

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 14 June 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE 16th Meeting 2000, Session 1

CONVENER

*Mr John Swinney (North Tayside) (SNP)

DEPUTY CONVENER

*Miss Annabel Goldie (West of Scotland) (Con)

COMMITTEE MEMBERS

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

Nick Johnston (Mid Scotland and Fife) (Con)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*George Lyon (Argyll and Bute) (LD)

Ms Margo MacDonald (Lothians) (SNP)

*Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

*Elaine Thomson (Aberdeen North) (Lab)

*Allan Wilson (Cunninghame North) (Lab)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Mrs Margaret Ewing (Moray) (SNP)

WITNESSES

Andy Baird (Transport & General Workers Union)

♦Mr Simon Cole-Hamilton (Inverness and District Chamber of Commerce)

Mr Iain Duff (Scottish Council for Development and Industry)

Mr Matthew Farrow (Confederation of British Industry Scotland)

♦Councillor David Green (Highland Council)

Mr Archie McCreevy (Highlands and Islands Enterprise)

Mr Alasdair Morrison (Deputy Minister for Highlands and Islands and Gaelic)

Ms Jane Todd (Federation of Small Businesses)

Tracey White (Scottish Trades Union Congress)

♦by video link

CLERK TEAM LEADER

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

LOCATION

Committee Room 1

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 14 June 2000

(Morning)

[THE CONVENER opened the meeting at 10:01]

The Convener (Mr John Swinney): I bring the 16th meeting of the Enterprise and Lifelong Learning Committee to order. We have received apologies from Nick Johnston, who is ill, and Marilyn Livingstone will join us later. We have been joined for item 1 by Margaret Ewing, the member for Moray, who has expressed an interest in the issues of concern under that item. I will give her the opportunity to ask questions.

George Lyon (Argyll and Bute) (LD): On a point of order. At our previous meeting, at which the proposal was made to hear evidence about the Barmac situation from Highland Council and Inverness and District Chamber of Commerce, it was suggested that we might send two members to Inverness to take evidence from several organisations. You suggested that arranging that would be a long process, which could not possibly be done before the recess.

I would like clarification on how that process works. When the issue of rural school closures arose at the Education, Culture and Sport Committee, we took a decision on the Wednesday and by the following Tuesday had permission to send Cathy Peattie to Argyll and Bute to investigate the council's programme of rural school closure. Can we have clarification on how another committee managed to complete within five or six days a process that you understood could not be done in a five-week or six-week time scale?

The Convener: We can certainly provide that clarification. In our experience, it has taken a long time to process the bids that we have made, for example, for the research visits to other parts of the country as part of our local economic inquiry. I am quite happy for the clerks to present to the committee the guidance that will clarify that issue.

George Lyon: I would appreciate that, as making visits is an important tool for carrying out investigations.

Allan Wilson (Cunninghame North) (Lab): It would be unfortunate if one committee received preferential treatment.

The Convener: We will present the guidance on that point.

Highland Economy

The Convener: We move to item 1, on the Highland economy. I welcome, in Edinburgh, Alasdair Morrison, the Deputy Minister for the Highlands and Islands and Gaelic. In Inverness, by video link, we have Councillor David Green, the convener of Highland Council, and Mr Simon Cole-Hamilton, the director of Inverness and District Chamber of Commerce.

Because of the nature of the technology that we are using, we will have to be quite formal in questioning, as there is a slight time delay in the link to Inverness. We will hear first from the minister. I will then invite Councillor Green and Mr Cole-Hamilton to make opening statements to the committee. We will then move to questions and discussion. I ask the minister to introduce his colleagues and to make an opening statement.

The Deputy Minister for Highlands and Islands and Gaelic (Mr Alasdair Morrison): With the permission of the committee, I am accompanied by three officials: George Reid and Jim McCulloch, who is languishing in the gallery, from the enterprise and lifelong learning department; and Archie McCreedy, from Highlands and Islands Enterprise, who will be able to deal with the details of our response measures to the downturn at Barmac.

It goes without saying that I am grateful for the chance to be involved in the discussion today. I am aware that the steady general improvement in economic prosperity that is taking place in the Highlands and Islands as a whole is not reflected in every part, and that there are still areas of particular difficulty. We recognise where those areas are—they range from some of our remotest areas to the fabrication yards at Nigg and Ardersier. We are tackling difficulties with commitment and in a way that takes account of how the Highlands can best adjust to the economic demands of the future.

As one would expect, the rundown at Barmac is occupying a great deal of our time and, perhaps more relevantly, the time of the agencies that are involved in developing and implementing response measures. I believe that it was never an option to sit around and wait—perhaps pray would be a better word—for a global upswing in the oil and gas fabrication sector. The signs are that, if recovery takes place at all, it will not occur in the short term.

Therefore, the Executive and its agencies have faced the task of finding new jobs for those who are being made redundant. While that continues to be a significant challenge, many of the workers are highly skilled and HIE, along with Highland Council and the other partners, is already

achieving encouraging results in placing people in new jobs. We have also recognised the contribution that skills training can make to helping people into new jobs and have introduced a range of retraining programmes. Archie McCreevy will be able to assist with the details of those programmes. The Barmac rundown was very disappointing, but the fact that it came as no surprise allowed us to hit the ground running on job placement and training measures.

Bringing investment to the Highlands is proving increasingly successful, which shows that the area is more than capable of holding its own, particularly in information technology. Recently, I had the pleasure of announcing the investment in Mrs Ewing's constituency by Cap Gemini Ernst & Young of almost £12 million, which will bring a staggering total of 725 jobs to an area that needed such a boost.

I will say a few words about the assisted areas map as I am fully aware of the interest and concern that there have been in the Highlands about the proposals for a new assisted areas map. The proposals that the UK Government submitted last year included coverage for all the Highlands, including Inverness and the surrounding area. However, the European Commission would not accept a map that was designated on that basis, so we were forced to revise our proposals. Concern that was expressed about the revised proposals, which were published in April, focused on the exclusion of Inverness, in the light of the prospect of the closure of the Barmac facility. Lest there be any doubt, I can confirm that the Barmac Ardersier yard and its sister yard at Nigg were included in both the July and April proposed maps. Clearly, there has been concern that coverage should extend beyond the narrow confines of the yards. I know that Nicol Stephen has acknowledged the strength of the case for inclusion of a wider area.

Of course, that is a reserved matter. Indeed, it is one on which even Westminster does not have the final say, as the ultimate decision lies with the European Commission. Pending the conclusion of discussions with the Commission, it would not be appropriate to speculate on the final outcome. Representations were received from a number of areas in Scotland, and it is inevitable that some will be disappointed when the map is finally decided. Overall, I am satisfied that the proposals represent a good outcome for Scotland in the context of the severe cuts that are being imposed on the UK and other member states.

That is my opening statement, but I look forward to joining in the discussion. I am more than happy to develop further any of the points that I raised.

The Convener: I thank the minister for his contribution.

I invite Councillor David Green, the convener of Highland Council, to address the committee.

Councillor David Green (Highland Council): Madainn mhath agus fáilte gu Inbhir Nis, prìomh bhaile na Gàidhealtachd—gu dearbh, an duigh, prìomh àite co-labhairt bhideo den Pharlamaid.

Following is the translation:

Good morning and welcome to Inverness, capital of the Highlands—indeed, today, videoconference capital of the Parliament.

Councillor Green continued in English.

You, convener, and your committee are to be congratulated on your innovative initiatives in Scottish democracy. Can you hear me at that end?

The Convener: Yes.

Councillor Green: You are the first committee to take evidence outwith Edinburgh—in the Highlands—and the first committee to use videoconferencing, again in the Highlands. Who knows, next time round you could make me a virtual convener. That would be a new concept in modernising government—a transparent convener.

I hope that copies of our presentation have been circulated—it should last a maximum of 10 minutes. I shall concentrate on the loss of the Barmac jobs, the loss of the Barmac income and the potential loss of assisted area status for Inverness, Nairn, Moray, Badenoch and Strathspey.

The first slide shows a view of Cairngorm, which, it is proposed, will lose assisted area status. It is the heart of the second national park in the Government's proposals and home to the funicular railway, a £14 million public works project. The funicular would not have happened without assisted area status; some workers made redundant from Barmac have found employment on it.

As the minister said, previously the whole of the Highlands and Islands was given assisted area status. Inverness, Nairn, Moray, Badenoch and Strathspey were given special derogation. At the start of the current review, 10 months ago, taking account of sparsity—nine persons per square kilometre in the Highlands and Islands—and the problems associated with that sparsity, it was proposed that the whole area be included in the assisted area.

However, a European rejection of the Government's proposals resulted in a revised scheme. In one fell swoop, 36 per cent of the population of the Highlands was taken off the map. I would argue that the Highlands—excluding the Inverness, Nairn, Moray, Badenoch and

Strathspey areas—are bearing an unreasonable share of the burden. A mere three wards have been left in—an insufficient area to cope with the Barmac rundown.

A layman's view in the Highlands is that we are a little surprised about the complex nature of the decision making in that process. I wish to emphasise two things. First, in the past three years, there was leverage of £65 million in those now excised areas. Secondly, in a Department of Trade and Industry press release at the time of the inclusion of the whole area, it was pointed out that the Government could promote changes in the map throughout the five-year duration.

With the exception of the Barmac rundown, nothing has changed since July. We believe that the Highlands have taken a disproportionate hit, representing the loss of quarter of the UK total. As politicians, we will, in our upcoming scrutiny, look for justification for that.

The excluded area is still more sparse than most of Scotland, with a sparsity ratio of 15 people per square kilometre. If we consider gross domestic product, the irony is that the excluded area is now below the 75 per cent threshold that would make it eligible for objective 1 status, which means that it would enjoy automatic assisted area status.

Superficially, the unemployment figures are not too bad, but with Barmac starting to bite hard—250 jobs are going this week and 500 next week, leading up to the whole 2,500 in the next few weeks—the situation will become more serious. The bottom line is that three wards are not sufficient to cover the necessary development areas—it is like one oasis to water the Sahara.

Barmac employees have a huge travel-to-work area. It is difficult to meet the Government criterion of more compact, self-contained areas. If we consider the scale of Barmac and its location, we could argue that it is the biggest redundancy in Britain: 2,500 jobs, with a population catchment of about 250,000—equivalent to 25,000 jobs in Clydeside, with its population catchment of 2 million. Just as important is the £100 million annual spend that will be lost in the next six weeks.

It is not unreasonable to assume that 75 per cent of the Barmac rundown relates to the Inverness and Dingwall travel-to-work area. That means that unemployment would increase from 5.2 per cent to 8.4 per cent. The longer that goes on, the deeper the pain.

10:15

Other areas are struggling. Committee members will be aware of the downturn at Hunter's of Brora, which has been compounded because 100

workers from Barmac are also in that area. The area being excised includes places such as Fort Augustus and Moray—not to mention Aviemore, in the centre of the proposed national park—all of which require multi-million pound packages.

My final point concerns the inconsistency. We are using European money to build infrastructure—consider the West Moray park and, to a lesser extent, something similar that we have done in Nairn. Without assisted area status, we cannot put an attractive multi-million pound package together.

We are grateful for the committee's support. We require support in three areas. If we are unsuccessful in ensuring that the whole of the Highlands retains assisted area status, we will ask the committee to help monitor need in the Highlands and Islands and perhaps we will ask it to lobby to change the map.

I can give further details of our planned public works programme, from bridges to revisiting the A96 dualling process. We are looking for support for the local authorities' standing committee on oil fabrication. We have a seven-point action plan, covering issues such as a comprehensive strategy for rejuvenating the oil industry and an oil industry contingency fund.

With that, I hand over to Simon Cole-Hamilton.

