



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 6 February 2013

Session 4

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
3rd Meeting 2013, Session 4

CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

DEPUTY CONVENER

*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*Jim Eadie (Edinburgh Southern) (SNP)
*Alex Johnstone (North East Scotland) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Margaret McCulloch (Central Scotland) (Lab)
*Elaine Murray (Dumfriesshire) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Bookbinder (Chartered Institute of Housing Scotland)
Barry Colford (Forth Estuary Transport Authority)
Dr Stephen Garvin (BRE Scotland)
Philip Hogg (Homes for Scotland)
Elizabeth Leighton (Existing Homes Alliance Scotland)
Scott Restrict (Energy Action Scotland)
David Stewart (Scottish Federation of Housing Associations)
Mike Thornton (Energy Saving Trust)
Mike Wagner (Association of Local Authority Chief Housing Officers)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 1

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 6 February 2013

[The Convener opened the meeting at 10:03]

Forth Road Bridge Bill: Stage 1

The Convener (Maureen Watt): Good morning and welcome to the third meeting in 2013 of the Infrastructure and Capital Investment Committee. I remind everyone to switch off their phones and BlackBerrys. If you are using any electronic devices, make sure that they are just for reading minutes, rather than communication with the outside world.

Under agenda item 1, we will take evidence on the Forth Road Bridge Bill at stage 1 from Barry Colford, chief engineer and bridgmaster of the Forth Estuary Transport Authority. Barry, welcome to the committee, and thank you for your written submission. Jim Eadie will start the questions.

Jim Eadie (Edinburgh Southern) (SNP): Good morning, Mr Colford. Perhaps you could start by telling us your views on the level of consultation that has taken place between the various stakeholders—Transport Scotland, the Forth Estuary Transport Authority, FETA staff and the recognised trade unions—on the proposals that the bill contains.

Barry Colford (Forth Estuary Transport Authority): We have had fairly extensive consultation with Transport Scotland for some time. It has continued since early 2011, but we were in contact and discussions with Transport Scotland before that time because the new crossing was being built and we had some input on the potential future maintenance and operation of the crossing. There has been regular contact between us and Transport Scotland.

We have had meetings with Transport Scotland officials and our staff to discuss the issues with the proposal to abolish the authority and put the operation and maintenance of the two crossings and the adjacent road network out to contract. We have had consultations on the three principal areas, which are the parliamentary bill, the Transfer of Undertakings (Protection of Employment) Regulations transfer, and the contract.

Jim Eadie: That is helpful. Do you have any views on the level of protection for existing staff who transfer to the new bridge operating company? Does the bill offer them sufficient and

adequate protection? Perhaps it is fairer to ask what views were received on that point as part of the consultation.

Barry Colford: We had fairly lengthy consultation on that point because, as an authority, our staff are extremely important to us. Many members of staff have been with the authority for a long time—we have a level of service in the staff that is quite lengthy—so the consultation was of particular interest to us.

We were pleased to note that Transport Scotland will make it a requirement of the new contract that the staff pension scheme, which is with Lothian Pension Fund, will be transferred by the mechanism of the contractor being an admitted body in the Lothian Pension Fund. We are pleased that Transport Scotland and the Government took cognisance of the discussions and will make that a requirement of the contract.

Any period of change causes some unease among the staff, and we have had meetings with them to try to explain the situation. The fact that they will be transferred from a public body to a private contractor is a big step change for the staff, many of whom expected to serve out their working life working for a public body. We are having to try to ease the anxieties of the staff as we go forward.

Jim Eadie: Are there any outstanding issues or concerns on the part of the staff who will be transferred? Are any issues yet to be resolved?

Barry Colford: I would say that it is just the unease about what the future will hold for them and who the contractor is likely to be. All those things will become apparent as we move forward.

One of the main issues for the staff was pensions. That has been resolved and we are moving forward with the other issues. They will come to pass, and when we know who the new contractor is and who the staff are likely to be working for, that will be another major step forward.

Jim Eadie: For completeness and for the public record, will you say whether staff are being retained on the same terms and conditions? I recognise the point that you have already made about pension entitlement.

Barry Colford: Yes. My understanding is that we will all be transferred over with our current terms and conditions of employment.

Jim Eadie: Thank you.

Alex Johnstone (North East Scotland) (Con): You state in your written evidence that FETA would have preferred to retain responsibility for the Forth road bridge and be delegated responsibility for the Forth replacement crossing. When Transport Scotland came before us, it said that

there were considerable barriers to that. What is your view on Transport Scotland's assessment of FETA's capability to manage both bridges?

Barry Colford: I think that that is a question for Transport Scotland to answer, but as far as FETA is concerned, obviously, we did not put ourselves up for abolition. We thought that we were doing a good job in maintaining the Forth road bridge. We have done so—we think and hope successfully—since the Forth Road Bridge Joint Board was established in 1947. However, the Government decided that that model was not going to be suitable moving forward.

Alex Johnstone: Do you have any particular concerns about the responsibility for the Forth bridge passing to a private sector bridge operating company?

Barry Colford: FETA has accepted that the change will happen and we have been working closely with Transport Scotland to try to get the best outcome for the future maintenance and operation of the two bridges and the adjacent road network, because that is what is important.

It is the users that count: the people who use the bridges every day, whether they are pedestrians, cyclists, or other vehicle users. They are the important people in this. Our concern was that the level of service that we hope and think that we have provided over the 50 years since the bridge was opened would be continued. As I said in my written evidence, my concern is focused on the capital programme. There is still a big capital programme to be continued on the existing bridge. FETA has a 15-year rolling programme and we were concerned that that would be continued.

Alex Johnstone: Has enough been done to allay your fears in those areas?

Barry Colford: The Government has recognised in the financial memorandum that capital works are essential, which is some comfort to us.

Alex Johnstone: In your written evidence, you highlighted the importance of the bridge operator's local accountability. How best might that be maintained if FETA is wound up?

Barry Colford: We were pleased—and the FETA convener is on record as saying that he was pleased—that a forum has been set up to take things forward. We have good relationships with the communities on both sides of the Forth. The big structures have a large footprint and make a large impact on the communities, and we have worked hard to minimise their disruption. There will always be disruption when work is carried out on large bridges, and our job, as part of our brief to the communities, was to minimise that

disruption. We are pleased that the forum will take that forward.

Elaine Murray (Dumfriesshire) (Lab): You will be aware that the City of Edinburgh Council is concerned that it might inherit some £4 million of compensation claims, which previously FETA reimbursed the council for. Is the council right to be worried about that?

Barry Colford: I can only say what FETA has budgeted for, regarding the liability for the M9 spur. The M9 spur, which is the road that was built south of the bridge, was built using money from FETA—at the time, we were tolling—and the Scottish Government. The Scottish Government put in £24 million and FETA put in around £16.5 million to the scheme. FETA is liable for any outstanding costs that arise from the scheme. We have budgeted for liabilities of £623,000, which is in our accounts. I cannot comment on any figure other than that. Of that £623,000, about £190,000 is for liabilities for potential claims and the rest is for fees.

The Convener: Are you saying that the City of Edinburgh Council's suggestion is not correct?

Barry Colford: I can only say what we have budgeted for: £623,000.

The Convener: Why do you think that there is a discrepancy?

Barry Colford: I hazard a guess that when such schemes are put out there, lawyers knock on doors and ask people if they have a claim against the Government or whoever. Anyone can put in a claim and I imagine that the council's figure comes from an accumulation of all those claims. All I can say is that our budgeted cost is £623,000.

Elaine Murray: So the council is incorrect in saying that it would be reimbursed for the entire sum, in effect.

Barry Colford: I am sorry; I do not understand you.

Elaine Murray: In the press material that the council has issued, it indicated that previously FETA reimbursed the entire amount for compensation claims. Is that not correct?

Barry Colford: I am not quite sure what the press has said; I tend not to believe much of what the press says, frankly. All I know is that FETA is liable for £623,000.

Elaine Murray: The suggestion seems to have come from the council.

Barry Colford: I have read quotes in the press that were attributed to me, which I am pretty sure that I did not say.

Jim Eadie: Now you know how it feels to be a politician.

Barry Colford: I can only imagine.

The Convener: You are currently monitoring the condition of the main cable anchorages, and you will report on the condition of the cables following the on-going dehumidification process. Can you provide us with an update on that, and on how the results of those investigations might impact on the future maintenance of the bridge?

