it is one that recognises the fact that we have never really been able to spend that sum of money and that we have particular operational projects that will continue to be supported.

Charlie Gordon: I will put to you what some members of the Freight Transport Association put to me about the budget at a recent meeting. There is no lack of aspiration or, indeed, applications to draw down money from the freight facilities grant, but members of the FTA find that, when they get into the detail, the grant criteria are drawn up in such a way that they sometimes find it difficult to qualify, even though they felt initially that they could. As far as the industry is concerned, there is no lack of aspiration to shift freight off the road but

there may be bureaucracy that is drawn rather too tightly.

John Swinney: I would be happy to explore some of those points—perhaps it would be more appropriate to say that Mr Stevenson would be happy to explore them. The grant cannot be so bureaucratic if a range of projects have made it through and are operational; it must be possible for schemes to develop. I suspect that what might be an issue is that there are bound to be state aid questions in this area. That is why many criteria, conditions and requirements have to be satisfied to ensure that we have a compliant scheme. However, if the industry has a particular perspective on this, I would be only too happy to consider it.

Charlie Gordon: Finally, cabinet secretary, and do not take this the wrong way, but is the aspiration to move freight in a different way from the Highland Spring plant at Blackford, which I believe is in your constituency, liable to make it through the gate for the next financial year?

John Swinney: I am afraid that Mr Gordon's encyclopaedic knowledge of parliamentary boundaries has let him down, because the Highland Spring plant is in Roseanna Cunningham's constituency. I cannot give a specific observation on the Highland Spring plant.

Charlie Gordon: Presumably, it would be nae loss whit a friend got.

John Swinney: Well recovered.

The Convener: I want to ask you about the housing and energy efficiency budgets. Clearly, there has been a significant reduction in the housing budget overall. What impact will that have on the energy efficiency action plan, the need to retrofit hard-to-heat homes in Scotland, of which we have very many, the home insulation programme, the energy assistance package and other work on fuel poverty?

John Swinney: The capital budget has reduced by about 25 per cent in the first year, which is the level by which the housing budget has been reduced. If we take into account some of the wider programme budgets in this area, I think that the reduction is closer to 19 or 20 per cent than 25 per cent. Again, I come back to the difficulty that, where we have budgets reducing overall, we must find savings in some areas of government.

We have a number of priorities that are very important in taking forward the Government's agenda of encouraging energy efficiency in homes around the country. We will of course ensure that, where we can, we continue to support projects with the resources that they require.

The Convener: What resources will be available for those programmes?

John Swinney: I do not have all the detail in front of me, but I am happy to furnish the committee with the details in writing.

The Convener: I would be grateful if we had that as soon as possible. I would have thought that you would expect to be asked that question when giving evidence on the budget to the committee that deals with climate change.

John Swinney: I apologise for not coming with the information. You asked a specific question on housing, which was not on my radar screen today.

The Convener: Okay. The various strands of work—the energy assistance package, the home insulation scheme and other attempts to reduce energy use in the home—are a central part of the Government's approach to climate change. If you could provide information about the impact on the budgets for those activities in the coming year before we draw up our report to the Finance Committee, that would be appreciated.

John Swinney: We will certainly do that.

The Convener: Some in local government have expressed concern about their ability to meet the expectations on them—whether now or once the public bodies' duties are in force—to reduce emissions. What is your reply to those who say that local government is being landed with many duties but does not have the resources to meet those duties?

John Swinney: The answer lies in whether we consider that we address such challenges only by allocating a dedicated sum of money to enable a change or outcome to be delivered. The key point is how we use the resources that are allocated to guarantee that we deliver the outcomes that are envisaged by the duties to which you referred, for example.

That takes us to the nub of many such questions. I return to your questions on housing. If we build new affordable housing that does not take due account of all the sustainability and energy efficiency issues that we consider to be appropriate to the agenda on tackling climate change, we are not taking a wise set of decisions. That illustrates the fact that, in our routine public expenditure, we must go through a process of changing mindsets to ensure that people who hold budgets and who implement programmes do so in a fashion that achieves the objectives, without the need to identify a sum of money that can be deployed in a particular way.

The Convener: I presume that you disagree strongly with those in local government who argue for a delay in implementing the climate change targets.

John Swinney: Of course I do.