Mr Simon Cole-Hamilton (Inverness and District Chamber of Commerce): Good morning minister, convener, and members of the committee. I am the director of Inverness and District Chamber of Commerce, which is the main business representative body for the town and the surrounding area.

With the crisis at Barmac on our doorstep and the prospect of losing assisted area status hanging over us, Inverness is feeling rather assailed from all sides at the moment. I therefore welcome this opportunity to give you some background on the town and the area, to appraise members of the current economic situation here.

Inverness is contained within the Inverness and Nairn Enterprise area and the Inverness area of the local council, both of which have slightly different borders. Inverness is proud to be the capital of the Highlands and the economic engine for the Highland economy. It is by far the largest town in the Highlands, although, with about 54,000 people, it is small in national terms.

Employment in the Inverness and Nairn Enterprise area is very much dominated by the public sector, retailing and tourism. Indeed, public administration, education and health account for just under one third of our total work force, giving us a high dependency on the public sector.

Retailing, tourism and distribution account for a

further 30 per cent of our work force. We have some service sector employment in banking, finance and insurance, but after that, employment in other sectors is comparatively low. We are weak in manufacturing and construction, where we are behind the averages for the Highlands and Islands Enterprise area. Successful inward investment projects over the years have made some progress in manufacturing, but we are still achieving only half the Scottish average in manufacturing: 16 per cent.

Members may have heard it expressed that Inverness is the fastest-growing town in Scotland, in the UK or, I have even heard it said, in Europe. I do not know where those rather extravagant claims come from, but the facts do not seem to bear them out. If we consider population growth in the Inverness area, we are looking at an annual increase of about half of 1 per cent per annum—hardly record breaking. Moreover, if we consider the underlying trends beneath that population growth, we see that it is the older age groups that are rising in number. The population in the younger age groups—44 and under—is falling. In other words, we are failing to retain people when they are at their most productive, in terms of wealth creation and, just as worryingly, in terms of bringing up young families in the area. That is further borne out by falling primary school rolls.

That is a key problem, which we need to address. It shows that we still have a long way to go and much work to do before achieving an adequately strong and diverse business sector that offers the employment and career prospects which our young people expect and deserve.

There is a survey that looks at business profitability across 284 towns and cities in the UK. I have listed the main centres included for Scotland. Profitability measures the profit margin as a percentage of turnover for each business. The UK average profitability is about 5.5 per cent. Inverness is near the bottom of the list in the UK, with business profitability of about 1.5 per cent. We are in the bottom 11 per cent of UK towns and cities and our business profitability is less than one third of the UK average. That reflects the size of our businesses, which tend to be small, the limited markets within our immediate reach and the tighter margins that we trade in because of those factors and the significantly higher operating costs that accompany our location—we are, after all, 160 miles from our nearest mass markets. Many of the towns that are above Inverness in the table are wholly or partly on the assisted areas map.

Inward investment has played an important part in strengthening the sectors in which we are weak and in which we can see significant opportunities. Recently, the Highlands have been successful in attracting inward investment, and a significant part

of that is regional aid. Some inward investment has come to Inverness, most importantly Inverness Medical, which is a bio-medical subsidiary of an American company making diagnostic kits. The project started in 1996 and is already into its second expansion phase, leading to the creation of 650 jobs. It is part of a high-tech, fast-growing sector and offers quality employment and career prospects for our young people. It is exactly the kind of investment that the area needs to improve our standards of living and to add more range and depth to our economy. It is also the sort of opportunity that we will lose if we do not have the financial packages that are available with assisted area status. The project was won for Inverness against international competition. How are we to persuade companies that their next expansion should be in Inverness if we cannot offer them the level of financial aid that other places can? Significant opportunities will be lost to the Highlands and to Scotland if we cannot defeat the competition from other countries.

The final slide refers to the gross domestic product per capita. It is not possible to see the situation as regards Inverness itself as it is included with Nairn, Moray, Badenoch and Strathspey. We can see that the gross domestic product for that larger area is only 75 per cent of the EU average. With Inverness being the dominant business centre in that area, one can assume that its GDP will not be terribly different.

Inverness has a long way to go before it can stand on its own feet as a significant contributor to the Scottish economy. Growth has been experienced by certain sectors, particularly retailing. In the vital area of wealth creation, we need to be able to continue to attract new developments, to broaden the base of our economy and to assist our indigenous businesses to expand and develop. The impact of Barmac adds to the complete lack of understanding in our business community of the proposal to exclude a great deal of the Highlands and Islands Enterprise area from assisted area status. We are wholeheartedly behind the campaign to include the whole of the HIE area and believe that it is contrary to the interests of the Scottish economy to have regional aid withdrawn at this time.

The Convener: I thank the witnesses for their contributions.

As I said, in the interests of the technology, we will have to be clear and formal about how we ask questions and about the witnesses we want to answer them.

Allan Wilson: The minister mentioned the major investment by Cap Gemini—I believe that he said that it was worth £12 million—which will create 785 jobs. That will go some way towards meeting the displacement in employment caused by the

Barmac closure and others. The minister has been generally successful in bringing IT jobs to the Highlands. However, is there a risk that we are placing all our economic eggs in the new economy basket and ignoring the traditional manufacturing base?

Mr Morrison: The obvious point to make is that the announcement that was made two days ago was very welcome. I know that Mrs Ewing will endorse that. I should clarify that the figure is 725 jobs, rather than 785.

As Mr Cole-Hamilton and David Green have said, we have been very successful in attracting jobs within the new economy. People in the Highlands and Islands have the same aspirations and ambitions as people in other parts of Scotland. As a member representing the area and the minister with direct responsibility for it, I defend our right to try to ensure that the current level of inward investment is maintained.

There is a danger that people will assume that we are putting all our eggs into one economic basket. However, no two information technology centres or call centres do exactly the same work. They have different areas of expertise and work in different fields. We are confident that those working in such centres and those involved in research and development will keep up with the ferocious pace of technological advance. The important thing is that we are attracting substantial amounts of inward investment.

We cannot prescribe one solution for a situation such as that at Barmac. However, the Forbes announcement earlier this week is an important part of our efforts to address that situation.

Allan Wilson: Are you satisfied that the education and training infrastructure is in place to reskill the work force so that it can deal with that major change in the area's employment structure?

Mr Morrison: Not only am I confident that the area has that capability, but the companies investing in the Highlands and Islands are confident. The Highlands and Islands Enterprise package for the Cap Gemini Ernst & Young investment includes a significant tranche of money for developing skills and inviting those who want to move from another area to retrain and embrace a new way of working and new technologies.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): My questions are also directed to the minister. In taking evidence for the first time by video link, we have made a little history today. I am delighted that such a strong case for reinstatement of all the excluded areas in the Highlands has been presented by David Green and Simon Cole-Hamilton. That has been supported by members from all parties, including David Stewart MP.

I would like to draw the minister's attention to the conclusions in the written submission from Highland Council. Does he accept that, given the fragility of the economy of the Highlands and Islands, which is facing the loss of 3,000 jobs, there is a strong case for reinstatement on the assisted area status map of all the excluded areas? Will the minister associate himself with that campaign?

Mr Morrison: We recognise the merit of the proposals that are being made by the convener of Highland Council and by Simon Cole-Hamilton. We cannot offer a guarantee as to what will happen; as I said in my opening statement, we must defer to Westminster, which must defer to the Commission. At this stage, it would not be appropriate—for a moment I was going to call you Sir David, convener—

The Convener: Please, do not. I find it impossible to work out how you made that mistake.

Mr Morrison: At this stage, it would not be appropriate for me to say that the Scottish Executive supports the inclusion of any area on the assisted area status map. The implication of that would be that other areas do not have the same level of support. I hope that Mr Ewing appreciates the difficulty that I have in associating myself with a campaign on behalf of any part of Scotland. That would suggest that the Executive was favouring some areas of Scotland but not others.

Fergus Ewing: We welcome the announcement of any more jobs in the Highlands. However, the Highland economy will not survive on call centre jobs alone, especially given the redundancies that have taken place in an entirely different sector. The second recommendation from Highland Council is that there should be a public works programme. Will you, as the minister responsible for the Highlands and Islands, support that?

Mr Morrison: Fergus Ewing and I discussed that three weeks ago in Inverness, at the second briefing for Highlands and Islands MSPs. I put on record the mature way in which representatives across the Highlands and Islands have engaged in discussions on Barmac.

I think that there is a feeling that public works are not the answer. The days of public works programmes as a compensation for or in response to closures are long gone. We want to dwell on the fact that there are skills and qualities in the Barmac work force. Our emphasis will continue to be on reskilling and finding sustainable work for those who find themselves redundant.

10:30

Fergus Ewing: I thank the minister for his candour, but it is with considerable disappointment that I find that he cannot support the Highlands and Islands case for reinstatement. I hope that we can yet persuade him to do that.

Mr Morrison: I might not have made myself as clear as I ought to have. It is not a case of not supporting Highland Council; it is a case of not supporting one area against another. That is an important point. It would be bordering on the irresponsible if we aligned ourselves with one area against others that also have legitimate reason for inclusion.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): I will address questions first to the minister and then to our friends in Inverness.

Following on from what Fergus Ewing said, it is worth saying that construction workers can make the change from traditional industry to new industries. My constituency of Greenock and Inverclyde had to make that journey when it was decimated by the loss of the shipbuilding industry. Construction workers are highly flexible.

However, one of the challenges that we will face is that construction workers enjoyed high wages in that industry and will want to continue in such employment for a long time. Although the minister and the local authority might not wish to sit on their hands, some of the workers at Barmac might feel that they can do that in the hope that something will come along and that they will win a construction order.

This is an issue not just for the Highlands but for the rest of Scotland. The closure has had an impact on my constituency, as many people in the west of Scotland have travelled to the Nigg and Ardersier yards. As was mentioned, it is questionable whether there will ever be an upturn in the fabrication industry. That problem needs to be faced not just by Inverness, but by the whole of Scotland. We have heard that there is to be a strategic approach to maintaining shipbuilding through the placing of Ministry of Defence orders and so on. What discussions have taken place with UK ministers and the oil companies about construction contracts in future, so that there is a level playing field and we know how many yards are needed in the UK for that work? Discussion could also be about other areas of work that could be linked to construction, such as decommissioning platforms.

I am interested to find out more from our friends in Inverness about the special oil fabrication contingency fund. What do they hope that that will achieve? Who will contribute to that fund?

Mr Morrison: The oil and gas industry task

force was established some time ago. It is chaired by Helen Liddell, and Henry McLeish is its vice-chairman. Within that group there are active discussions and regular meetings with representatives of the oil company in relation to the points that you raised. Decommissioning is one area where they are hoping to make progress.

It is worth putting on record that last night I attended a useful briefing session with the local authority standing committee on oil fabrication. It comprises local authorities from across the United Kingdom, and draws on the expertise of shop stewards from various yards. The committee's view, which I have no reason to doubt, is that currently around 20,000 people are working in the oil fabrication industry. The projection is that that number will soon fall to around 500 people throughout the United Kingdom. But again, as Mr McNeil rightly said, a strategic approach is required. I can assure him that Henry McLeish and Helen Liddell are addressing the issues.

The Convener: Do you want to reiterate the point for the Highland representatives?

Mr McNeil: I would have liked some more information on the oil fabrication contingency fund. I am particularly interested in the exit strategies that the companies have in the affected communities. I know that it is good practice in such situations for them to leave something behind. There are issues about land use and about whether the companies are prepared to contribute to the regeneration of those communities. I want to know where we are with that.

The Convener: Minister?

Mr Morrison: I thought that that question was being addressed to the Highland Council.

The Convener: My apologies.

Mr Morrison: I am happy to respond afterwards.