10:15

Barry Colford: There are two distinct areas. The main cables have suffered corrosion, and we are taking active steps, including dehumidification, to try to solve that issue. It is an innovative form of treatment. We have said all along that we cannot give unconditional guarantees that it will work, as this is the first time that it has been used. Dehumidification of the main cables of suspension bridges is itself fairly innovative. With cables that have deteriorated in the way that ours have, it is even more innovative—not many have been done. That is one strand of work that we are just about to report on.

The other issue is the anchorages—the places where the cables are held into the ground. We have had concerns about those for a long time, and we are carrying out an investigation into the anchorages, which is costing about £5 million. The main cable work costs about £3.5 million. Both of those are fairly limited investigations, unfortunately—we do not get much for £5 million with such bridges—so we can see only a snapshot, but we have to make significant engineering judgments and decisions based on those snapshots.

I cannot give any details to the committee at present, because I have to report to the FETA board first. The report on the main cables will be in February, and I hope to report to the board on the anchorages in April. Those are just two areas in which we have concerns over the bridge. There are other areas in which we need to carry out works, and those are listed in our written submission. All those capital works will have to be done. Suspension bridges are large capital investments, and we need to look after them properly. This type of investment is similar all over the world—whether it is the Golden Gate or any bridge in Japan or New York, the same level of capital investment is made on such bridges. They cost us, as taxpayers, a lot of money to build, and we need to spend money looking after them properly.

The Convener: Is there collaborative working with the bridge owners in those other countries, so that work is not being duplicated, or is each bridge

affected differently because of the different climatic conditions?

Barry Colford: The authority is a committee member of—this trips off the tongue—the international cable-supported bridge operators association, which is made up of the Storebælt or Great Belt bridges in Denmark, the Golden Gate in San Francisco, the New York state suspension bridges, Honshu-Shikoku in Japan and Jiangsu in China. They form the committee of the group, and we regularly exchange information and knowledge, as we all have the same problems, no matter where we are—whether that is ice on the cables, traffic or whatever. I am pleased to say that, in the first week in June, FETA is hosting the conference of this international group; this is the first time that it will have met in the United Kingdom. We are attracting a lot of people from all over the world to come and visit the existing and new bridges and to discuss the issues.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): How does the association help you? Is it of significant assistance to your operation?

Barry Colford: Yes. I can email my colleague at Golden Gate and say, for instance, that we have a problem with painting and an issue has come up. I can ask whether they have ever seen anything of that sort and I will get a reply quickly. It is a confidential exchange of information between client organisations—owners and operators only—so we do not have consultants or contractors. It is a method of getting an unbiased view of what happens with hangers, cables, anchorages, decks and towers—the whole spectrum.

Adam Ingram: Do you think that it should be a contractual requirement on the new operator to join or ensure continued membership of that organisation?

Barry Colford: I said in our submission that continued membership is important. The mechanism for that remains to be seen, but that might be one way forward. That needs a bit of discussion. I would hate to lose that body of experience and become isolated. If we work in isolation, we generally tend to go down different paths. There is a great deal of correspondence and discussion between all the bridge owners, and I would like that to continue.

Jim Eadie: Is a subscription—a financial cost—attached to your membership?

Barry Colford: At the moment, there is no subscription. At the workshop that we will hold in Edinburgh in June, we will put together a constitution. The association has run for about 10 years without a constitution and it seems to work fairly well, but we have decided that we had better have some administration and constitution

arrangements. Engineers love working without those encumbrances but, as membership is beginning to burgeon, we have decided that we need to put together things such as the qualification for membership. We do not have a fee yet, but a fee might be involved. However, it will not be significant.

Adam Ingram: You have talked about a 15-year planning cycle for bridge maintenance. Transport Scotland officials told the committee that the future contract for the management and maintenance of the two bridges would be likely to be of only five years' duration with add-ons—of perhaps two years, two years and one year—that could take it up to 10 years. What is your view on that length and style of contract?

Barry Colford: I do not think that that is long enough. The minimum requirement for the contract should be 10 years, because bringing a scheme to fruition or even inspecting every component of the Forth road bridge takes us 10 years—the cycle is 10 years. I know that the proposed contract is standard for operating companies in the rest of the network, but it is not the best fit for structures of the bridges' size.

Alex Johnstone: When we have looked at franchising arrangements for train companies and ferry companies, there has always been an argument about having long or short franchises. Are there parallels between what you just said and what we have discussed before in relation to the length of contracts?

Barry Colford: The situations are slightly different, because the issue with rail operating companies concerns investment in rolling stock and so on. For us, the issue is the time that is taken to procure and put out a piece of capital works and the time that is taken to inspect all the structure. I have spoken about the question to colleagues who deal with other structures. I conclude that 10 years would be a suitable period.

I realise that there are risks on the other side, such as being left with a 10-year contract with an operator that is not performing well. There are good reasons for having a contract of five years plus two years plus two years plus one year. However, the basic five-year contract does not suit the work that is involved in maintaining and operating large structures.

I do not think that I quite answered the question.

Alex Johnstone: You do not have to answer the question, but I have to ask it.

Margaret McCulloch (Central Scotland) (Lab): When Transport Scotland officials were asked why the costs of FETA operating the two bridges had not been assessed, they said:

“FETA was unable to demonstrate Value For Money ... of its existing operation of the Forth Road Bridge”.

What are your comments on that?

Barry Colford: FETA is a public body, like any local authority and like Transport Scotland. We feel that we give value for money, and I do not think that Transport Scotland has said that we do not provide value for money. However, it has said that it cannot be proven that we provide value for money.

All that I can say is that we are a public body and we are constrained by procurement regulations, just like everyone else. We put all our capital works and maintenance works that we do not do in-house out to tender. Of course, our staff are not tendered for, but all the other works are.

Margaret McCulloch: My last point is on a similar issue. Transport Scotland officials said that

“there was no mechanism to extrapolate how FETA would achieve”

value for money

“in a twin Bridge management strategy.”

Your views on that would be appreciated.

Barry Colford: I return to the point that our staff are not tendered for and do not go out to competition. In any organisation, staffing costs are a significant part of revenue costs. Our revenue costs are about £5.1 million a year, of which staffing costs are about £3 million. That is a significant part of the revenue cost that does not go out to competition. However, all the other parts of the revenue budget and the capital works are subject to the same rules on competition and tendering as apply to any other public body.

The Convener: As members have no further questions, I thank you for coming to the meeting. Your evidence will help our consideration of the bill.

I suspend the meeting to allow this witness to leave and the next witnesses to come in.

10:26

Meeting suspended.

10:38

On resuming—

“Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027”

The Convener: Agenda item 2 is “Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027—the Draft Second Report on Proposals and Policies”, which is known as RPP2. We will discuss the subject of energy-efficient housing, which is covered in the report. The item will be discussed in a round-table format to encourage the free flow of discussion. We have tried to divide the discussion into five main points: progress and looking to the future; improving existing housing; improving building standards; energy efficiency responsibility; and fuel poverty. We will not be able to keep those points in separate compartments, but if we can cover them all over the course of the discussion, that would be helpful.

We will start by introducing ourselves. I am Maureen Watt MSP. I am the convener of the Infrastructure and Capital Investment Committee.

Adam Ingram: I am the deputy convener of the committee and the MSP for Carrick, Cumnock and Doon Valley.

Mike Thornton (Energy Saving Trust): I am the head of the Energy Saving Trust team in Scotland.

Jim Eadie: I am the MSP for Edinburgh Southern.

David Stewart (Scottish Federation of Housing Associations): I am a policy manager with the Scottish Federation of Housing Associations.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I am the MSP for Edinburgh Pentlands.

Scott Restrict (Energy Action Scotland): I am a technical and training manager for Energy Action Scotland.

Mike Wagner (Association of Local Authority Chief Housing Officers): I am employed by the City of Edinburgh Council, but I am here representing the Association of Local Authority Chief Housing Officers.

Elizabeth Leighton (Existing Homes Alliance Scotland): I am an independent consultant representing the Existing Homes Alliance Scotland.

Alex Johnstone: I am an MSP for North East Scotland.

Dr Stephen Garvin (BRE Scotland): I am the construction director for BRE Scotland.

Margaret McCulloch: I am an MSP for Central Scotland.

David Bookbinder (Chartered Institute of Housing Scotland): I am from the Chartered Institute of Housing Scotland.

Elaine Murray: I am the MSP for Dumfriesshire.

Philip Hogg (Homes for Scotland): I am the chief executive of Homes for Scotland.

The Convener: The clerks, official reporters and broadcasting team are also in attendance.

On the first point that I mentioned, progress and looking to the future, what are the greatest challenges or barriers that are inhibiting Scotland from achieving the radical change that is needed to meet its energy efficiency housing targets?