Rob Gibson: The committee and most witnesses have welcomed the Government's production of the carbon assessment, but some witnesses have been concerned about the methods that have been adopted and an inappropriate level of assessment and have sought clarification. I will cover one or two of those matters. Does the cabinet secretary feel that it is appropriate to exclude the expected carbon outcomes of the Scottish Government's funded policies and programmes from the draft budget carbon assessment?

John Swinney: I have always accepted—and it has been broadly accepted—that the carbon assessment is a novel piece of work. We are probably the first Administration to try to produce such an assessment. Our researchers have done innovative work to put together a methodology that enables the assessment to be undertaken. There is always room and opportunity for us to improve our analysis and to consider other questions as a consequence. The Government would be happy to explore any thinking from the committee on the question.

15:00

Rob Gibson: It appears that the draft budget was drawn up and then a carbon assessment made of the allocations. Is that the best way of going about setting budgets?

John Swinney: At a technical and operational level, it is correct that we set a budget and run the calculations at the end of the process, but that is not a true account of how we actually go about the budget process. In the process, I set the three major themes of our thinking—first to promote economic recovery, secondly to protect front-line services and thirdly to support the development of a low-carbon economy—against the backdrop of which, in a very challenging public expenditure climate, my colleagues were asked to consider their proposals. As a result, the thinking on how to address carbon emissions and make more of a contribution towards tackling climate change was an implicit part of the thinking that went through the different stages of Cabinet discussion. Ultimately, a numeric calculation had to be carried out. I am not seeking to suggest anything other than that, but it is not the full picture of the process.

Rob Gibson: How do you react to the suggestion, made by the committee and its witnesses, that the analysis of the draft budget's carbon impact was too high-level and that level 3 assessment would have been more useful?

John Swinney: Unless I am mistaken—or unless my level 3 is different from the committee's level 3—there is level 3 analysis.

Rob Gibson: I suspect that it is not different.

John Swinney: If the committee is asking me whether it is possible to provide a breakdown that goes to a lower level than the contents of the annex in the carbon assessment document, my answer is no.

Rob Gibson: Greater detail of the carbon assessment, which you have already offered, would be valuable in assisting the budget scrutiny process.

John Swinney: The carbon assessment is underpinned by a model that has been constructed to produce such analysis. This morning, I was telling the Equal Opportunities Committee how helpful we had found its input to the equalities budget statement, and I would be delighted to have further dialogue with this committee on the construction of the carbon assessment.

Rob Gibson: Do you intend to refine and improve the carbon assessment of the budget for future years?

John Swinney: As I have said, this is work in progress. It is a new area of thinking and analysis and in taking us as far as they have my officials have produced a very good piece of work. The proposition is stronger than it was last year but I have no doubt that next year's will be stronger, and I would be delighted if the committee wished to have input into the process.

Rob Gibson: And we might be able to have a discussion about that post the budget.

John Swinney: Yes. I would be delighted to do so.

The Convener: However, you do not have a sense of how it needs to develop next year. We have had this discussion each year. We recognise that this is a new area of work and that there is no magic wand solution that will be brilliant overnight, but we need to recognise that simply repeating the same general approach, which looks only at in-house business emissions and does not consider the consequences of the way in which we spend the Scottish budget, will not give us an understanding of how the climate impact of the Scottish budget is changing in time. We do not want to be having the same conversation next time, do we?

John Swinney: I am not sure that I follow the distinction. The carbon assessment applies to the cash budget over which we have control. There are the departmental expenditure limit elements, and we supervise the expenditure under annually managed expenditure. Those are the sums of money that we preside over. I am struggling a little to understand what further analysis we could do. If we take the budget of £2.2 billion for which I have

responsibility at portfolio level as an example, we carbon assess that budget. I am not sure that I understand what further assessment we could do beyond that.

The Convener: The Government recognised last year that there is a requirement for a mechanism that can better inform policy decisions rather than our simply assessing the impact of in-house emissions after the fact. Broadly speaking, we are still looking at a mechanism that suggests that £1 spent on peatland restoration has the same climate impact as £1 spent on motorway building, and that the Scottish Public Pensions Agency has a much bigger impact in terms of emissions than the motorways and trunk roads budget. We could forgive anomalies such as those the first time round because we were taking a fundamentally different approach, but do we not need to evolve the system into something that can better inform policy?