Councillor Green: The council is an active member of LASCOF, which is the local authority standing committee on oil fabrication. It is lobbying Government for an oil contingency fund to retrain work forces and support the transition in the worst-affected communities. There would be a one-off donation from the oil companies as well as from Government. There is a precedent for Government assisting in situations in which there is a huge run-down in the Highlands. We had the smelter run-down in Invergordon in the 1980s, with 750 jobs lost. A £10 million enterprise zone was put in place. In the 1990s, with the rundown of Dounreay and the loss of approximately 1,000 jobs, there was a package of £9 million. We are talking about public work like that as well as an oil industry contingency fund.

Mr Morrison: The Executive is sympathetic to

the proposal that has been made by Jimmy Gray, the unions and various other individuals in relation to the oil fund, and we are taking steps to discuss this matter at a UK level. As chairman of the Department of Trade and Industry oil industry liaison group pilot, Henry McLeish will be pursuing the issue of an oil contingency fund.

Miss Annabel Goldie (West of Scotland) (Con): My first question is to the minister. According to the copy of Councillor Green's presentation that was circulated, talking about Barmac:

"Pro rata with our economy, it's the biggest redundancy situation anywhere in Britain - equal to 25,000 jobs on the Clyde."

Do you agree with that assessment?

Mr Morrison: I certainly agree that the Barmac rundown is having a big effect on our economy, but there are encouraging signs, such as the number of people who have been placed in other employment. Sadly, we have to accept that given the global downturn, the Highlands, Nigg and Ardersier—and, in my own constituency, Lewis Offshore Ltd, which I must not forget and which sadly is in receivership at the moment—are having a difficult time, but there are encouraging signs in terms of retraining people and getting them into other employment.

Miss Goldie: My next question is addressed to Councillor Green and Mr Cole-Hamilton. Mr McNeil rightly alluded to what was possible in the Clyde and Inverclyde areas with the demise of shipbuilding. Are there differences in the Highlands? Of course, in the Inverclyde area we had density of population and a relatively good infrastructure of training and further education facilities, not to mention access to good transport links. Do you take the view that it is going to be much more difficult for your area to regenerate in this challenging situation than it has been for other parts of Scotland?

Councillor Green: Yes. It is nice to be able to agree completely with the question. It is always more difficult in the Highland context for any rejuvenation to take place, because of access to markets, distance and the remoteness of communities. It is difficult to get retraining sorted out under those conditions.

Mr Cole-Hamilton: Obviously, it will be difficult to absorb that number of people into the economy of the area with any speed. The best way of doing that would be to bring major projects into the area via inward investment.

Miss Goldie: If that initiative is not pursued as you suggest, do you anticipate further depopulation of your area?

Councillor Green: Yes. As the minister said, we

are looking for a variety of packages, including public works and a monitoring of the assisted area status, as it will not be easy for the area to adapt to the situation.

George Lyon: Minister, what actions have been taken to address the problems that have been caused by the closure of Barmac and to assist those who will be out of work?

In discussion with Henry McLeish after news of the closure broke, we talked about what might happen in the long term. The oil industry recently faced the problem of oil being priced at \$10 a barrel. That has meant that the UK has lost out heavily when seeking investment funds from the major oil companies. The oil price is now \$32 a barrel.

Does that mean that there are prospects for new development west of Shetland, where there are oil reserves that would be uneconomic only when oil prices were below \$10 a barrel? What are the prospects for such long-term development of the western seaboard that would bring jobs in the area's construction industry?

Mr Morrison: I will ask Archibald McCreedy, who has been leading our response unit, to talk about the action that we have taken. Archibald is a battle-scarred veteran of fabrication downturns and was actively involved in the downturn at Ardersier four years ago.

The actions that we have taken have been reasonably successful. The downturn has been slower than previously anticipated. To date, between 700 and 800 people—around 40 per cent of those who were laid off—have been placed in other employment. It is worth remembering that the oil fabrication work force is transient. In my constituency, many people who were working at Nigg and Ardersier left, before they were paid off, to work in other parts of the world such as Italy and Korea. Thankfully, they maintain a base in the western isles and have family there. Parallels can be drawn between the way in which they work and the way in which people used to work in the merchant navy years ago.

Mr Archie McCreedy (Highlands and Islands Enterprise): The first thing that we did was set up voluntary databases in which people could record their details. One database allowed us to develop curricula vitae for them. Another dealt with upskilling and retraining. Some people might want to retrain for jobs outside the industry while others might seek further training to enable them to stay in the industry. Around 2,000 people are registered on the database.

We have set up a training programme that enables people to start off with basic courses such as information technology skills. A short course gives people a safety passport, which is necessary

to secure work in the industry abroad, as people have to be able to show that they have been given training in certain areas of engineering safety. Furthermore, we have courses that are tailored to the individual where people can formally upskill; for example, they might be studying for a degree or a higher national certificate. So far we have trained 694 individuals on health and safety passport courses, craft-related courses and IT courses.

10:45

We have also introduced a job placement system, which has been very difficult to operate this time because of the points that have already been raised. As there are very few engineering vacancies across Britain—or Europe for that matter—we have been driven to seek placements associated with shutdowns. Those placements are starting to be quite successful in Holland and are reasonably so in Ireland. In the UK, we have already placed people in the BP Amoco plant at Grangemouth, which is currently undergoing maintenance. In addition, one of the enterprise companies is proactively managing a pre-employment training system for people who want to learn IT skills.

George Lyon: I have a question for Councillor Green and Mr Cole-Hamilton. You have argued a powerful case for bringing Inverness and surrounding areas back into the regional selective assistance map. Obviously, the European Commission will closely examine the overall package and might well reject your arguments. However, is there not a strong argument for taking Inverness out of the package and leaving its surrounding areas? A precedent has been set by the Irish, who separated out Dublin and its surrounding areas when they recognised that their arguments for objective 1 would not be successful and succeeded in getting objective 1 status for the west of the country.

Councillor Green: It is interesting to hear a Highlands and Islands MSP make that point. I have always argued that the Highlands and Islands together have been stronger as an entity; the areas fought well as a united front to get objective 1 status and worked hard as a partnership with Highlands and Islands Enterprise to get transitional status. I do not think that the arguments to take out the honeypot areas stack up. It is always a very tempting option; for example, we might take out Shetland. However, as I said, the Highlands and Islands is stronger as an entity, and must be argued as such. I do not agree with the argument of considering only prosperous areas. The remote parts of Wester Ross need Inverness as much as Inverness needs them.

Mr Cole-Hamilton: There is an established economic principle that successful economic development requires growth centres if it is to succeed. In the Highlands, Inverness plays that central role; if it is not strong, the rest of the area will suffer. We must ensure that main centres are prosperous. Although Inverness is within the transitional objective 1 area, we will lose out on the benefits of that programme if we come out of assisted area status, because the member state will have great difficulty in raising matching funds. If we are considering ways of helping the Barmac situation, Inverness is probably best placed for investment and development to resolve that problem in the shorter term. Taking Inverness out of the equation will compromise the situation and have an impact on the speed with which the Highlands can recover.

Councillor Green: I want to bring something else into the equation as a final word on the subject. As a former shareholder of BP Amoco, which makes massive profits from the Government, I believe that the company has a social responsibility to the communities that have underpinned it over the years and should be included in the rescue package for the Highlands.

The Convener: The last questioner is Margaret Ewing. After her questions, I will give the contributors an opportunity to make some final remarks.

Mrs Margaret Ewing (Moray) (SNP): Thank you, convener, especially as I am a visiting member of the committee. I welcome the Cap Gemini investment at Forres. The local enterprise company, the council and I all hope that it will be an example to others on inward investment, not only from companies outside the UK but also more locally, and that that will bring a variety of job opportunities to the area.

I want to return to the question of assisted area status for the Highlands and Islands Enterprise area—it is vital. My years of experience on the European Standing Committee at Westminster is that commissioners do not like to have missing centres in assisted areas maps. If Inverness is taken out of the Highlands and Islands area it is like a doughnut, with a hole in the middle, and weakens our case.

Has the minister had discussions with the Department of Trade and Industry and the Scotland Office on including the whole Highlands and Islands Enterprise area in our recommendations to the commission? We weaken our case if we take the line George Lyon suggests.

Mr Morrison: I endorse what Mrs Ewing said on the investment at Forres. I hope, as I am sure everyone here hopes, that it will be seen by other companies as an excellent example of the quality

and potential of investing in the Highlands and Islands.

I hope I made our position on the assisted area map clear at the outset. We have been in discussion with the commission on that. The first paper was submitted on 10 April and was rejected by the commission. Subsequent representations were made. I assure Mrs Ewing that the discussion continues; we await the commission's response.

Mrs Ewing: Has the whole Highlands and Islands Enterprise area been recommended?

Mr Morrison: That was the case in the initial submission to the commission but it was—

Mrs Ewing: What is the Scottish Executive doing about it?

Mr Morrison: The Scottish Executive is, as you would expect, liaising with the Scotland Office. Westminster will be taking the matter forward. I have of course made representations to the commission.

The Convener: I invite each of the contributors to make closing remarks.

Mr Cole-Hamilton: Thank you. I do not want to repeat things said already but I understand that the assisted area status exercise is meant to be about subsidiarity, so we are asking for your measures to relieve the impact of the loss of jobs at Barmac and we are asking you to take our case for assisted area status to the Scotland Office, to the DTI and, if necessary, to Brussels.

Councillor Green: This has been the first but, we hope, not the last videoconference. Perhaps we will go north or west next time. Thank you for listening to us. We will be very grateful for your support in monitoring conditions as the Barmac rundown kicks in and in lobbying the DTI and the EC, because we feel that this is the beginning of a trend that is starting to bite very hard in the Highland area. We will be very grateful if you can support the LASCOF initiative, including a special oil fabrication contingency fund.

Mr Morrison: I am happy to have been part of the discussion today on such an important matter. I recognise and share the concerns expressed by the council about coping with the impact of the Barmac situation. I also recognise the significant role played by the council in partnership with Highlands and Islands Enterprise, the employment services and other agencies, who have been very active and have done superb work in recent months.

The Convener: I thank Mr Cole-Hamilton, Councillor Green and the minister for their contribution to the committee's discussion. We were asked by the representatives from the

Highlands to give a hearing on the case. We have fulfilled our commitment to that this morning and the comments made are part of the record. The committee has taken no decision on a long-term remit on the issue.

We received apologies during the course of the meeting from Margo MacDonald.

The New Economy

The Convener: The next item on the agenda is the committee's inquiry on the impact of the new economy. There are two relevant papers: EL/00/16/2, in my name, sets out the issues on the remit of the inquiry; an additional paper relates to a specification for advisers.

Paper EL/00/16/2 is self-explanatory and I do not intend to make many comments about it. We have tried to develop our previous discussions on the subject, and the clerks have produced the paper in consultation with me. I think that Elaine Thomson has seen an earlier draft.

We will come on to discuss the specification for advisers, but I want to discuss the remit first.

Mr McNeil: In the schedule for the inquiry, I notice that the briefing from ministers will take place on 27 June and that nothing further is scheduled until our first meeting in September. The next page of the document discusses using Monday afternoons and Fridays for visits and so on outwith Edinburgh. For some members, meeting on a Monday afternoon means a full day, given the travel time and so on. It might be a matter of four hours' travelling for one or two hours' meeting.

I know that we have holidays to take during the recess, but I wonder whether, instead of committing ourselves to a future programme that keeps people here from Monday to Friday, we could fit some work in during the recess, perhaps towards the end of August.

Dr Elaine Murray (Dumfries) (Lab): Duncan McNeil has made an important point. I notice that there is an opportunity for all committees to meet elsewhere in the central belt during the autumn. It is debatable whether meeting in Glasgow or Stirling would give us any further information on this inquiry. I go along with Duncan McNeil's suggestion regarding the possibility of arranging visits to specific places of direct relevance to the inquiry, rather than meeting in Glasgow or Stirling for the sake of it.