Mike Thornton: The challenge of meeting the required numbers with regard to solid wall insulation on domestic properties is a key area in which it is difficult to plot a clear path forward. I think that there has been an increase of 2 percentage points since 2007 in that area. The UK policy is focused on achieving something in that sector, but it is difficult for the public to take up, it is capital intensive, and some fairly radical policies are required to drive that sector.

Elizabeth Leighton: I second that. If we work to the UK Committee on Climate Change figures, we would have to be carrying out installations in solid wall properties of around 32,000 a year. We are starting from a standing start, so that is of concern.

A wider issue that is one of our biggest challenges is pushing for a market transformation so that Scottish society and the Scottish Government will really value energy efficiency. We would see that value coming through in property prices and in how people spend their money. We know from WWF research that the projected investment from the Scottish Government and from the energy company obligation over the next years, up to 2020, is well short of what is required in order to achieve the reduction in emissions that was projected in RPP1, which is similar to RPP2—about three times as much is needed.

All that money should not be coming from the public sector, but the public sector has to use its money wisely as well as its powers to introduce things such as regulation and incentive programmes to lever in the necessary private investment. That is the big challenge—have we put the right tools in the box to create that synergy, to work together and move forward in transforming that market for energy efficiency?

The Convener: Mike Thornton, are you saying that solid wall insulation would give the biggest hit

or that that is where most of the heat efficiency is being lost at the moment? Surely you would not look at cavity wall insulation in isolation from other kinds of insulation?

Mike Thornton: No. There is still a lot to do on cavity wall insulation and there is still some work to do with regard to loft insulation, but they are the lower-cost, technically easier measures. The trajectory implies—Elizabeth Leighton quoted the numbers—that we then need to start dealing with the houses that can take solid wall insulation but that do not have additional capacity for cavity wall or loft insulation.

The problem is that we have an order of magnitude problem already in delivering even the preliminary numbers on that trajectory. The trajectory forward through 2020 and beyond depends on achieving much higher levels in that area. Picking up a point that Elizabeth Leighton made, I note that solid wall insulation costs thousands of pounds per property as opposed to hundreds of pounds per property for loft and cavity wall insulation. There are sources of funding and so on, but a lot of the money will have to come from home owners investing in their own properties. In order to do that, they have to be convinced that the measure is technically sound, and that it will drive property prices and make the savings that are promised. None of those things is yet in place. One can set the targets and see that they are needed, but it is not yet clear to us that the infrastructure and ecosystem are in place that will bring about those targets.

10:45

Adam Ingram: Is the green deal not supposed to deliver incentives and encouragement for home owners to invest and not to have to pay up front and so on?

Mike Thornton: It is. Obviously, we support the green deal, but the question whether it will deliver is unclear at this point. It is a mechanism—it can drive the market—but at the moment it is a bet that it is the way forward. It may be a bit one-club as well, though. That is our concern.

Adam Ingram: You talked about having the necessary tools in the box. The obvious question to ask Elizabeth Leighton is what tools are missing.

Elizabeth Leighton: I was very pleased to see in RPP2 a commitment to introducing minimum standards of energy efficiency for the whole private sector. That is an important tool to have in the box. It will drive demand for the green deal, ECO and the national retrofit programme. The sooner we have those regulations in place, the better.

My concern is the timescale that is suggested in RPP2. The regulations will not be introduced until 2018, which is too far away. Our position is that they should be implemented by 2015, if possible.

We need the green deal to work, but there are issues relating to its attractiveness to householders. Our research suggests that, at the moment, it will have only a marginal impact in reducing emissions and bringing in private money. There is a great deal of work to be done to see how local authorities working together can help to reduce some of the costs of the green deal for the consumer. Economies of scale will help to reduce costs. There are a lot of unknowns at the moment. However, how that integrates with the national retrofit programme will be very important.

David Stewart: I fully agree with Elizabeth Leighton and Mike Thornton that hard-to-treat and expensive-to-treat properties are a challenge.

Picking up on Elizabeth's point, I point out that housing associations have a significant number of houses in mixed-tenure tenements or blocks, but there are no minimum standards to encourage owner-occupiers or private landlords to improve their properties. It is therefore difficult for them to improve properties to the standards that they would want to in order to cut carbon emissions and alleviate fuel poverty. We support the call for minimum standards from 2015 in the private sector.

Elaine Murray: I had been going to ask about the minimum standards and whether they should be introduced earlier. On the back of that, how enforceable would the standards be in the private sector? Will you have properties that are unlettable or unsaleable because they have not reached the standards and people cannot access the finance? Does a financial package need to come with that to enable the standards to be achieved?

David Stewart: To improve energy efficiency generally—in the social rented sector as well as the private rented sector—we need a combination of appropriate funding and incentives. However, we also need the standards to drive uptake and push people to take up those incentives. With the national retrofit programme and the use of schemes such as ECO, combined with minimum standards, it should be possible gradually to improve standards.

The Scottish housing quality standard in the social sector has helped improve standards to the point where housing associations now have the most energy-efficient homes of all sectors in Scotland. The current proposal from the Scottish Government is to have a working group to look at the development of standards, so there is potential to consider some of the issues that you highlight.

For example, could standards be applied at point of sale or let? Could the purchaser agree to improve the property as part of the purchase agreement? Experience in the social rented sector is that it is possible to meet standards over a period of time provided that people are given notice and funding is available.

Scott Restrick: I want to pick up some of the points that were made about the green deal and the idea that there is no up-front cost. There is enough evidence to suggest that that might not be the case, particularly for the higher-cost measures, and there might well need to be some degree of householder contribution. Funds not being available can create a barrier to uptake.

In addition, the evidence from the recent house condition survey would suggest that the number of solid walls—let us call them that—that can be improved is of a similar magnitude to the number of cavity walls that are still available to be improved, so the marketplace is pretty much the same size. We should not lose focus on the things that we can do now that are relatively easy to implement. Perhaps the fact that a number of unfilled cavities and lofts still exist might support the view that we need some regulation in the private sector to push that work.

Alex Johnstone: Quite a range of measures are available to improve the energy efficiency of housing. One of the things that worry me most is the substantial level of market inertia. In spite of high fuel costs and the poor energy efficiency of housing, some people out there, particularly owner-occupiers, are simply not making the decision to go ahead. We know that improving a house's energy efficiency makes good economic sense, so how do we overcome that market inertia? The previous few speakers have said that regulation might be a way of achieving that, but regulation by its very nature comes in at the bottom and raises standards only to a certain extent. How do we overcome the market inertia and get to the point where people will improve their houses because they know that they will get their money back if they sell it? How do we wake people up to that idea?

Mike Thornton: Our view of regulation is that relatively few people would require to be regulated, but it is the foreshadowing of regulation that overcomes inertia in the market and drives the numbers. If we have a plan, such as in RPP2, whereby certain numbers are required, one of the things that will drive those numbers, drive the private sector market to supply them and drive householders to overcome the inertia, which I agree is one of the problems, is the knowledge that there will be regulation in the future. Like Elizabeth Leighton, we want the date of regulation to be as soon as possible, because the shadow

will stretch backwards to the present day and keep us on trajectory.

My take on regulation is that it sounds like a sort of legislative solution, but in fact it is a way of super-charging the market; it is more of a market-based solution, and a very effective one. It will support the green deal, because it will mean that house values reflect the fact that stuff that will have to be done by regulation has already been done. That fact that that cost will not be incurred by a buyer in the future will drive value in the present. All that provides a solid underpinning for the operation of things such as the green deal, so you could make a fairly utopian argument that the more regulation there is in this area, the more green deal funding will probably be attracted to Scotland, because it will provide the sort of environment that will drive the green deal market.

Alex Johnstone: Will that help us to overcome the ridiculous position that we are in today in which Government agencies are phoning people up and saying, "We will come and do this for nothing," and people are saying, "Aye, right," and putting the phone down? They just do not believe it.

The Convener: Philip Hogg, would you like to come in on that? Then we will ask Mike Wagner.

Philip Hogg: I have been listening intently to some of the points that have been made in the last few moments. I entirely support Elizabeth Leighton's point about market transformation. That is the major challenge in all of this. We have to achieve market transformation, and I am pleased to see that that was an integral part of the sustainable housing strategy that was published last year.

However, as yet I have seen no evidence of movement towards achieving that market transformation that we need. It is a sad reality that a home that is built to the highest possible energy standards is still only valued at exactly the same price as a home next door that might have been built 200 years ago. Until valuations reflect that difference, it will be incredibly hard to achieve the market transformation that we are all looking for. We have to understand why valuers and lenders do not reflect the energy efficiency that we all recognise is necessary to resolve fuel poverty and get the market operating correctly.