John Swinney: I am now with you, convener. I understand that point very clearly. Are there ways in which we can interrogate the information on the basis that £1 spent on motorway building has a different carbon assessment tag from £1 spent on peatland restoration? I am happy to explore that question. Another element of the new thinking that the Government is doing is looking at the carbon impact of individual policy developments. We can arrive at a conclusion that £28 billion converts into so many tonnes of carbon emissions. I suppose that what you are also driving at, convener, is that, among policy choices, policy A might have one carbon impact and policy B another, even though they have the same cost in pounds sterling. Where we fit that into our policy-making process is an interesting area of discussion.

The Convener: The comparison that I would make is with equality impact assessments. If the Government produced an equality impact assessment that said, "We have not discriminated against anyone," people would not take it seriously, but the Government is taken seriously if it says, "Here is the impact of our policies on a wide range of different equalities groups in society." It is about the wider impact, not just what is done by the Government, the civil service or the agencies that we pay for.

John Swinney: That is where I become a little bit confused, convener. I cannot see what else we can assess apart from the £28 billion over which we have control and its carbon impact. There is a legitimate point of debate about whether we have got the right balance between what £1 spent on motorways costs in terms of carbon and what £1 spent on peatland restoration costs. I accept that some of our assumptions might be a bit on the blunt side. What I am struggling to get my head round is where the wider assessment of the wider

impact of that would be. Once we have spent the money, we have spent the money. Perhaps we could—

The Convener: There are longer-term consequences of the work that is done with that money.

John Swinney: I accept that point.

The Convener: And they do not show up in the current assessment.

John Swinney: We are in agreement there. I am back to understanding again.

The Convener: Perhaps we will leave the point for now and take it up at another time. I hope that we will not have lost understanding again when we look at the next assessment.

Marlyn Glen: How well aligned with the RPP is the draft budget 2011-12? Examples that we have been given in evidence include the lack of identifiable spending plans for peatland restoration and the reduction in Forestry Commission and Forest Enterprise budgets whereas the RPP contains ambitious targets for tree planting.

John Swinney: The Forestry Commission's tree-planting activity does not have to be reduced just because its budget is going down. We are requiring many organisations to operate more efficiently. There are many costs that, in the environment in which we operate, will need to be reduced.

The draft budget and the draft RPP are aligned. They are not identical because the RPP contains many more propositions, which we can do to meet the 2011-12 budget or need to do to fulfil our climate change objectives. The documents are aligned and complementary, but they are not identical and they do not attempt to be.

Marlyn Glen: Are you confident that the budget will provide the necessary funding capacity for Scotland to realise the opportunities that have been created by the vision of a low-carbon Scotland?

John Swinney: We are taking steps to focus public expenditure on a number of areas of Government activity that will support those opportunities, principally through the work of the enterprise agencies, our environmental agencies and our work on public transport. There is a cohesion in all that that provides the necessary focus.

Marlyn Glen: To what extent does the commitment to the second Forth road crossing over other transport projects restrict future investment in more carbon-effective transport projects and infrastructure?

John Swinney: I have acknowledged for some time that the Forth replacement crossing will dominate our capital programme. It will undoubtedly restrict our choices in a range of areas, not just transport projects.

Marlyn Glen: Page 84 of the draft budget document mentions that the Scottish Government intends to

“develop a climate change adaptation strategy for transport”.

What will that involve? Is it a new initiative?

John Swinney: It is part of our general agenda to ensure that transport connections are more sustainable. That takes us on to the ground that we went over earlier, when we talked about electric vehicles.

Marlyn Glen: I wondered whether that was it. Are we talking just about electric vehicles?

John Swinney: The use of the word “strategy” suggests that it should have a capital s to make it more formal. It is a range of initiatives. For example, I would put the low-carbon bus fund into that. We are talking about changing transport modes and assumptions about transport by the way in which we make our investments.

Marlyn Glen: So, basically, there is nothing new in it; it pulls existing initiatives together.

John Swinney: There will be new initiatives, but the strategy is part of recognising that we have to develop the thinking and ideas that will realise our climate change ambitions.

15:15

The Convener: Is that perhaps just a wee error—did somebody not mean to write “adaptation”?