Elaine Thomson (Aberdeen North) (Lab): I support what Duncan McNeil said. It would be useful to make a small number of suitable visits to places or organisations that can throw light on the inquiry. Mondays and Fridays are extremely busy times for members in their constituencies, although those days could be used on occasion for visits.

We should consider the suggestion of visiting certain organisations or places at the very end of the recess.

Allan Wilson: My points also concern the

recommendations in the scale and timing section of the paper. Are we discussing our remit later, convener?

The Convener: You can raise whatever points you want now.

Allan Wilson: I agree with what Duncan McNeil said about that section of the paper, specifically on going to Glasgow and Stirling on Monday afternoons. Given the remit of the inquiry, I believe that the committee, as innovative as ever, ought to consider holding meetings on the impact of the new economy in areas of Scotland that are directly affected by, or in the forefront of, that impact.

A couple of cases, which the committee has considered previously, spring to mind. One is IBM in Greenock, and the whole question of the flexible labour force around which the semiconductor market has been built; the other is Cadence, where the convener, George Lyon, Annabel Goldie and I had an informative meeting earlier in the session. I was impressed by the thinking behind Cadence's involvement in cutting-edge technology and Scotland's role in developing new technology.

There is merit in the idea that the committee should visit such locations, at the cutting edge of the new economy, to take evidence directly and to get a better perspective on our remit. Given the pressures of time, such visits could take place in the latter part of the recess. Our remit could perhaps be more focused than the five questions that are proposed in the paper; we could restrict it to two or three points.

11:00

Miss Goldie: On scale and timing, Duncan McNeil made the good point that a Monday afternoon meeting would mean more than an afternoon commitment for most members. In the local economic development inquiry, we formed small sub-groups that visited different areas. The quality of information that we got back from that exercise was in no way diminished by that approach. I wonder whether that might not be a more sensible way of using committee time.

IBM is an interesting example, but there are also interesting examples in Fife and the north-east. We might make better use of committee resources by forming sub-groups for visits. After selecting and visiting the areas and institutions that we want to see, we could come back and relate our respective experiences.

The Convener: With the greatest respect, I suspect that we are about to hear the case for Rothesay as well.

George Lyon: You read me too well, convener. As part of the inquiry, the committee must get out

and engage directly with businesses. Annabel Goldie's idea of dividing into groups is a good one; that would give us a decent spread and allow us to target a range of businesses, as well as perhaps one or two educational institutions. There are some fantastic examples of potential new economy spin-offs in higher education.

We must think about whom we want to engage with and divide the visits into several groups. That would send a strong signal to the business community that we are not lining up the usual suspects for hard, dry evidence, but going out and engaging directly. I would be willing to give up one day in the recess to that end.

Mr McNeil: We need a mix of things to keep the thread of innovation. We have not had a committee meeting in, for example, IBM, on the company's initiatives in local schools and how it links up with America. Holding the committee meeting there on a normal day, dealing with normal business and linking in internationally would be beneficial. IBM has not offered that yet, but I am sure that it will.

The Convener: I suspect that it will have no option.

Mr McNeil: When one visits such plants, there is always someone speaking to someone in America and to people all over the world. The clocks on the wall show the different times all over the world. If we cannot go to America, IBM may do just as well. I promote the idea that the committee should meet on IBM's premises, to experience what is going on.

Elaine Thomson: I support the idea of subdividing to allow us to visit a wide variety of places. We should strongly consider visiting Aberdeen, because 30 per cent of Scotland's information technology community lives in the north-east, although the area has only 10 per cent of the population. IT and the oil and gas industries go hand in glove.

The focus of the inquiry is Scotland's competitive edge in a global economy. That is what oil and gas and the industries that are associated with them are about. They operate at the leading edge, both in their business practices and in the technology that they use—in exploration and production, for instance. It would also be useful for us to see how they compete globally and how they have changed their business practices—in supply chain management, for instance—in order to succeed.

Fergus Ewing: This is an exciting inquiry, but it differs from our previous work in a number of respects. We all had a clear idea of what would emerge from the inquiry into local economic development services; from the beginning, we felt that there was too much congestion, overlap and

duplication. The inquiry into the new economy will deal with extremely wide-ranging and important questions, but I feel that its remit is ambitious if we are aiming to produce a substantial piece of work, on the lines of our previous report. If we have to meet on Mondays and Fridays, so be it, although I would prefer to meet on Tuesdays or in the evening. My main concern is that we will bite off more than we can chew. What evidence will we take on each of the questions listed in the paper? Will that be sufficient?

I would like to make one positive recommendation. Our business in the chamber event was one of the greatest successes of our previous inquiry, and we learned a lot from it. Could we consider holding another, similar event? We could learn a great deal from 129 businesspeople who are involved in the new economy. Would not it be extremely useful to incorporate such an event into the inquiry as a way of gathering evidence, perhaps at an early stage? I support the inquiry, but I have reservations as to whether we will come up with a piece of work that will be as substantial as our previous report.

Miss Goldie: I sympathise with what Fergus Ewing said, but I confess that I am a complete philistine in this area. I may have to see something—such as IBM speaking to America or clocks on the walls—to be able to grasp what we are on about before we take evidence from business in the chamber. If that does not happen, I may be slightly deficient in my understanding of the issue.

George Lyon: It may not be necessary to include this in the remit for the inquiry, but we should examine closely the impact that the new economy is likely to have in rural Scotland. Today we have heard about Cap Gemini's proposed expansion in the Inverness area. Down in my part of the world, we have Telecom Service Centres, which is one of the fastest-growing call centre operations and operates in a rural environment. I know from speaking to businesspeople who are opening up in areas such as the Highlands and Islands that the infrastructure there is starting to lag behind the new technologies that are coming on stream. The inquiry should be about Scotland's competitive position and the impact of the new economy on rural Scotland.

The Convener: I want to bring this discussion to a close. Throughout, I have been trying to remember where I said certain things about the inquiry; I thought I had written them down in the paper, but clearly I had not. Now I remember that I said them at our meeting with the Royal Society of Edinburgh, at which some members were present. I will go through some of the issues that were raised at that meeting.

There is a general proposal that we schedule meetings in Glasgow or Stirling on a Monday or Friday, because the facility is available. Some committees have already done that. We are not compelled to use that facility; if it does not suit us or fit in with our work programme, we are under no obligation to use it. The clerks included that suggestion in the paper so that the option would be available to the committee.

Let me say how I see the inquiry developing. One of the points that is made strongly in the paper is that much work has already been done on this subject; a lot of documents have been produced. One of the helpful things that an adviser could do would be to provide us with a document—by the end of the summer recess, for example—that encapsulated much of the material that has already been prepared. We have an idea of where the gaps are, and of the issues that the committee will need to reflect on to ensure that the inquiry fills those gaps. We could come back from the summer recess to find ourselves in possession of a document from our adviser that captured much of the existing thinking.

The other idea of visits to specific ventures is something that we should do. We could probably do it most efficiently by splitting into groups, each covering different technology ventures that reflect different aspects of our inquiry. It would be simple to arrange that part of the programme. We could probably undertake that towards the latter part of the recess. We are operating with clerking resources below the normal level. Our clerks need to get a summer break in the early part of the summer as well. We need to bear some practical constraints in mind.

Duncan McNeil suggested holding a committee meeting in an appropriate conference room in a large company, such as IBM. I think that is a very good idea. We could explore that with an adviser and come back to the committee with proposals. There is probably a forum for Fergus Ewing's point about business in the chamber. Members may recall from the event the young chap, Kevin Dorran, who made a contribution on high-tech approaches. We would probably benefit a great deal from hearing from a roomful of 20 young people, or entrepreneurs like Kevin Dorran, who have been involved in this policy area and who may have frustrations about it. We would perhaps need to make it a slightly less formal environment than business in the chamber. That kind of format is not suitable for everybody.

We can take those ideas forward purposefully. I take it from what the committee has said that meeting in Glasgow or Stirling on a Monday or Friday is a no-no—we do not see how that fits in with our inquiry. We want to consider the proposal of moving into sub-groups to examine particular

ventures and initiatives. We are interested in exploring the IBM concept that Duncan McNeil suggested. We would like to discuss a panel of business views, probably not in a formal committee session, but in a forum that could be read into the record as we have done with other inquiries. Are we generally comfortable with the direction that is proposed in the paper?

Allan Wilson: I did not make any specific suggestions about the remit, although I could do so. As Fergus Ewing said, there is a danger that we bite off more than we can chew and do not produce anything worth while as a consequence. I would like the remit to be slightly more focused. I do not believe, for example, that anyone could genuinely answer question 3; many people would have different views about that. Going off at a tangent would deflect from, for instance, questions 1 and 5. I could go on, but as you said at the previous meeting, convener, we want the remit to be focused and to ensure as far as possible that we do not stray from it.

Miss Goldie: I have a specific point about the remit. The second question to be addressed asks:

"What infrastructure will be necessary in the next ten years".

Frankly, that is way off the planet. We should be considering the next five years at the absolute outside. There are concerns about the inadequacy of the current infrastructure for leading the information highway. Ten years is completely unrealistic.

Elaine Thomson: Question 2 is not just about infrastructure problems. What steps should be taken to ensure that business can succeed in this area? Improvements to infrastructure are, undoubtedly, part of that, but they are only part; the necessary steps will have much more to do with attitude change, skills and so on. Could we broaden out slightly the inquiry to take those points into account?

George Lyon: The third point could be removed, as the issue is probably covered under point 4, which says:

"How does Scotland's position and preparedness compare with that of its global competitors?"

That question fits in there quite easily.

11:15

The Convener: George has made a specific proposal to remove point 3, with which I am quite comfortable. I am sympathetic to the need to—

George Lyon: That would narrow it down a bit.

The Convener: I am anxious to avoid reinventing the wheel—a whole bundle of wheels have been invented already, and we have listed a

number of existing reports in the preceding paragraph of the main text. There is no need for us to go down all those routes again, as we can capture that information with the help of an adviser.

Our approach should be to fill the gaps, to add value and to answer the unanswered questions. I concede that one could take three years to write a PhD dissertation on point 3, so we will remove it. With that change, are members content with the document, which is now fairly tightly defined?

Members indicated agreement.

Miss Goldie: Convener, what about the 10 years that are mentioned in point 2?

The Convener: My apologies. Shall we narrow that down to five years?

Members indicated agreement.

The Convener: The other paper before us deals with the specification for an adviser. I thought that it would be helpful for us to commission input from an adviser, as that would capture many of the issues that are involved in the debate. An adviser would provide some initial documentation, which would be drawn to members' attention before we return from the summer recess.

We will put out with the remit a call for written evidence, with a deadline of some time towards the middle of August. That written evidence would be at our disposal before we held oral hearings in September. The adviser should assist with capturing existing information and identifying the most appropriate witnesses for us to hear. The adviser would also assist us—just as our previous advisers did—in formulating our conclusions on the inquiry. What are members' views on that point?

I have no proposals about whom the adviser should be, although long lists of names have been suggested by the Scottish Parliament information centre, which has a role in providing such information. I took the opportunity of the committee's informal meeting with the Royal Society of Edinburgh to ask, "Look, if there is anyone that you think would be of use in assisting with this inquiry, please let us know." I also took the opportunity of a meeting with the Committee of Scottish Higher Education Principals yesterday to ask the same question, as well as to offer COSHEP the opportunity of inputting into our thoughts.

The appointment of an adviser will have to come back to the committee for approval in a fortnight. Alternatively, we could delegate the selection process to a smaller group of members, as we have done in the past.

Fergus Ewing: On the qualities and experience

that an adviser should have, I suggest that we ask Scottish Enterprise and Highlands and Islands Enterprise for their views. Those organisations, and Robert Crawford in particular, are greatly involved in this field.