It is not an easy problem. Valuers will tell you that they work retrospectively, they look at consumer behaviour and what happens in the marketplace, and they reflect consumer action. Lenders say that there is no evidence to suggest that lower fuel bills help people to afford a mortgage. They might even suggest that someone who saves a few hundred pounds on their fuel bills

might be encouraged to take a foreign holiday—and what about the carbon rebound effect of that?

We are talking about consumer behaviour and we have to accept that we live in a world in which people make illogical and irrational decisions. The MBA dissertation that I recall doing many years ago was about why people do not make economic purchasing decisions. When people could have installed cavity wall insulation in their property and got a reasonable return on that investment, why did they choose to upgrade their kitchens, which had no residual long-term value? It is because people make decisions that they feel will benefit them rather than necessarily reflecting on their bills. We therefore have to understand and take positive action on market transformation.

We also have to take care with regulation. It is easy to jump to the conclusion that there should be certain standards or certain work should be undertaken when people come to sell their homes. At face value, that sounds logical and sensible, but the unintended consequences of that might be that people decide that they cannot afford to move, which creates stagnation in the marketplace. We already have a housing crisis and we need to understand what the knock-on effect of stagnation would be.

We need to take the whole climate change debate to the broader economic area. The debate on climate change cannot be conducted in isolation from the wider economic impacts. We must look at what happens when people make purchasing decisions way back in the supply chain, and how that impacts on jobs and the wider economy, positively and negatively—I accept that there can be pluses and minuses. The point about market inertia is a key one. We need a combination of regulation and incentive and things such as stamp duty can start to send the right signals. We can incentivise stamp duty positively to encourage lower-carbon homes, but not necessarily zero-carbon homes, because they are almost impossible to achieve on a commercial basis. We need to consider those issues, and perhaps council tax could be linked to that because it is a transactional tax. Council tax has to be paid every year, so perhaps it could be linked to the energy performance of a home, which would create real incentives for people to move forward and use initiatives such as the green deal as an enabler for that market transformation.

We need to be careful and look at the wider economic impacts of what might seem to be sensible and logical regulatory decisions. We need to ask what might happen and what people might do in the real world. We must understand the chain of events.

11:00

Mike Wagner: I want to pick up on a number of points that have been made. Without a doubt, regulation works. Local authorities have been subject to various energy regulations for well over 20 years, and the output of that is that, as the Scottish house condition survey and our data show, we have already achieved more than the 2020 target. The City of Edinburgh Council has achieved carbon savings of some 47 per cent based on the 1990 baseline. Most local authorities in Scotland have achieved the 42 per cent target. However, we all recognise that that is an interim target and it is not something to be relaxed about. It does not mean that we can put our feet up until 2020. We have a 2050 target to achieve, which is part of the new standards.

It is not just the stick but the carrot that is important. For the past 10 to 15 years, we have been offering people virtually free installations, but people still knock us back. Sometimes that is due to the view that, if something is offered free, it cannot be real. It is difficult to get the message across that it is genuinely free and that people should take it while stocks last, so to speak. We need to be more innovative in how we sell that. We do solid wall insulation for hard-to-treat properties, but people do not see the value of such work because it is hidden and is not in their face. When we communicate, it is therefore more to do with the fact that we will give people a brand new look for their house.

We have projects throughout the city in which we do insulated render work on hard-to-treat properties. That brings the whole area up and home owners realise that the work will increase the value of their home. It is what the property physically looks like that counts. Things that are hidden are not tangible enough for people. If we tell them that something will save them £100 or £200, they recognise and appreciate that, but when they see the visual effect of say, a fantastic new harled building next to one whose surface is 30 or 40 years old, it is obvious which one is going to sell for £10,000 or £15,000 more.

We need to be more innovative in how we package products and put them across. There is an opportunity to package measures with others from which people perceive that they will genuinely benefit.

David Bookbinder: I have a more general point, which I hope will complement previous points, about minimum standards in private housing. There will always be arguments, some of which are apparently quite persuasive, that it is not the right time for such standards and that their introduction might impact on the housing market. As David Stewart said earlier—and the point perhaps responds to what Philip Hogg said a

moment ago—putting a requirement on the seller at the point of sale is one option, but if we do not want to tie people into being unable to sell if they are not in a position to do the work, putting a requirement on the purchaser is another option.

The Existing Homes Alliance and many other bodies believe that minimum standards in private housing are crucial and that the timescale should be as short as possible. There will always be a lot of difficult problems with the issue. However, I would have thought that it would be much easier to introduce minimum standards for self-standing housing as opposed to tenement housing, because the point of sale of a self-standing house is the sale of that home and no other, whereas the point of sale of one flat in a tenement of six or eight is a much more complicated issue. When we responded to the consultation on the sustainable housing strategy last year, we made the point that there may be a case for introducing minimum standards more quickly for self-standing properties. We should not let the problems with tenemental properties delay the introduction of standards, given that it will be easier for self-standing properties.

It is a difficult issue. We can talk about new build and social housing, which represents 25 per cent of the stock but, unless private housing is tackled, even though there will always be political and financial difficulties in doing that, we will not make the inroads that we need to make.

Dr Garvin: The message about what the green deal is and how it works has not got out to the public yet, so the need to market and sell it is a key issue. It is the Government that owns the green deal and it is the Government that has to make the initial effort. The green deal providers and perhaps the bigger utilities are still gearing up to train assessors and get their systems in place, which is not an overnight task.

There is a lot of potential in the green deal. It can work for housing associations and local authorities in ways that are perhaps different from how it works for private house owners. I agree with Scott Restrick that there is not necessarily a zero up-front cost. People might be attracted by purchasing some of what is on offer themselves, to enable things to happen, which is fine as long as they are not being misled something by the assessor.

I want to go back to the convener's initial point and rather belatedly throw in some other issues. There are a lot of technical challenges. Solid wall is clearly one, as is timber frame of a certain age. We cannot advisedly retrofit cavity fill on timber frame. The modern standard of timber frame is very good and should not need anything done, but if we step back a few years we find that performance is not as good. We have a lot of

timber frame properties, so we need to think about how we address the problem.

In properties of certain ages, ground-floor insulation is a significant technical challenge. It is also a practical challenge—I wish my house had better ground-floor insulation, but I am not sure that I could put up with the disruption. Such issues need to be taken into account.

Elizabeth Leighton: I want to bring us back to the RPP2, which is our focus today, and the importance of the homes sector in delivering the Scotland-wide targets. The missing of the first annual target was in large part due to the residential sector, as well as the transport sector. We have to own up to that and realise that we need to tackle the issue and give it the right investment, incentives and regulation in order to ensure that we do not miss the target again. Emissions for that first year were up 3 per cent on 1990 levels, so we are not doing as well as we might think we are, or as well as we should be doing.

Action on homes is popular with constituents; it saves people money, it deals with fuel poverty and it creates jobs. We all know that it is a good thing, so we need to focus our minds on how best to use the Scottish Government's money to make it happen.

There is a bit of scaremongering going on in respect of concern that regulation could lead to market inertia. We are talking about a minimum standard—the bottom level. It is about ensuring that we drive demand so that we do not let off the people who could not be bothered to do anything with their houses, despite the incentives. Those people have to take action.

The Scottish Government's research suggests that the average cost of bringing a house up to level D is about £1,000, so we are not talking about huge expense to get houses to a minimum standard. We hope that people who take action decide to go beyond the minimum standard. That would be an advantage.

Vulnerable households will gain the most from the minimum standard because they suffer from high bills and fuel poverty, which we know is concentrated in F-rated and G-rated properties. The measure would help to address such social issues, but I agree that regulations should be drafted in a way that takes account of the concerns so that the obligation to meet the standard can be passed to the next owner for a period of, say, 12 months, as has been done in the US.

I do not think that the effect on the market has to be negative. I know from speaking with people who are involved in the rented sector that their experience is that there is not evidence to suggest

that regulation would lead to properties leaving the market.

My final point is on enabling measures, which were included in RPP1, but not in RPP2. That is important in relation to the market transformation issues that we are talking about. The Scottish Government is working with estate agents on valuation of properties, which should be included in RPP2 and reported on. It would be useful for the committee to know how the enabling measures in RPP1 have progressed. There is no report on how they have worked and what difference they have made.