John Swinney: I would probably describe it as a grouping of ideas or a theme of our work. In the RPP, we talk about the need to decarbonise transport.

The Convener: That is a matter of mitigating climate change rather than adapting to it.

John Swinney: Perhaps Bob Irvine has something to say about the matter.

Bob Irvine (Scottish Government Business Directorate): The requirements for adaptation are set out in the Climate Change (Scotland) Act 2009 as well, and, to put things possibly oversimply, transport is one of a number of sectors that have been identified which have to develop adaptation plans and strategies to deal with the changes and risk factors that are expected. They are to do with resilience against flooding and inundation, for example, and developing systems to cope with

those things. Some time towards the end of the next year, I think, there will be an overall presentation that shows how all the sectors have presented a comprehensive adaptation strategy.

The Convener: That is helpful. I want to be clear that that is separate from the low-carbon vehicles reducing emissions agenda.

Bob Irvine: Yes. There might be a role for low-carbon vehicles in the adaptation process, but mitigation is separate.

Rob Gibson: Will that assessment include Scottish Water’s work? Are there any details on that now?

John Swinney: The Scottish Water consultation document will be set out and it will be in the public domain shortly, in line with Mr Stevenson’s statement to Parliament.

The Convener: As members have no more questions for the cabinet secretary or his colleagues, I will take the opportunity to fire in a final question. The Government relies on advice and challenge to meet its climate change objectives and to do so sustainably. What sense does it make to scrap the relatively tiny amount of funding for that role through the Sustainable Development Commission Scotland as opposed to maintaining that function, even if it had to be transferred to another organisation?

John Swinney: That decision was pretty much forced on us because the UK Government decided to dispense with the Sustainable Development Commission. I am pretty sure that there was no consultation on that, although it might have sent us a letter to tell us that that was going to happen. We were not involved in formulating what happened.

Things are not quite as simple as taking the sum of money that we contributed to the process and setting up a Scottish sustainable development commission with it. That venture would be unsustainable without additional resources. The Cabinet Secretary for Rural Affairs and the Environment discussed the matter with me in advance and reached the decision—which I support—essentially to recognise that there are several areas in which some of the functions for which we depend on the Sustainable Development Commission can be taken forward by other organisations in other places. That strikes me as a most effective way of doing two things in the current financial climate: it will preserve the challenge to Government, which has no desire to avoid challenges on such questions—it is absolutely appropriate that we should be challenged on them; and it has created the most effective way of protecting the ability to challenge in an affordable way.

The Convener: My understanding is that the management of a few additional projects that were not part of the SDC's core function will be transferred, but the advice, scrutiny and challenge functions will be abolished. If that remit is being added to the work of an existing organisation, it would be useful to hear that. I am happy to join the cabinet secretary in blaming the UK Government, particularly in the absence of party colleagues of that Government to reply to that challenge, but the Scottish Government had a number of options relating to whether to transfer the SDC's advice, scrutiny and challenge functions and keep them going in their current format, which would, I agree, have been difficult, or to transfer them to another organisation and maintain them. Parliamentary committees can challenge and scrutinise, but that is always done through a party-political lens. Is there not value in having a neutral, non-political and independent scrutiny and advice function? Why is it the right decision at this point to abolish that?

John Swinney: The point is that we are in a financial climate in which we must be ever mindful of how we use resources and identify the duplication of activity and where that can be tackled. You mentioned parliamentary committees. I have been to many parliamentary committees. You are right: politics percolates through the agendas of some of those committees at all times, but I cannot say that that has particularly been my experience when I have come to this committee.

The Convener: We have had our moments.

John Swinney: You have definitely had your moments of challenge, but I am not sure that you have had moments of challenge in a party-political sense.

The Convener: Are you suggesting that there is no value in the independent function that the SDC performed?

John Swinney: I am simply saying that, faced with how we could secure that without setting up an entirely different infrastructure, which would undoubtedly have cost us more money, the correct decision was arrived at.

The Convener: Okay. Thank you. As there are no final comments on that, do you want to make any other points that have not arisen in questions?

John Swinney: No, thank you.

The Convener: In that case I thank you and your colleagues Mr Irvine and Mr Middleton for your time. We will now move into private session.

15:22

Meeting continued in private until 15:46.

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