It occurs to me that while academics have a particular approach, our inquiry is about business. Ideally, we should have an adviser who is able to straddle both worlds—perhaps someone who has been involved in business. Such a person would add extra weight, compared with someone whose background is simply in academe.

Miss Goldie: I endorse Fergus Ewing's points. Should we tease out what we expect from an adviser for the inquiry? Speaking personally, what I have learned in this field I learned most dramatically from speaking to the business operators who are involved in it and from going to see what is happening.

In our previous inquiry, the role of the academics was invaluable; they gave a sound guide to how we should assess evidence and what weight we should attach to it. However, I share Fergus Ewing's view that in an inquiry such as this, we must be sure that we are guided by someone who has a hands-on understanding of the world in which we are operating.

George Lyon: I agree with Annabel Goldie's comments. Furthermore, if we are to consider some of the competitive issues and what is needed to ensure that Scotland stays at the forefront, we will need some knowledge of our competitor countries. I do not suppose for one minute that the committee could go out to consider competitor countries, so our special adviser would have to provide such knowledge to give us a decent analysis of where Scotland stands at present, to allow us to look forward. That must be part of his background.

Mr McNeil: Could the usual suspects prepare a short list that can be brought back to the committee and agreed on?

The Convener: If that proposal is acceptable to the committee, we can do that and take the matter forward.

Allan Wilson: The people whom we consider ought to have an understanding of the global perspective in which the inquiry is set, and should be knowledgeable about developments in other parts of the world.

Elaine Thomson: I do not have a specific view about who the adviser should be, but—picking up on what Allan Wilson said—we could ask people who work in a global context, perhaps in IBM or some of the bigger consultancies. I agree with other members' comments.

The specification states that the adviser

"may have had a relationship with the main bodies involved".

I suggest that they should have had a relationship within the commercial world—telecommunication companies or software companies. If they do not have that experience, I am not sure that they would be suitable.

The Convener: Those points are noted. The sub-group that examines such issues, which comprises George Lyon, Annabel Goldie, Allan Wilson and I, will meet to prepare recommendations for the committee.

Simon Watkins (Clerk Team Leader): The appointment of an adviser requires the approval of the Parliamentary Bureau. I propose that we revise the remit according to the views that have been expressed by members today and submit it to the bureau for approval, so that by the time we meet again, it will have been cleared.

Transport (Scotland) Bill: Stage 1

The Convener: Item 3 is consideration of the Transport (Scotland) Bill, on which several witnesses will give evidence. The Government has now published the bill, for which the lead committee is the Transport and the Environment Committee. This committee has said that it wants to take part in the scrutiny at stage 1. We are doing so to this time scale, because it is likely that the Transport and the Environment Committee's detailed deliberations will take place after the summer recess—our window to have an input is now so that we can make recommendations arising from our final meeting before the recess on 28 June.

The committee is primarily interested in the economic impact of the bill. We have invited representatives of business and economic interests to give their views today. For the first part of the evidence session, I welcome Iain Duff of the Scottish Council for Development and Industry, Matthew Farrow of the Confederation of British Industry Scotland, and Jane Todd of the Federation of Small Businesses.

Ms Jane Todd (Federation of Small Businesses): The concerns of the small business community focus primarily on questions surrounding urban road tolling and the workplace parking levy. Most other issues covered in the Transport (Scotland) Bill are not central to small business's concerns. There is no doubt that nationally the intention is to tackle congestion but, at a local level, the intention may be more to raise revenue. At the recent Scottish Local Government Information Unit conference, not only were congestion measures referred to as offering big gains but businesses were referred to as dripping roasts. Businesses share that perception—feeling the heat with yet another set of carving knives heading in their direction. Businesses understand the need to tackle congestion but want the money that is raised to be used for that; they are concerned that no formula has been put in place for true hypothecation. Additionality must also be addressed by transparency—clarity is needed on that issue.

Urban businesses feel that, when the measures are implemented, substantial financial costs may come their way. They feel that they are faced with Hobson's choice: to absorb the costs; to pass them on to customers; or to pass them on to their employees. If they absorb the costs, they risk becoming uncompetitive as their overheads rise and profitability drops. If they pass the costs on to their customers, equally, they will be uncompetitive if those customers choose to go elsewhere. They also fear an increased

administrative burden when red tape is already strangling many small businesses.

Businesses are also concerned about the detail of the designation of workplace parking spaces and how that will be administered by local authorities. Businesses want exemptions for working vehicles—we understand that there are difficulties in defining that, but we could look at the designation of commercial vehicles—in urban road tolling and workplace parking.

Mr Matthew Farrow (Confederation of British Industry Scotland): Our members have little enthusiasm for the bill as it stands for two main reasons: the context within which the bill has been introduced; and aspects of the content of the bill. I think that it is clear to us all that, as a peripheral economy, Scotland needs strong transport links. CBI Scotland has often expressed its concern that the strategic roads review did not fully address that. A number of our main strategic road links—the M80, A80, M8, A8 and the M74 completion—have not been taken forward and there seems to be little prospect of that happening in the near future. When one looks at some of the documents on transport published by the Executive—the consultation documents that led up to the bill, for example—it is often pretty hard to dig out the economic rationale behind policies. Often there are many paragraphs—very well written—about the need to look after the interests of pedestrians, motorists and public transport users but almost nothing about the interests of business and the economy.

Our main concerns about the content of the bill are, like Jane Todd's, on workplace parking levies and road user charging. We have always opposed workplace parking levies; they are sold as a means of tackling congestion, which we can understand, but in practice they will have almost no impact on congestion. They are iniquitous, because they are a tax purely on business and business use of roads, as opposed to a tax on the general motorist. They are also a double taxation, because businesses already pay for their parking spaces through rates—there is already an incentive for business to moderate its use of road transport.

We would rather that the levies were rethought and taken out of the bill. If the bill is passed as it stands, we hope that no local authority will want to implement the levies. If the worst comes to the worst, however, and schemes for parking levies are brought forward, there is a danger that they will hit business hard and impose costs.

Our main concern is that there is no requirement in the bill to consult at all. It is ridiculous that all the bill says is, "You may consult. It is not illegal to consult." That is a crazy way of going about this. Local authorities may choose to consult particular

people or ministers may choose to require local authorities to consult particular people. It seems fundamental to us that any progress should happen only after full and detailed consultation with all local stakeholders, of which the business community must be a key part.

11:30

I do not see why the bill cannot set out statutory consultees in the business community and why it cannot set out minimum consultation periods to ensure that business is properly consulted. That seems doubly strange given that, a couple of years ago, two CBI member trade associations—the Freight Transport Association and the Road Haulage Association—won the right to be statutorily consulted on any local road traffic order, which can apply to issues as minor as a small change to the length of a speed-restriction area in a village where, for example, extra houses have been built. There is a legal right for those organisations representing business users to be consulted on such measures but, under the bill, there is no right at all for anyone to be consulted on parking levies. We therefore have a major concern about consultation.

The bill is far too restrictive in saying that there must be a licensing system and that the obligation to pay the levy must fall on the owner of the premises. A number of our members have suggested alternative ways of establishing levy schemes that, if they ever came to pass, might have some impact on congestion. I can elaborate on that if the committee is interested, but there would need to be some changes to the bill.

As Jane Todd said, there are concerns about exemptions, such as how they will apply to businesses that have a shift system—there will be periods when those businesses have a large staff changeover, for which they will need more parking spaces. What about small businesses? Should there be a minimum threshold, so that if a business has a small number of parking spaces it is automatically exempted? Some of those issues should be addressed in the bill, because they will not differ much from local authority to local authority.

We have always felt that, if road charging were done in the right way as part of a package of measures, it might have a role to play in tackling congestion. It acts more directly on congestion than do parking levies, which would not have much impact. Again, the bill as drafted is flawed. It contains nothing about consultation, but only woolly sections about how local authorities may consult particular people if they choose to do so.

The bill contains nothing to guarantee additionality or hypothecation. Those are difficult

issues, but more effort has to be made to address them. There is also nothing about exemptions. A lot of business road use is non-discretionary. A lot of short freight journeys cannot be shifted to rail. Business road use derives from demand; it occurs because people want goods and products. All that will happen under the bill is that the cost will be absorbed or passed on to the consumer, which will have no impact on congestion. The bill should say something about exempting non-discretionary road use. It should probably also say something about maximum charges and maximum differentials; that would avoid a situation in which local authorities decided, on little evidence, that local residents did not like lorries going through their patch, resulting in charges for lorries that were much higher than those for local motorists. There is a danger that we will see that.

Those are our fundamental concerns. We are less concerned about some other aspects of the bill. Joint transport strategies are a good idea, but once again there is nothing in the bill about consultation with the business community when they are drawn up. The idea—

The Convener: Could you draw your remarks to a close?

Mr Farrow: I have one final point, convener. In part 4 of the bill, under the heading “Miscellaneous”, there is a section about new joint boards for bridges. The Forth bridge is most often talked about in that context. We would accept continued tolling of the Forth bridge, provided that the revenue raised was spent on, for example, the A8000 and on alleviating the congestion faced by users of the bridge. Those are some minor issues, but there is little enthusiasm for the bill.

Mr Iain Duff (Scottish Council for Development and Industry): I thank the committee for inviting SCDI to provide evidence on the Transport (Scotland) Bill. By way of introduction, I should say that SCDI has always welcomed the Executive’s commitment to introducing a transport bill that recognises the important Scottish dimension in transport; we are pleased that, after quite a long consultation period, that has now been done.

However, we are a little disappointed that the bill is rather limited in the modes of transport with which it deals. Given that it is supposed to be an integrated transport bill, it is surprising that a wider range of modes is not covered. We are also concerned about the overall vision or strategy into which some of the proposed measures fit; there is not a strong enough indication of what the bill hopes to achieve for Scotland’s competitiveness.

SCDI has established positions on three of the main areas of the bill: joint transport strategies; bus services; and local-level congestion charging

and workplace parking. We have accepted the need for local-level congestion charging as a way of managing inner-city congestion. We feel that the proposed workplace parking charges will not have an effect on congestion and should be abandoned. Many of those issues have been covered and I will be pleased to go into more detail as the meeting progresses.

Miss Goldie: Mr Farrow, I detect from what you say that you have serious reservations about the bill. With the exception of the areas that particularly concern you, do you feel that the bill has merit? Would you support the bill if certain proposals were taken out, pending consultation, or do you feel that the whole bill is flawed?

Mr Farrow: Taking out the areas that we are concerned about might leave the bill rather limp. We would support some elements of the bill, but there is so much that concerns us that we would prefer it to be delayed.

Miss Goldie: Are you saying that the bill is an attempt to provide a transport manicure, but one that will saw off the hands of toil?

The Convener: I would not want Miss Goldie to put words into your mouth, Mr Farrow.

Miss Goldie: I would love it.

Mr Farrow: The difficulty is that the bill tries to introduce demand-management tactics for charging, but that is only part of the answer. The other part of the answer is more investment, which we are not getting. The demand-management techniques that the bill would introduce are flawed. Road charging would work if it was done in particular ways, but there is nothing in the bill to guide authorities down the right path. The idea of the parking levy is flawed, as it will not impact on congestion.

Miss Goldie: Given the universal concerns that all of you have expressed, particularly about road user charging and workplace parking levies, do you feel that some impact assessment should be made of the effect on local economies and businesses before the bill is enacted?

Mr Farrow: Yes, we do. The bill says that improvements are to be made at local level and that local authorities will have to make plans for specific schemes. Our concern is that the bill contains nothing to require local authorities to carry out that sort of analysis. We cannot see how it could be demonstrated that parking levies would have an impact on congestion, although in certain circumstances it could perhaps be demonstrated that road charging would have an impact. At the very least, the bill should require local authorities to go through that process. In the consultation document, ministers give some fairly vague assurances that they would veto schemes that

they were unhappy with, but I do not see why that cannot be written into the bill itself. Why should we have to take that on trust?