The Convener: You raise an interesting point about whether RPP2 allows effective comparison with, and adds value to, the information in RPP1. We also want to know how well RPP2 has addressed the shortfall as a result of the Scottish Government missing the 2010 targets, and how the objectives that are set out in RPP1 have been met. Does anyone want to address that? Scott Restrick is on my list of people who want to come in again.

Scott Restrick: I do not want to come in specifically on that question. I want to reflect on some of the things that have been said about energy efficiency, although I do not want to drag out the debate on the issue, because I know that we have other areas on which to focus.

The question is this: what is the technical potential to improve the energy efficiency of Scotland's housing stock? There is an emerging divergence of properties. Quite a lot of properties are at the higher end of the scale—around a 7 or 8 in the national home energy rating scheme—and that population is growing, but there is also a hard nut of properties languishing down in the bottom leagues. About 22 to 23 per cent of homes score an NHER of 5 or less, so a significant amount of properties could, technically, still be improved and, as a result, carbon savings could be made.

We have discussed whether we should deal with the issue by using sticks or carrots, so I will not dwell too much on that. Elizabeth Leighton touched on education, which relates more to the carrot approach. I still think that, out there in the general populace, the concept of what an energy-efficient home can do for the occupants is not well understood. I do not know how many people round the table have an energy performance certificate for their home. People might have one, but the issue is whether they understand what it tells them. It is a fairly technical piece of paper with information that might seem to be a bit obscure. Therefore, a lot of work could be done to add value to the information on the certificate so that people genuinely understand what energy efficiency could do for their home. Then, when it comes to the sort of choices that Philip Hogg

talked about, they will perhaps decide to do the cavity walls rather than the kitchen, because they understand the value of doing that.

A point was made about the number of cavity walls that still have not been insulated. Many cavity walls are considered to be hard to treat, so a relatively inexpensive option is not available. However, there is technical potential in Scotland to do a lot of work on that, and it would be specifically supported by the energy company obligation. We can do a lot of work on that, and tools are being made available through the Energy Saving Trust to identify such properties. One outcome of the industry's review of the energy company obligation was about the costs of finding properties to work on. If the Scottish Government and other key stakeholders can do things to make it easier for suppliers to spend their energy company obligation money in Scotland, we should focus on those things as soon as possible.

11:15

Elizabeth Leighton: I have a comment on the difference in emissions potential between RPP1 and RPP2. We have considered that and there appears to have been a step back in ambition between the two reports. RPP1 included not a target but—shall we say?—an aspiration or projection that the homes sector would deliver a 36 per cent emissions cut by 2020. The Existing Homes Alliance believes that more could be done, and we think that there should be an aspiration to cut emissions by 42 per cent, but we do not see any such figure in RPP2. It is left to your mathematical minds to figure that out.

There is more reliance on proposals in RPP2. One might expect that, as it stretches further, but we would like more information, in particular on the line for "Additional Technical Potential in Fabric and Energy Efficiency". Quite a big chunk of emissions reduction is set against that up to 2020, but especially beyond then, to 2027. There is no explanation, either in the main report or in the technical annex, and I find that concerning.

In summary, we feel that the committee, which has been asked to scrutinise RPP2, has been given the accounts but no balance sheet. You do not know how the programmes have done. Are they reaching the annual abatement figures that were suggested in RPP1, or are they completely missing them? What is the justification for the changes that have been made for smart metering, for example? Much information that needs to be given to the committee to allow for adequate scrutiny of the report is not there.

Dr Garvin: I am not sure that I can add to that. I will pick up, however, on the point that Scott Restrick made about the energy information that

people are given through the EPC. It is represented in A to F and G ratings and so on, which is helpful for purchasers, but all too often that is seen as a burden on transactions, rentals and so on, whether it is to do with housing or commercial properties. The green deal will perhaps change that perception.

One of the key things is to ask what can be delivered. Are we delivering by improving energy efficiency? Are we improving living conditions by reducing dampness and mould, improving health and so on? Those are basic things, which can be achieved if things are done correctly.

There is also the matter of improving warmth. It is often difficult to heat a poorly performing house to an affordably comfortable level and to maintain it at that level, particularly during the winter. External wall insulation can be very effective, and there are other measures. People often respond to that improvement by keeping the thermostat turned up, so not all the potential energy or carbon saving might be being achieved. That is not to say that that is a bad thing, if people can afford to keep the temperature up.

The Convener: On council housing, somebody said earlier that there are large areas involved. Should councils be working with the energy companies to do whole areas of housing? Should they blitz one area to improve housing standards—even the look of the housing—and help those who are most susceptible to fuel poverty?

Mike Wagner: We have an internal capital programme, which focuses on our own assets and housing stock. That is our primary concern. The right to buy has been in place for more than 20 years, and because of it the City of Edinburgh Council, which used to have about 60,000 homes, is now down to 20,000; there is barely a block that we do not have an owner in. Of course, that opens up issues of mixed tenure, engagement and whether the internal resources are of a significant enough magnitude with regard to the consultation process and our attempts to get people on board, to look at funding streams and to make the thing costless, as far as possible.

Of course, our primary focus is on the blocks where we have 100 per cent ownership and, after that, the blocks that have the greater numbers of owners. After all, once our ownership falls below 50 per cent, owners are in the majority and therefore have the upper hand, so we talk to and engage with them. Under the Scottish housing quality standard, for example, we are required to install door entry systems not for energy efficiency but for reasons of safety and security. Engagement with the private sector on such matters is very time consuming, difficult and onerous because, even though we are required to

engage, the people involved might not necessarily see the need for that.

Therefore, the mixed message that I might be sending out is that, on the one hand, we have to do these things because there is a duty on us to do them while, on the other hand, the people we are engaging with see that as a burden because there are no grants available for that activity. Instead of simply ticking a box for SHQS, we are constantly having to sell what we are doing and to show people what they are going to get out of it and why it is better for them to have what we are seeking to provide.

Even when we try to put in something simple that costs perhaps a few hundred pounds, we find that, where ownership is more than 50 per cent, we get a knock-back rate of something like 80 per cent, and trying to do something about external wall insulation becomes a massively more onerous undertaking unless we get a significant amount of funding through ECO, which is what we are targeting.

However, as we are trying to establish in our current analysis, even with NRP and ECO we might still be left with a gap. At the moment, we are trying to target blocks in which there are only one or two owners because we know that with the significant funding that we receive and with what we can lever in we can make the process costless for them. I hope that if I went to those owners and said, "I can transform your home into a fantastic-looking block and it won't cost you a thing," they would see it as a no-brainer.

That said, we still get knock-backs; we have had knock-backs from people to whom we have offered £6,000 kitchens and bathrooms. You would expect them to say, "Yeah, that's great. Come and do it", but then you have to remember the hassle factor and everything else. Some say, "But I might not be living here in a year's time"; others say, "I'm elderly and I can't be bothered with the hassle". People have genuine concerns about such measures and issues, so addressing them takes a lot of time, effort and resource.

The point is that there is no lack of desire on our part, but we have to recognise people's concerns about how the measures might affect their daily lives. Unfortunately, they see them as additional burdens and will continue to do so until we can break down that perception and put all the funding together brick by brick until what we are offering becomes almost a gift.

The Convener: Do you have a question on this issue, Adam?

Adam Ingram: No. I want to shift the discussion a little bit. We have been discussing the legacy of our current housing stock, but I note that a Scottish Parliament information centre briefing that

we have received outlines the current demographic trends and highlights the need to build something like half a million houses, the current housing shortage and the fact that many people are becoming single occupiers, all of which will obviously have ramifications for the climate change agenda. In addition to dealing with the current housing stock, how do we reconcile the need for extra housing and the accompanying increase in emissions with the aspirations in RPP2?

Philip Hogg: Fairly early on in the discussion, it was pointed out that our existing housing stock is disproportionately the biggest contributor of carbon and therefore where the biggest opportunity lies. I will put some numbers into context. New housing output in 2011—the most up-to-date figures that we have in Scotland—was around about 15,000 new homes. That is the lowest number since about 1947.

The fact that we have a growing and ageing population has already been mentioned, and simple mathematics suggests that we are not building enough homes. The number of homes that we need to build each and every year for the next 20 years is around 25,000. Every year in which we fail to hit that target of 25,000 will create a larger burden for the following year, so it is absolutely right to say that delivering the housing output is an enormous challenge. That is the case even if we put aside the carbon issues and consider only the number of homes that we need to build to put roofs over people's heads. That includes private houses for sale and rent—it includes all the variants and tenure mixes.

If we do the mathematics, we see that new homes constitute 0.63 per cent of the housing stock each year. By definition, that 0.63 per cent represents the most energy-efficient homes, because they are built to the most up-to-date standards. Therefore, there is an argument to say that the ones that are being built now are the least of the problems; the problem is the ones that are getting older.

A few moments ago, I touched on market transformation. As an industry, we wholly support the desire to make our products better and to build more energy-efficient homes. Why would we not want to make our products better? However, until we achieve a corresponding value, the costs of building tend to become increasingly higher but the sale price does not move, so margins get squeezed. That is tough on home builders, but the net result is that homes simply do not get built because the economics do not stack up.

House builders are commercial organisations and need to make a return on their investments. I have had discussions with some major public limited companies—home builders that operate

UK-wide—in the past two or three weeks; I was with one of them on Friday. They operate an internal market in their organisations. At the start of the business year, they have a pot of money to invest in land to build new homes and each of their regional businesses makes its proposals for where it would like to build developments. The head offices make a decision on the sites that will give them the best return on their investments, because they have to deliver shareholder value.

The more expensive it becomes to build, the less likely it is that the investment will happen, so the money will be diverted to parts of the country where the cost of building is less. The knock-on effect is that homes do not get built, which exacerbates the housing crisis and has an impact on jobs and the economy. That is why I started by saying that we desperately need market transformation, which would create an environment in which we could start to build to the energy standards that we all want and need, deliver the homes that we need and impact on fuel poverty. The blockage is that the economics do not enable us to deliver what we all want. That is the world in which we live.

I have spoken about consumer behaviour, but there is another point to take into account. Some will say that people go out and search for energy-efficient homes, but the fact is that when people purchase a brand-new home, they expect it to be a given that it will be energy efficient. I would expect nothing less and that is the default at the back of people's minds.

Some people might ask why we do not advertise or market the energy efficiency of homes, but it has been proven that energy efficiency is not a significant lever in encouraging people to buy new homes at the moment. We therefore need greater inducements and incentives to encourage that. However, when people are purchasing a new home, by and large their choice will depend on the key things, which are location, price and whether the house layout suits their particular circumstances. Energy efficiency is rarely, if ever, raised or questioned when people purchase a new home. I am not just saying that: I challenge any one of you to visit a new homes sales development this weekend and to ask the person in the sales office how many people who come in talk about energy efficiency as a reason for purchasing. For the vast majority of people, energy efficiency is not a reason for purchasing a brand-new home.

11:30

The Convener: I do not agree with all that you have said. On margins for house builders, up until now the house builders' attitude has been to ask Governments not to introduce new standards of

energy efficiency rather than to tackle the problem. House purchasers do not necessarily look only at new houses; they will also look at existing builds in the area. I, for one, do not think that house builders explore with purchasers enough how, in terms of energy efficiency savings, a house might compare to another house down the road that is 20 years older. I think that there is still a lot that house builders can do on that. In my experience in the north-east, house builders would rather build big, five-bedroom houses than the single flatted properties that everybody says that we need. There are still disconnects throughout the whole system.

Perhaps Mike Thornton and Elizabeth Leighton have something to add on that.

Mike Thornton: Let me put the issue into perspective. If we do not build standards into houses when they are new, over the trajectory of the climate change targets we will have to build them in when the houses are not new, which will cost a lot more. The question is whether we build ourselves further into the problem or whether, to some extent, we build ourselves out of the problem. If we look at the issue in that way, we can see that, given that we need to build ourselves out of the problem, the issue is about how we can make that happen.

I accept that the issues that Philip Hogg has raised can arise, but I personally do not believe that there are no economic advantages to Scotland in maximising the energy efficiency of new build. When I was on the original Sullivan committee—I guess that I am still on it, if it reconvenes—there was a strong consensus that there is a competitive advantage for Scotland in having an industry that builds to high carbon standards, which are generally, as one might expect, high-quality standards.

Opportunities such as system build are also being explored, so the technical costs of meeting the higher standards can be driven down through different approaches. Again, rather like with regulation, I feel that the important role for Government is to set the boundaries of the playing field and then let the market decide how to meet the standards most cost effectively. I do not think that it is a good policy to say, “We don’t think that the market can meet higher standards, so let’s not do anything.” Personally, I have more faith in the market’s ability than that.

Elizabeth Leighton: I agree with Mike Thornton. In addition to the work of the Sullivan report, the Government produced some additional evidence in the “Greener Homes Prospectus”, which gives several examples of how the cost premiums need not be so great if we produce highly energy-efficient homes at scale. However, the builders will only do that once the standards

are in place. The Zero Carbon Hub, which looked at building standards in England, has also produced research that suggests that the savings or profits that can be made are sufficient.

I think that the problem is not so much the standards as the fact that we have a crunch in the housing market more generally. That is related to issues such as access to finance and mortgages, which are much bigger problems than the small additional premium that increased standards would add. The alliance’s concern is about the cost of retrofitting, which builders have estimated to me could be 30 to 40 times the cost of doing the same work now, because the more complex buildings are, the more retrofitting costs.

I want to make an additional point on the renewable heat target, which would apply to new and existing builds. It is a significant milestone in RPP1 and is carried forward in RPP2. Mike Thornton may wish to speak about this. There is an expectation that housing will become more and more decarbonised, and yet the Energy Saving Trust has estimated that we are well off track to meet that target and that we need to increase the rate of installation by 10 times to meet the milestones. Renewable heat needs greater attention, as it is a target that we are moving towards. How does RPP2 reflect that? I do not think that the mechanisms are in place to increase the rate of installation.

Jim Eadie: At the outset of our discussion, Elizabeth Leighton said that the level of investment falls far short of what is required to meet our energy efficiency goals and that there is therefore a requirement to lever in further private investment. I would welcome some amplification of that point.

David Bookbinder contrasted the challenges of making free-standing properties and tenemental properties energy efficient. A number of our cities—not just Edinburgh, where we are today—have a lot of tenemental properties. Meeting the challenges is germane to meeting our energy efficiency targets. Can he expand on that?

Alex Johnstone: Philip Hogg described the effect of market conditions on investment decisions. I think that he was talking about private sector builders. Is there any parallel with how market conditions affect sectors such as the housing association or local authority sectors? Are those sectors influenced by the same market pressures as private builders?

The Convener: That is a good point. David Stewart wanted to come in next.

David Stewart: My response to the initial point will, I hope, also answer Alex Johnstone’s question. With an ageing population and an increase in the formation of single-person

households, there is certainly a great need for housing, particularly in the affordable sector. There are extremely high waiting lists in that sector, including for example in Edinburgh.

Housing associations face real challenges. Since the economic crisis there have been significant cuts to the overall global funding that is available to fund new-build affordable rented housing. There have also been cuts in the average grant per unit that have taken it from around £70,000 to £40,000. Both those factors are impacting on housing associations' ability to build new-build affordable rented housing.

There are examples of high-quality energy-efficient housing of the type that Mike Thornton referred to. For example, Kingdom Housing Association built the Fife housing innovation showcase, which looked at meeting future standards and moving towards zero-carbon housing within current funding guidelines. However, although some housing associations have the skills, there are challenges in the longer term. A lot of our members say that they can use reserves or funds that they have this year, but in two or three years they will not be able to build with grants at the current level.

Alex Johnstone: Is there a geographical aspect to the impact on housing associations? Are houses still being built in some geographical areas and not in others as a result of the pressures?

David Stewart: That is the case. Some markets are strong—such as Aberdeen, Aberdeenshire and around Edinburgh—and have the potential for housing associations to build properties for mid-market rent or shared equity schemes that could be mixed with social rented schemes. However, many other parts of the country do not have that potential, so they will struggle. In the longer term, a disparity or split could arise. Building could still take place in some parts of the country, whereas associations in other parts might not be able to afford to build.

Mike Wagner: Philip Hogg talked about affordability given rising building standards. I have heard exactly that point being made, but the right way to go is to raise standards, for the reasons that Mike Thornton gave. What is missing is the opportunity for innovation in the building sector. Once the bar of the building standards has been lifted, that also—unfortunately—lifts bodies out of the opportunity of leveraging in ECO-type funding. The problem is that organisations cannot reduce the affordability gap. They have a ceiling and they need somehow to lever in funding for measures.

If the work could be parcelled up with another measure, such as combined heat and power or district heating schemes with much bigger infrastructure that smaller builders could tap into, it

would help both sectors. The vision is big and a lot of money is involved, but the issue is the timescale and getting the vision and money into work on the ground. A massive amount of resource is required to realise the vision so that builders can tap into it.

The approach could be similar to what is done over on the continent. When a district heating scheme is available there, it is required to be considered as a first priority for getting heat. A win-win situation can be achieved, but a massive amount of resource, time, planning and vision is required to put that into effect.