Mr Duff: I agree with that. The consultation process must include an analysis. Although SCDI accepts that some sort of management congestion charging must be introduced, there should be many caveats. One of those caveats would be an assessment of the likely impact, including a sensitivity analysis of different types of charging, of how much would be raised and of what the money would be used for. Those factors should all fit into transport strategies, but they are not well enough linked in the bill. There should be a strategy that states what charges would be for and how they would affect city-centre competitiveness, for example. A wide-ranging consultation is needed, but there must also be detailed analytical work on the likely impact. We want congestion charging to help to manage traffic and to increase competitiveness but, if that does not happen and competitiveness is harmed, we will have taken one step forward and two back.

Ms Todd: I certainly endorse my colleagues' comments. We would like such impact assessments, particularly in relation to workplace parking, to be carried out at a national level, rather than being left to local authorities. There is no clear direction in terms of consultation. It is doubtful whether the issues would vary significantly from area to area.

Dr Murray: I detect that you have particular concerns about workplace parking—perhaps more so than about the road user charging schemes. I refer you to section 51(3)(a) of the bill, which makes it clear that the licensing authority must have a local transport strategy. The explanatory guidance makes it clear that

“Scottish Ministers do not intend to approve any charging scheme designed simply to be a revenue raiser”.

On the joint transport strategies, section 1(3) says that the public bodies may

“consult such other persons as those bodies consider appropriate about the proposed strategy.”

Would it be helpful if that section were to be strengthened so as to define specifically who should be consulted—the business community—in preparation of the joint transport strategy?

In proposing charging schemes, the charging authority will have to indicate the purpose to which the money that is raised will be put. If that were part of the transport strategy and you were consulted, not only on the scheme but on the purpose to which the revenue would be put—such as supporting public transport—would that allay some of your fears about the bill?

The Convener: Members are asking questions

of all three witnesses. Could I ask you to keep your answers fairly short to allow us to cover as much ground as possible?

Ms Todd: Certainly. The business community would welcome any move to improve consultation at a local level. The bill states that the money would be used to alleviate congestion, but the strength of such an assertion rests on the quality of monitoring and auditing, which would have to ensure that that congestion was indeed reduced.

Dr Murray: Would you feel reassured if the section on consultation on transport strategies were expanded to define which bodies should be consulted?

Ms Todd: That would give us some reassurance.

Mr Duff: In order to consult, some up-front work would have to be done to inform people about where the money is going and what impact it would have. Such work must be carried out in conjunction with consultation.

Mr Farrow: What you suggest would be a small step forward. The fundamental problem with parking levies is that, as far as we can see, they will not affect congestion. Many businesses will absorb the costs by adding them on to prices. If they go through the administrative hassle of passing that cost on to their employees, there is an argument that the employee may decide to use the parking space every day, rather than only for the two days a week, for example, on which they had used it previously. We are concerned that local authorities will be able to say that they have done their bit in meeting what the local strategy says about reducing congestion, because they will have consultants who can demonstrate that there will be some impact at some level, although in practice the effect will probably be very limited.

Fergus Ewing: I should declare an interest. I am a member of SCDI and the FSB, but I have received no payments from those organisations.

My question is for Matthew Farrow. In your opening remarks, you mentioned that you would have liked the bill to include other transport measures, such as greater investment in the road network. I do not disagree, but I am puzzled as to how the CBI proposes such investment should be funded.

Mr Farrow: The transport spending level in Scotland has been cut progressively since the mid-1990s; money has been shifted from the construction of trunk roads to maintenance. We believe that that trend should be reversed. To be fair, I should add that, in the past couple of years, the minister has increased the spending slightly. We are mounting a major campaign to persuade the chancellor, in the comprehensive spending

review, to set out as part of the English 10-year transport plan a higher level of spending, which will be passed on to the Scottish Executive through the Barnett formula. That is a twin-track approach. The reason that we have given reluctant support to local road user charging is that we recognise that it will raise some revenue for local schemes.

11:45

Fergus Ewing: I did not find that answer particularly illuminating. Do you think that the chancellor should increase the Scottish block expenditure to allow more investment in our roads?

Mr Farrow: Yes. Transport projects are needed throughout the UK, including projects in England that would benefit Scottish firms who are trying to get goods to market. We are lobbying the chancellor for a major increase in transport spending in future years. We are doing detailed work on that at a UK level. We are hoping that a proportion of that money will be passed on through the Scottish block to be spent in Scotland. We will be lobbying the Executive to ensure that the money is spent on the right schemes.

Fergus Ewing: To clarify that point, do you think that there should be higher expenditure in the UK and that Scotland should receive its due share? If the CBI had its way, would the Scottish block be increased?

Mr Farrow: Yes.

Allan Wilson: My colleague, Annabel Goldie, referred to the universal concern of the business community about the transport bill. I am slightly confused, because it seems that two out of three of you who are representing the business community accept that there is a business case for tackling congestion and that that could involve road user charging in order to raise capital to invest in the road transport infrastructure, which would oil the wheels of commerce. Is that correct? Of course, you attached important caveats to your position in respect of impact assessments and sensitivity analysis and I do not disagree with those. A fair degree of research has been carried out in advance of the publication of the bill. Am I right in thinking that two out of three of the business organisations represented today support the business case for tackling congestion and recognise that road user charging is integral to that?

Mr Duff: I would characterise our position as a cautious acceptance. As well as up-front issues, such as the sensitivity analysis and consultation, we are concerned about the transparency of the allocation of the revenue. There is a chance to improve alternatives to the car up front. If charges

are imposed, revenue streams will come through, but the work should start beforehand to provide motorists with quality alternatives. The money must be spent on a range of transport projects—including roads—to increase quality and to provide proper alternatives. In that way, the Executive could manage the demand up front. The charges could be imposed at an appropriate level and the revenue should demonstrate additionality to current spending. That would require better transparency in the accounting procedures and hypothecation.

Mr Farrow: Our point is that both demand management and more investment in road infrastructure are needed. Congestion cannot be reduced without investment in the pinch points. The problem with the bill is that one of the charging methods that it outlines—workplace parking levies—is flawed. Road user charging could work, but only if the bill is strengthened in terms of consultation and additionality, as Iain Duff said.

Ms Todd: I endorse those comments. We all recognise that congestion has an impact on a wide variety of businesses. The businesses represented by the FSB would like the costs to them of road tolls to be balanced by the economic benefits of a significant improvement in congestion.

Allan Wilson: Would the Federation of Small Businesses support the introduction of road user charging if what you suggest were the ultimate outcome?

Ms Todd: If individual businesses were convinced that they would see a clear bottom-line benefit, they would probably be comfortable with that.

George Lyon: I want to follow up Matthew Farrow's answer to Fergus Ewing's question on the need for greater investment. Many of us want more investment in our roads network. In other European countries that are in direct competition with us, there has been substantially more investment in public transport and the roads network. Do you support the UK having the same level of investment?

Mr Farrow: We broadly support that suggestion. The Confederation of British Industry is undertaking as detailed a piece of work as it can to identify all the priority schemes throughout the UK. It will then work out the level of investment that those schemes would need over 10 years. We should have a fairly specific figure for that within a few weeks and the scheme should move us up to the European average.

George Lyon: Would the CBI therefore support an increase in tax levels to pay for such investment, given that most European countries

have a tax take of 49 to 50 per cent as opposed to the 36 to 37 per cent that is taken in the UK?

Mr Farrow: It would not if the tax burden fell on business. Since 1997, the tax burden on Scottish business has risen by about £400 million a year. However—as the chancellor always reminds us—UK business tax rates are fairly low and the impact of allowances and exemptions means that the actual tax take from business is not much different from that of most European countries. We have data on that that might be useful. We feel that business is paying a lot more than it did two or three years ago, which is why the chancellor has money for health and education. We certainly do not support finding such money from increased business taxation.

The Convener: Where should the money come from?

Mr Farrow: It should come partly from growth in the economy, partly from reallocation of existing resources and partly—if taxes must be increased—from personal taxation. We do not see a case for increased business taxation.

George Lyon: From which areas would you re-allocate funding?

Mr Farrow: Luckily, because we are not politicians we do not have to make such decisions. Our job—which is easier—is to say what we think is important from a business point of view.

George Lyon: You obviously support the principle of tackling congestion, because congestion represents a cost to business. Can you give me figures for the current cost to business of congestion and for how much that is likely to rise during the next few years if we do not take steps to tackle the problem? Such figures are important; they allow us to weigh the measures that are proposed in the bill against the impact on business if we do nothing—which would not be acceptable to anyone.

Mr Farrow: It is very difficult to arrive at broad-brush figures, as transport is so much a part of the economy—even of the new economy that the committee has been talking about. Quite a few prestigious dotcom firms have come unstuck because of distribution logistics rather than information technology. We have a fairly broad-brush figure of about £12 billion for the UK. Although it is hard to work out a precise figure, our best estimate is that the cost of congestion is certainly many billions of pounds.

George Lyon: And rising?

Mr Farrow: Yes. As the economy grows, there will be more movement of people and products. For example, everything in this room is the product of many journeys, such as the movement of components for manufacture and assembly. We

are all trying to get the economy to grow more rapidly but, inevitably, business travel and product movements will increase and because most freight journeys cover very short distances, rail will not be a viable alternative. Although rail freight has increased by about 30 per cent in the past three or four years, we must recognise that most freight journeys are too short for rail to be a legitimate option.

Mr Duff: Although it is hard to put a specific figure on the cost to business of congestion, our membership has told us that there is increasing pressure for just-in-time delivery. The committee's investigation into the new economy might touch on the delivery of services to market as people change to e-commerce methods. Such delivery systems are becoming increasingly important and, if congestion in inner cities and on journeys over longer distances means that one cannot be sure when things will arrive, those systems will break down. Despite the fact that that is very much an old economy issue, it is crucial to the new economy.

George Lyon: Do you feel that the current transport network constrains business growth in this country and, if so, in which areas are the pressure points? I am thinking more in competitive terms. I spent some time in Ireland investigating the situation there and found that the Irish economy has undergone rapid growth during the past 10 years, despite having a transport infrastructure that contains only 70 miles of dual carriageway and a rail service that lags way behind anything in Scotland.

Mr Duff: We are lucky in Scotland; the situation is not as bad as in other parts of the UK. However, one of the pressure points that generates most comment is the completion of the M74. Our organisation is a member of the Complete to Compete campaign and we have received many complaints from the west of the country and further afield that indicate that that is a problem.

The point of introducing initiatives now is to prevent the problems worsening further down the line. We should react now to manage the situation and to provide an infrastructure that works and that will stop more draconian measures being implemented later. We should act now and build on what we have.

The Convener: I have a final question. This morning we have had much discussion—and some criticism from business organisations—about the Government's proposals. We all agree that there is a congestion problem that needs to be addressed and that the existing public transport infrastructure is inadequate. As we are giving input to the Transport and the Environment Committee while it scrutinises those issues, I ask where you think the solutions lie.

Mr Duff: Some of the issues are emerging from the joint transport strategy. However, as we said in previous submissions, we prefer slightly stronger regional transport authorities, but such will not be the case. We need good quality joint working to create a strategy for Scotland that clarifies what we use our transport system for.