In effect, we are pricing the housing market up to the ceiling at which it becomes unaffordable. I see exactly the point that Philip Hogg made. We need to square the circle so that we can lever in additional funding and at the same time tap into a bigger vision and deliver affordable heat to the masses.

In some areas, we might link new build with what is existing, to make economies of scale and make district heating schemes work. That is a chicken-and-egg situation: we need the infrastructure in the ground, but we need to put a lot of money, vision and resource into that. Local authorities do not have the money, but it could be levered in through the utility company obligation, to put in the infrastructure for the longer term that would enable a much longer-term and bigger build policy for new build.

Dr Garvin: I will go back to new-build standards. Building standards are the preserve of building regulations, but they are also driven by Europe, through the directive on the energy performance of buildings. I do not remember the exact wording, but I think that it refers to having a low-carbon standard for new build by about 2020. Exactly what “low-carbon” means is undefined, but it is clear that we are on the journey towards it.

The recent consultation on section 6 of the technical handbooks was the next post on that journey. However, under building regulations, the section 7 standards also provide the opportunity to go above and beyond the minimum standard. I am not aware that there has been a vast take-up of that, because the improvement on the minimum standard is voluntary, but things are signposted. Therefore, we do not have to get into the situation of retrofitting current-standard homes.

That said, I believe that we must recognise the difficulties of delivering standards, whether that is through design and construction or through the ongoing maintenance and upkeep of homes in the future, which may be more challenging for home owners or housing associations.

I noticed that the report mentioned the demonstration site at the Highland housing fair—I have probably got the name wrong, but that is

what it was called at one point—and there is the work of the Kingdom Housing Association. We are piloting our innovation park at Ravenscraig, in association with lots of private and public sector partners. It is about taking a view on what standards are likely four, five or 10 years down the road and delivering demonstration homes and other buildings and technologies.

11:45

The Convener: Will you be looking at district heating systems in a place like that?

Dr Garvin: Yes, everything can be considered. There is a range of heating options, including renewables, to achieve high standards of carbon and energy performance. That is not something that we can do alone; it requires partnerships between the public and private sectors and it requires commitment. The approach provides an opportunity to develop the skills in design and construction that are required and to do the necessary research, including into buildings' longer-term performance.

The Convener: I think that Philip Hogg wanted to say something. Philip, maybe you can talk about how construction is using materials that are completely different from the bricks and mortar that we are used to. I am thinking about cross-laminated timber products and other wood products that can make houses much more energy efficient. I wonder whether prefabrication can reduce building costs, too.

Philip Hogg: I want to respond to a few points that have been made.

Convener, you asked about the type of homes that builders build. It is fair to say that across the spectrum of home builders in Scotland all types of homes are built, from the smallest to the largest, with everything in between. Most home builders build on a speculative basis and do not know who will purchase the home, so they build what they think is the market demand. They must also meet local planning guidelines and whatever the guidelines insist is the market demand for the location. Builders therefore reflect what the market needs and can afford. Elizabeth Leighton made a good point about mortgage availability, which is clearly a constraining factor at the moment and has changed everything.

That leads me on to the Sullivan report. We have to remember that the report was written, and indeed researched, in 2007. If members cast their minds back, they will remember that we were in a very different world in 2007 in economic terms. We have to think about what was considered possible and achievable then—from an economic and not necessarily a technical perspective—and we have

to understand that the world has changed dramatically.

At the end of the report, Lynne Sullivan, who chaired the expert panel that produced the report, said:

“We are therefore recommending a strategy that will move Scotland up the European league to one whereby we will have the best standards”—

not “some of the best”, but “the best” standards—

“within the European Union.”

She went on to say:

“It is a proposal for rapid change and sets a very ambitious target for implementation.”

That is fine as an aspirational target—there is nothing wrong with that—but we are in 2013, not 2007, and we all know that there has been dramatic change since 2007.

There was comment about system build, and someone suggested that, if we do not make new-build homes as energy efficient as we can do, we will have to revisit them in future. That might or might not be true. We must remember that the 85 per cent—the existing houses—are the biggest challenge. If homes that are built today need enhancement in future, it will likely be the addition of microrenewables or microgeneration.

As an industry, we have adopted and are keen to continue what we call the fabric-first approach. That is about improving the core fabric of the building as much as possible, by putting in maximum insulation, embedding the insulation in the fabric of the home and taking it as far as we believe is technically possible. Then, only when we have reached the limit with the fabric-first approach, do we consider what we need to bolt on, on top of that, to deliver incremental carbon savings. That approach is understood and accepted across the construction and regulation industry as a sensible route to go down.

Some of the microrenewables technologies are as yet unproven in terms of their longevity and whether they will deliver. If they are retrofitted or added on, it is not so difficult to replace or renew them at some point in future. The industry is keen to adopt that fabric-first approach. We are close to achieving the ultimate objectives from a fabric point of view.

Mr Eadie raised a question about whether there are sufficient funds for affordable housing. Obviously, the industry has embraced and worked with the Sullivan agenda for some years and we have worked to understand the road map. Given that the biggest challenge is retrofitting and improving the existing housing stock and that, from our perspective, new homes are pretty well at the leading edge on energy efficiency—although

that is not to say that they could not go further—our proposition, which we have presented to the Scottish Government on numerous occasions, is that builders would not have to build to the forthcoming set of standards but could keep to the current ones and, as an alternative, make a cash contribution towards retrofit. That would allow us to participate in tackling the retrofit problem.

Our calculations and independent calculations have proven that, if the objectives are to reduce carbon and tackle fuel poverty, recycling that cash would deliver a far greater reduction in carbon than taking homes that are already energy efficient a little further forward. Our challenge to the Government is that, if it wants carbon reduction, our proposal is surely a way to provide allowable solutions. Builders would not have to do one thing or the other; there would be a choice. Builders who wanted to build to the new standards could do so, but for the builders for whom that would be difficult in particular situations or sites, it would make more sense to contribute towards retrofit. We have tried to come up with flexible solutions that we believe will deliver the net result that we are looking for.

Adam Ingram: How has the Scottish Government responded to that?

Philip Hogg: In the current consultation, I believe that retrofit—or “allowable solutions”, as I think the phrase is—is up for consideration. We will put forward our case because we believe that, if it is carbon reduction that is required, our suggestion could achieve greater carbon reduction.

The Convener: That would be a levy on new builds for carbon reduction in older houses.

Philip Hogg: Yes.

The Convener: But everybody tells us, especially when we talk about procurement—we have a procurement bill coming—that we ought to consider the whole life of a project. Surely houses should be looked at in the same way. We should look at the whole-life cost of a project, whether it be a house or the Forth replacement crossing. We need to think about not just the cost of the build today but the costs 40 or 50 years down the line.

Anyway, Elizabeth Leighton wants to come back in. Philip Hogg can come back in later, too.

Elizabeth Leighton: I wanted a chance to respond to Jim Eadie’s question on funding. It certainly is a challenge, which is why we have to go back to the question of whether we have all the right tools in the box.

I think that there has to be a balance of regulation that will drive demand for incentives that are on the table. We might also need to have better-designed incentives that are attractive and

that we know will be marketed successfully. The council tax rebate is an example of an incentive that failed. It was not attractive, because it gave householders the same as they could get through a CERT provider. It was not anything additional and was not marketed successfully, so it was not taken up. We suggest that there should be a rethink of how that could be used, because research shows that using the council tax as an incentive is attractive.

We agree with Philip Hogg about the potential for the land and buildings transaction tax, legislation on which is now going through Parliament because the matter is devolved to Scotland. It provides a real opportunity to bring in tax relief for energy-efficient homes. Again, that will help with the market transformation.

The alliance has called for a doubling of the national retrofit programme budget so that it has even greater potential to bring in ECO. At the moment, it is working on a kind of 1:2 ratio. I think that a doubling of the budget would provide even more opportunities to bring in the ECO, so we should take advantage of that while it is there and make the most of it for Scotland.

Jim Eadie: On that specific point, where can we do that? We are in challenging times financially, so would that lever in private sector investment at the same time as increasing the budget? My question was about how we will lever in private sector investment.

Elizabeth Leighton: It would lever in some of the ECO investment. However, bearing it in mind that a national retrofit programme will be local authority led and area based, a successful area-based programme has great opportunities to raise the profile in the sense that people will say, “My neighbour has done it. Maybe there’s an opportunity for me here, too,” or “Maybe I will put in extra investment to what the NRP is offering.” That ups the game through people talking about how they can benefit from energy efficiency.