Furthermore, it is not just a matter of local authorities coming together; private sector operators also have a role to play. There must be good dialogue with bus, freight and train operators to integrate properly—which is what the bill is about—and to formulate a plan for Scotland that will make the economy efficient. It is a vision, if you like, that involves dialogue and joint working. It uses some of the initiatives that have been introduced to raise revenue for investment across the board in the transport infrastructure and different modes of transport. That has been lacking and I hope that the bill is the start of a process that will enable solutions to be found more quickly. The bill contains measures for raising revenue that can help if they are used properly and carefully. We need to have a wider view of what we are trying to achieve; transport is a means to an end, not an end in itself.

Mr Farrow: I have two points to make. First, on increased investment, economic growth in Scotland is being held back because two strategic roads—the M80/A80 and M8/A8—have not been completed. Furthermore, the CBI in Scotland, the Freight Transport Association, Railtrack, Freightliner and English, Welsh and Scottish Railway have recently launched a rail freight campaign that is trying to make rail freight a more economically viable option for a larger proportion of industry. Although that involves investment in rail infrastructure, it also involves the rail freight operators improving service levels on matters such as punctuality. On the one hand there should be investment; on the other there should be sensitive implementation and demand management. Sensitive implementation means dropping ideas for levies that will not work and making significant changes to the bill that will ensure that local authorities are more likely to introduce road charging in the right way.

Ms Todd: We want investment in infrastructure to be geared towards economic benefit, which should be an overriding factor when difficult decisions are being made. We want a fundamental plank of any measure to be a true understanding of the measure's impact on business of all sizes, levels and sectors. For example, if green commuter plans are being considered, we must ensure that they are equally applicable and accessible to small and large businesses. There must be recognition of the limitations of public transport throughout Scotland. Public transport has a big part to play, but its role varies in different

areas and it cannot be the answer to everything. We also need to recognise that not only consumers need access to retail premises; delivery mechanisms must also be able to access them, which Iain Duff touched on. We endorse absolutely an integrated and holistic approach.

12:00

The Convener: Thank you for your contributions. As I said at the outset, we are not the lead committee on the bill. Our perspective on the bill is its impact on business and the economy. We will formulate an opinion on the subject at the committee's meeting in two weeks' time, which we will then submit to the Transport and the Environment Committee. I thank Iain Duff, Matthew Farrow and Jane Todd for their contributions.

For the final part of this item, we have been joined by Tracey White—the assistant secretary of the Scottish Trades Union Congress—and Andy Baird of the Transport & General Workers Union. You are both welcome. You will know that we are taking evidence as part of stage 1 consideration of the Transport (Scotland) Bill. I invite you to make a brief opening statement, before I open up the discussion to members of the committee.

Andy Baird (Transport & General Workers Union): Thank you, convener. We bring together transport unions that represent workers throughout the industry, from pilots to bus drivers, rail workers to heavy goods drivers and those engaged in the construction and manufacture of transport equipment. We can make an informed contribution to the transport debate in all those areas. In addition to that, our many members and their dependants are users of public transport. However, our interest in transport matters arises as much from recognition that in all industrial sectors and throughout Scotland we rely on the efficient and sustainable movement of people and goods.

We welcome any initiative to improve the status quo, primarily in bus services. Since deregulation, there has been a reduction in the quality of services, especially for early morning, late evening and weekend journeys. That has had a major impact on the community, in particular on people with the least wealth. Consideration should be given to women, children and the disabled. The current pricing structure has high costs for short journeys. There is a lot of publicity about inter-city transport, but people living in rural areas and peripheral housing schemes are the most vulnerable and the most dependent on public transport. We would welcome any partnership that sought to institute control.

There is concern about drivers' hours—not only

the number of hours they spend driving, but the length of duty. There can be long periods of time for which a driver is not paid and duties can be spread over a day. A person might be driven to work in the morning by a driver who started work before them and be driven home at night by the same driver. That driver will not have been paid for the time in between.

Ticketing is important to vulnerable groups that have a low level of disposable income. There should be a greater emphasis on trains and buses to ensure that the cost of transport is reduced. We favour voluntary means. Regulating the system to ensure high frequency services will reduce the amount of car journeys into an area by reassuring users that alternative transport will be readily available.

There is a concern that parking charges could be passed on to the workers. Further, there are safety implications: economic reasons might force someone working late at night to park their car far from their office. In rural areas, there are concerns about trunk roads. The volume of traffic on the A75 in Dumfries, for example, is significant and the volume of traffic is important when we consider the fast flow of bus services.

Consultation should take into account everyone's views, including those of the people who work in the industry and especially those of the users of the services, because they have detailed knowledge of the problems that have to be faced when travelling to and from work.

Tracey White (Scottish Trades Union Congress): We raise the issue of safety particularly because we have a membership interest in that regard: not only do our members travel to and from work, but some operate transport services. Safety, economy and efficiency are key factors that will determine whether people use public transport to the extent that we want.

Although we support strongly certain aspects of the bill—particularly the parts that relate to bus services—we share the concerns of the CBI and other business organisations about workplace parking levies and road user charges. We think that the bill represents a missed opportunity to address a range of safety issues throughout the transport infrastructure.

The Convener: I am interested by the point that was made about the possibility that people who want to avoid workplace parking charges might park their cars substantial distances from their places of work and the fact that that would mean that they faced greater danger than they otherwise might. Has any development work been done on that to try to identify attitudes towards the issue? Can we ascertain whether workplace parking charges have caused people to adopt the practice

that you describe?

Tracey White: We have not done any detailed work on that, so I cannot give you any scientific information. We are aware, through anecdotal evidence, that people find ways of avoiding local parking charges by parking their cars outwith the chargeable areas. It could be argued that that would have an effect on whether workplace parking charges stopped people taking their cars to work. Our concern is that, given the situation in many areas, some people have no choice but to take their cars to work. That is an issue in city centres and out-of-town areas.

The Convener: I do not know whether the trade union movement has a formal position on workplace charging. Are you for it or against it? Might it be acceptable in certain circumstances?

Tracey White: We are against it. There are several arguments—the safety argument being the one that exercises us most—against charging. We would be more inclined to be supportive in certain circumstances and with a range of caveats, including those that our colleagues who spoke earlier mentioned in relation to road user charging.

The Convener: What is the trade union movement's position on locally set congestion charges?

Tracey White: Our concern is that people do not have sufficient choice about how they travel. The provisions that the bill makes for bus transport will go some way to address some of the worst excesses of bus deregulation. In that regard, the bill will, I hope, provide viable, affordable, safe and efficient alternatives to using their car. We would be concerned if road user charging were brought in at a prohibitive rate and on a time scale that meant that people had to pay a penalty before they had the chance to change their behaviour.

Dr Murray: I will declare an interest. I am a member of the TGWU and it provided support to my constituency during the Scottish election campaign.

I thank Andy Baird for his plug for the A75, which I appreciated. There are valid concerns about people who live in rural areas who have no alternative to travel by car. There are also concerns about people working shifts when public transport might be unavailable and about safety considerations for women who would have to walk on their own. Could some of those concerns be addressed under section 57, which considers exemptions to licensing schemes? The explanatory guidance suggests that:

“As with a road user charging scheme, Ministers would expect few national exemptions to be made”.

Would it be possible to alter that section to allow for exemptions to be made for travel to work from

rural areas, or for people working shift patterns that make public transport unavailable or undesirable?

Andy Baird: There is an argument about who the additional cost will be passed on to. If there is an opportunity to introduce practical measures that are geared towards increasing use of public transport, we must take all factors into account. That is true equally in relation to excise duty on fuel. It could be argued that that duty is inflationary. If operators were assisted in keeping costs relatively low compared with the spiralling costs of car use, that would in time help to make public transport more attractive.

Tracey White: The bill is enabling legislation that has regard to road user charges. I had not anticipated road user charging being used in rural areas. If the problem is congestion, it has to be said that those areas tend not to suffer from congestion in the same way as some of our larger cities, although it might be an issue in smaller towns.

That brings to mind another point that I would want to make strongly about consultation on any potential road user charging scheme. We have heard a lot this morning about ensuring that the Government consults the business community closely, but the Government must also consult closely those who represent working people. We can bring to that discussion detailed knowledge about how such schemes impact on people's safety and their ability to get to and from their work efficiently. There is a range of issues around people's productivity and their ability to do their jobs based on how long it has taken them to get to work and how stressed they have become in doing so. Any consultation requirement on a local authority must be robust and must be extended to the users of services as much as it is extended to the business community.

Dr Murray: That partly answers my follow-up question, which is on section 1. Perhaps that section should be expanded to specify in greater detail who should be consulted on local transport strategies. There is no rail transport service for the residents of the Borders, but people who live in the Borders and commute to work in Edinburgh would be hit by schemes that were implemented by the City of Edinburgh Council, despite having little alternative but to use their cars.

12:15

Tracey White: The wider point is that we should consider both where opportunities to work exist and the role of economic development agencies. Such agencies can produce evidence on where there is a need for jobs and can direct jobs to those areas. One of the issues that the bill does

not address is people's need to travel. The bill focuses in detail on transport behaviour, rather than on considering whether to implement policies to make job opportunities, services and so on available in local communities.

Miss Goldie: Tracey White has touched on a point on which I wanted to expand—what does the legislation target? Is it the case that many people who use their cars to get to work do so because there is no acceptable alternative available to them? Is that a generalisation or is that a reasonably accurate assessment?

Tracey White: I cannot give specific, scientific evidence in response, but I can offer an anecdotal perspective. We all recognise that the way in which the transport system is configured means that it is about taking people in and out of population or business centres. The system is not geared so much towards allowing people to move around the periphery, so to speak. For example, someone who lives in Broxburn or Bathgate can get into the centre of Edinburgh, but if they want to travel from Broxburn to Bathgate, they will find that difficult. If one lives in an area outside the centres, where public transport is not developed sufficiently, there is little opportunity to travel to work other than by car. The quality partnership and quality contract provisions of the bill might go some way to addressing those issues. It comes back to consulting constituents about their transport needs.

The answer to Annabel Goldie's question is yes—people sometimes have no alternative but to use their car to travel to work.

Miss Goldie: Andy Baird expressed a concern about workplace parking levies, as he could envisage those charges being passed on to the employee in certain cases. Is it correct to say that although larger business organisations might be able to absorb part of those charges and, therefore, to mitigate the effect on the employee, the greatest area of concern is in relation to small and medium enterprises? They make up the bulk of employers in Scotland and might be less able to absorb such charges. Is that a real concern? Will parking charges mean that stability for employees is retained? Some might feel that if they have to meet those charges, they will have to consider other options.

Andy Baird: That is one of our fears. Large companies can pass on a proportion of the cost to the employee in another form, such as a benefit in kind. For smaller businesses where the margins are tight—if I may express it that way—such levies will have an impact. That is why we try to stress the benefits of a voluntary increase of the availability of public transport. For example, there is a lengthy delay between services that operate at a frequency of an hour or half an hour. It has been

demonstrated that when the frequency of bus services is five or 10 minutes—with bus corridors in place—the opportunities for people to use that alternative are enhanced. Everybody is subject to time constraints, but a fast, efficient service is available.

If there are contracts with operators, there is an opportunity to set a standard so that we can have more than the current morning and afternoon peak-time services. We should encourage operators to provide off-peak services, especially at weekends and on Sundays. That would enhance people's quality of life, but not only in rural areas. It is important to remember that some housing schemes in the big cities are fairly remote and often have few options for travel. We need to encourage operators to provide such services, but forcing them to do so would be counterproductive.

Miss Goldie: Do you agree with the representatives of the business community when they say that there is a need for greater consultation on the practical implications of these provisions before the bill is passed?

Andy Baird: Yes. It would be hard to argue that all interested parties should not be fully involved in this process, as that will result in a superior quality of legislation.

Tracey White: We have had the opportunity to respond to consultation papers on this issue. The point that I was trying to make earlier is that this is enabling legislation and that any local scheme will stand or fall on whether it has met local needs and aspirations. If it is to do that, consultation must be very broad based. Even if the bill goes on to the statute book, that will not mean that schemes are brought forward. When they are, they must be in the context of a strategy and deliverable policy outputs for the local area. Such schemes must relate to what people living in the area or those who travel in and out of the area need and want.

Fergus Ewing: I apologise for the fact that I was unable to hear all your opening remarks. If you have covered the issue that I raise, please excuse me.

I understand that one of the purposes of the bill is to allow local authorities to raise new revenue through road user charges and parking levies. That money would be reinvested in transport, as set out in schedule 1 to the bill. It appears to me that the places where charges may be levied, if at all, are Scotland's largest cities and main motorways. Members of all parties would accept that it is not appropriate to impose parking levies and congestion charges in rural Scotland—including the Highlands and Islands, part of which I represent—where there is no congestion.

However, because it is likely that the power will not be used in rural Scotland and in the Highlands,

no extra money will be available in those parts of Scotland to invest in the very poor roads that exist there. As a member for such an area, I find that issues arising from the state of those roads take up a huge amount of my time. Does the STUC have some sympathy with the idea that what I have outlined is a flaw in the bill? If so, do you think that some of the money raised should, by some means, be reallocated to parts of rural Scotland that may otherwise lose out?

Tracey White: I have some sympathy with Fergus Ewing's comments on the transport infrastructure in the area that he represents and other rural areas across Scotland. It occurred to us that, if it becomes the norm for improvements in transport infrastructure to be funded primarily by road user charging, the transport infrastructure of rural areas could deteriorate, as the member suggested. We have already expressed some concern about the fact that road user charging can be imposed before there are improvements in infrastructure more generally. That would suggest that we would support up-front funding for developments in infrastructure. That funding would have to be available where it is needed—in many different parts of Scotland.

Fergus Ewing: I would not disagree with up-front funding. From what budget line, or source, should that up-front funding come?

Tracey White: As Matthew Farrow mentioned, the CBI has been lobbying the chancellor, and the STUC has been doing the same. In our past three budget submissions, we have said that the transport infrastructure is an issue and that there is a need to make a commitment to it at the UK level. That would have an impact on the amount of money that would be available to us to spend on that policy area in Scotland.

Fergus Ewing: So, the STUC and CBI stand shoulder to shoulder in asking Gordon Brown to open his war chest.

The Convener: Thank you, Fergus.

Elaine Thomson: Some of the previous witnesses seemed dubious about the fact that the bill devolves considerable power over transport to local areas and local authorities. Do you believe that it is a positive move that local areas—with the local authorities playing a key role—will be able to develop local transport strategies that will be of real benefit to them, and that all the money that would be raised from a road charging scheme would be ring-fenced and reinvested in local transport schemes?

The bill mentions buses, quality partnerships and quality contracts. Are you satisfied that it offers real opportunities for the development of bus services, and that that is an appropriate way of tackling congestion in cities?

Andy Baird: I shall answer your second question first. Any move to increase the volume and the quality of public transport across the board, but especially in relation to disabled access and greenways for buses, should be welcomed. Everybody should be involved in the local consultation and the schemes should improve public transport.

We must learn from previous mistakes. It could be argued that, since deregulation, the quality of service that is available throughout the day, including at off-peak times, has diminished. If a mechanism is provided whereby we can increase the volume and quality of services over longer periods, have some control over the pricing structure and offer cheap alternatives to cross-ticketing, that is to be welcomed. Widespread consultation would improve the end result.

Tracey White: I shall now answer your first question, on local authorities. We endorse the role of local authorities in implementing local transport strategies. One of the strengths of the bill is that each local authority is expected to work with its neighbouring authorities. At the time of local government reorganisation, we were concerned that the new authorities would be too small to have a sensible impact on transport matters, especially as people were coming into areas from outwith them, as I mentioned earlier. It is therefore important for neighbouring local authorities to come together to reflect the travelling behaviours of people in their areas. To some extent, that would address the concern over the generation of the revenue that would be spent. For example, the transport strategy might go across two authorities, one of which might be in a more remote, more rural area. That authority area would not be subject to congestion but might contribute to congestion in the neighbouring authority. In such a case, there could be an opportunity to disburse money throughout the whole partnership area rather than retaining it entirely within the urban area.

12:30

Allan Wilson: I want to query the assumption that congestion is an urban phenomenon rather than one that also affects road users in rural Scotland or semi-rural Scotland. Is there any statistical evidence to substantiate the claim that it is principally an urban phenomenon?

The previous Administration's roads review showed that large areas in rural Scotland needed investment in transport infrastructure. Do you believe that, if road user charging was imposed before such capital investment was made, such a scheme would be worthy of the support of the STUC?

Tracey White: I am not sure that I followed the last bit of the question.

Allan Wilson: In your contribution, you differentiated between road user charging following investment and road user charging before investment. Would your position differ depending on whether road user charging took place in advance of the investment or after the investment?

Tracey White: I wanted to make the point that penalising an action to which there is no alternative is problematic. Andy Baird talked about the availability of choice in peripheral housing estates. We would be concerned if someone who lived in such an estate and had no alternative to travelling by car found getting to work more difficult due to road user charging. If there had been investment to ensure that such a person had a choice, our view on road user charging would change somewhat and we would be more willing to accept the arguments for the charge. In previous submissions, we have said that there should be a sort of sliding scale for road user charging. The charges have to be kept low or non-existent until people have a choice of what form of transport to use.

Allan Wilson: I take it that you are not opposed in principle to the use of road user charging as a means of raising capital to invest in the public transport infrastructure or the transport infrastructure as a whole.

Tracey White: That is correct, but it is almost a chicken-and-egg situation. In fact, the provisions on bus services are likely to have a much greater and more positive impact on the behaviour of the travelling public and on congestion than road user charging will.

I cannot give you any specific statistics on congestion in rural areas. However, it is clearly the case that congestion causes problems for people coming into an urban area from a rural area. That is important in economic development terms as businesses in remote areas have to take their outputs through the main corridors. It would be wrong to say that congestion had no impact on the rural economy.

The Convener: I thank Andy Baird and Tracey White for joining us.

As I said earlier, the Transport and the Environment Committee, which is the lead committee on the bill, will discuss its stage 1 report at the beginning of July. If we want to have an input into their deliberations, we must sign off our report at our meeting on 28 June—members have been notified that the meeting has been put back to its original time slot of 10 o'clock on Wednesday morning.

It would be helpful if we were to give the clerks some guidance on the points that should be included in the report. We will consider the report in private session and, as always, I will seek the committee's agreement to meet in private. Do members wish to make comments at this stage in order to direct the clerks' thinking? I think that they will have to distil from the *Official Report* and from the points covered by members the issues that have been raised. Do members wish to concentrate on specific areas?

Allan Wilson: It is self-evident that the report will concentrate on the business dimension to the Transport (Scotland) Bill—the evidence that we have taken and the business case for much of the thrust of what is, after all, the first bill in 20 years to deal with transport. I hope that our report will be balanced and that it will take account of certain criticisms that have been made. However, it should also take account of the other case for tackling congestion as a means of improving our competitive position in the wider economy.

Miss Goldie: I would like the report to bring out the point made by Andy Baird and Tracey White about the uncertainty facing many employees who, I understand, use their cars in the absence of an acceptable alternative mode of transport. The *Official Report* will clarify the extent to which they made that point, but in my view it was significant.

Dr Murray: We may want to address issues of exemption for people who have no alternative to the car in getting to work, as Annabel Goldie suggested. We may also wish to consider how the bill might address the concerns of business and unions about the consultation involved in local transport strategies and who would be involved in that consultation process.

George Lyon: We will want to highlight the strengthening of the hypothecation—that was clearly an issue, as was consultation. We should also highlight the views of the business community about road charging as a concept, which members of that community strongly advocate as a solution to congestion.

Miss Goldie: I am sorry, but I thought that they advocated that approach only if there were an improvement to the bottom line. The support is not unconditional.

George Lyon: Yes, but hypothecation is linked to that.

Fergus Ewing: I would like more statistical, impartial information from experts on the extent to which we might expect congestion to be relieved by any of the measures proposed in the bill. I am not sure whether we have sufficient evidence from impartial experts on this matter. Are the measures that are set out in the bill going to achieve the aim of easing congestion?

By and large, the bill is designed to tackle problems that exist in cities. However, that raises the question where the pot is for the towns and villages in rural Scotland. As Tracey White of the STUC accepted when I raised that question with her, the bill is flawed. I would like a bit more attention focused on that issue.

Allan Wilson: I fundamentally disagree with Fergus Ewing. I do not see how an enabling measure, which gives every local authority—whether urban or rural—powers to tackle congestion can be seen solely as a bill designed to tackle urban congestion. I believe that the bill, which provides local authorities with those powers, addresses both urban and rural issues—there are different approaches to different problems.

Elaine Thomson: I support Allan Wilson's comments. To give a practical example, in Aberdeen and in Aberdeenshire, two local authorities are working together to come up with a joint transport strategy that concentrates on tackling congestion in Aberdeen, a large amount of which is caused by people who drive in from rural areas. Therefore, an overall plan for the whole area will benefit everyone—both those who live in urban areas and those who live in rural areas. The bill does not ignore either.

Congestion is seen as a threat to businesses, but there seems to be some uncertainty about exactly how much congestion costs and how much more it will cost if it is not tackled over the coming years.

Miss Goldie: On the rural-urban debate, I think that a difficulty could arise if hypothecation is the essence of the legislation, in the sense that it will provide funds only for those areas that have an interest in resolving congestion. I can think of rural areas where congestion is unheard of, but I can understand where Fergus Ewing is coming from when he says that local authorities still have a significant obligation to maintain roads in rural areas. People might be concerned about where the funding will come from to address rural infrastructure needs if, in other areas, funding is being increased by what is, quite simply, a crude form of additional tax raising. That is the dilemma.

George Lyon: On that point, there is an issue about the funding that would be contributed by those who live in rural areas and who pay into a road charging system by travelling into another area. How will that money go back to rural areas? Obviously, it will be ring-fenced to a particular authority area.

The Convener: That was a helpful way of addressing some of the points raised by Fergus Ewing.

Dr Murray: The rural-urban argument should be reflected in the indices that are used to calculate

grant-aided expenditure through the local government settlement. Many of the concerns about service provision in rural areas should be addressed through that mechanism rather than through the Transport (Scotland) Bill.

Fergus Ewing: Following on from Elaine Murray's point, I understand that there are different views and I do not think that we should reach conclusions until we have more evidence. I know the position of the Highland Council better than I know the opinions taken in other areas. Moreover, the budget for road maintenance and repair has been substantially reduced. In order to progress Elaine's point, it might be helpful if the committee could receive some statistical information on the money that is available at present for local authorities under the local authority settlement. That would give us a factual background with which to address some of the problems raised by George Lyon and Annabel Goldie.

Allan Wilson: We are losing focus—we are here to consider the impact of the Transport (Scotland) Bill on the business community.

The Convener: The clerks have captured the discussion that we have had, which we will also see in the *Official Report*. The Enterprise and Lifelong Learning Committee is not the lead committee—it will not sign off the Transport (Scotland) Bill. Our role is to pose questions that we think that the Transport and the Environment Committee should consider in greater depth and that should be addressed at stage 2, when the Government should be required to provide evidence in support of the contentions that are being made. The Government might need to draw on fresh, primary evidence or to provide existing data on GAE calculations, to which Elaine Murray referred. However, it might be helpful to our colleagues in the Transport and the Environment Committee if we were to pose a set of questions and points that should be addressed.

On that note, I draw this meeting to a close. I remind members that the next meeting will be on Wednesday 28 June at 10 o'clock in the morning. An e-mail has been circulated about those arrangements, which I hope are convenient for members.

Meeting closed at 12:43.

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