The other area that we have not really discussed is the role of the Energy Saving Trust Scotland advice centres. We think that they could have an even greater role in enhancing behaviour change if they had more money to spend on hand-holding the householder through the national retrofit programme, a renewables application and so on. The level of service that the centres provide could be greatly increased if they followed things through.

Some research that I did in the United States showed the success in following through with the householder and treating them as a customer, not just for one transaction but for many years, constantly checking back with them and saying “Have you heard about this?”, “Have you thought

about that?”, or “Did you put in that measure?” That was highly successful in ensuring that the organisations did not lose people, which could happen if there was only one phone call and they did not get the upgrade that they wanted. We therefore think that there is an opportunity for greater investment in the centres, which could lever in greater private investment.

I go back to the issue of the challenge that faces us. Brenda Boardman, a real expert on fuel poverty and energy efficiency, has written that we need to be thinking that by 2050—that is a long time away, but we can see how time is evaporating since the passing of the Climate Change (Scotland) Act 2009—our buildings need to achieve zero carbon. We have to know that we are on track to get us to that point and that it is about not just new build but existing stock, which is the big problem. We need to look at strategic issues such as district heating as well as at individual house measures, and we need to ensure that both areas deliver.

12:00

Alex Johnstone: The mention of the requirement to reach zero carbon is an interesting link back to what I want to talk about. It takes me back to Philip Hogg’s comments about the construction industry. It strikes me that, even when we talk about new build and current building standards, in reality we are talking about retrofit, in that we are applying the most modern technology that we have to what has, in the past 20 years at least, been relatively traditional build. We may now call timber frame traditional build, but we are basically building add-ons to that.

I believe that in order to achieve the advancement that we need and to cut the cost of energy efficiency measures, the Scottish building industry needs to change and I want to explore how it can do so. Our building industry has demonstrated its ability to adopt new techniques and technology, but to be the best in Europe we have to go through another step change. That means moving more construction off site into factories; adopting techniques whereby we make greater use of glass, timber and steel in our construction; and incorporating energy efficiency and microrenewables at factory-build stage. That will also give us the option to develop some techniques so that measures can be retrofitted to existing property, but that will be a bigger challenge. Is the Scottish building industry in a position to go through the radical change in practice that is necessary to achieve a step change of that order of magnitude in energy efficiency at a relatively low cost?

Philip Hogg: I will come back to that in a minute. First, I will pick up an earlier point about

whole-life costs. The consultation for the latest set of building standards changes included an impact analysis, which I believe is fairly standard in such documents. The BRE’s “Report on assessment of the impact of potential improvements to energy standards for new domestic buildings within building regulations” stated that

“Returns over 30 years were found to be negative for all fuel price inflation measures”.

The whole-life costs did not stack up in the building standards division’s own analysis.

Alex Johnstone asked about change in the building industry. I take his point exactly. I sometimes feel frustrated working in an industry in which the definition of success—I say this with tongue in cheek—is to create a product that might look as though it was built 100 years ago. That is ironic. People have an idea of what a home looks like—perhaps it is something traditional that they grew up in or was in the street in which they lived. That model is what a lot of people are looking for. The industry is challenged to try to build in features and create character—we are all familiar with those concepts. To a degree, that constrains the type of materials used and the form of construction that can be achieved. Drive around any new housing development and you will probably see homes that try to reflect the character of properties built 100 or 200 years ago. That is simply what consumers look for; they want that kerb appeal that gives them a sense of comfort.

You also have to bear it in mind that, although some people might want to be quite daring and might look for leading-edge design, ultimately when they buy a property they have at the back of their mind the thought that at some point in the future they will have to sell it and move on. They will always be thinking, “Well, I might like it, but will it be difficult to sell in the future?” That tends to pull people back towards a conservative approach to house design.

I have had discussions with technical teams from all major house builders and asked why we are not moving to off-site construction and more modern methods of construction and factory builds. I can disclose this information because I do not have to name names, but one particular home builder based in Scotland, which is part of a major UK organisation, has its own factory building company that builds components and pre-formed kits and it told me that it does not even use it, despite being under pressure to do so. The reason is that it costs more to ship the goods from the south to the site here in Scotland. It is less economical to put it on a truck, bring it up here and then hire a crane for the day to erect it than to build it in the traditional way. Again, it all comes back to economics.

I asked how we could break that loop: what would change that and make the process more cost effective? The answer was that if we increased output and sold homes more quickly, then, rather than hiring a crane for one day to build one home, that same crane could put up three homes in one day, which would change the economics. It is not that home builders are not thinking about it or that they do not want to do it. They are commercial organisations—why would they not do something that would gain them a competitive advantage or reduce their costs? They understand that we are wrestling with the figures but, at the moment, it is proving to be difficult to achieve economies of scale and move to off-site or factory manufacturing.

A lot of work is being done on the idea, and there is a lot of desire to do it, but the economics do not stack up at the moment. It is on our agenda and we are desperately keen to go ahead with it. We recognise that that is the way ahead and we want it to happen.

Alex Johnstone: You said that the desire for housing that has a traditional appearance is market-led, to some extent. Is there any extent to which that desire is being driven by planners as well as house buyers?

Philip Hogg: Yes, indeed. It has to be. Clearly the design of new housing has to be deemed to fit within the locality and surrounding areas, and be sympathetic to other developments. If it is not seen to be sympathetic to other developments, it should be seen to justify itself within the context of the local area. The committee does not need me to tell it how difficult planning for new developments of any type can be at times, and that will, of course, act as a constraining point.

The Convener: I am conscious that time is marching on and that we have had a fairly wide-ranging discussion. I will wrap the meeting up within the next 10 minutes, but first I will ask Stephen Garvin to come in. I will then go around the table to see whether anyone else would like to make concluding remarks or whether there is something that they want to say and have not been able to. In your concluding remarks, I would like you to address how you think that the welfare reforms will impact on housing and fuel poverty, and how far we can go with energy efficiency.

Dr Garvin: I have a couple of points about the building industry, which is remarkably adaptable and resilient—that should not be overlooked—although there are challenges for it, whether on design, construction, new build or retrofit.

On the green deal, I will say that it has heavily regulated training requirements, accreditation and so on. That is a positive aspect of the green deal and it should prevent the wrong adviser from

turning up or the involvement of an untrained installer. Time will tell on that, obviously.

Philip Hogg mentioned the work that we did on cost benefit analyses and looking at the potential new standard. I am certainly not a costing expert so I will not try to explain that to the committee, but it would be worth looking at the information in that consultation prior to responding to it.

Mike Thornton: I would like to leave one point sticking to the wall at the end of the session. It is about something that is not particularly referred to in RPP2.

We have been talking about the savings that can be achieved through various means. It is easy to get into a situation in which certain things are done and, because savings were allocated to those things being done, once they are done we say that we have made the savings. However, that is not necessarily so. We need some sort of post-implementation monitoring to see what the actual savings are—another contributor mentioned comfort levels, which is one of the simplest. We see what Elizabeth Leighton mentioned, which is that quite a large amount of carbon abatement is allocated to unrealised technical potential. We are concerned that there is overestimated technical potential in the other measures. We think that the Scottish Government has a role in addressing that.

David Stewart: I will try and be brief. Although there is concern about income going down as a result of welfare reform and fuel prices going up, you can have an impact on fuel poverty if you concentrate on investing in the energy efficiency of housing. The Scottish house condition survey that was published recently found that fuel poverty had gone down by 2 per cent in housing association homes, in spite of a significant increase in fuel prices. That demonstrates that it is important to continue to invest in the stock.

Welfare reform is an enormous challenge, particularly for social landlords. Our organisation has done research that suggests that our members may lose more than £100 million of income a year. That is money that cannot be invested in improving existing homes and building new ones. It is also likely that many tenants will be pushed further into poverty. We are talking about people who are already among the poorest in society. That is a real concern.

There is potential for European regional development funding to be put into energy efficiency schemes and social housing. In Wales and France, money has been ring fenced, which has led to successful retrofit schemes in which solid wall insulation has been fitted and renewables and district heating have been installed. As Elizabeth Leighton mentioned, investing in such schemes is good at creating jobs

and training opportunities. The Scottish Government will have input into the design of European structural funds post-2014. We would call on the committee to investigate that as a possible source of funding in quite straitened financial times.

Scott Restrick: I feel that I need to raise a cautionary note on fuel poverty and the view that a zero-carbon home equals a fuel poverty-free home. Obviously, the energy that is imported into the home is not necessarily free, although the net effect can be that it is zero carbon. We have to be careful about the technical challenges. It is technically feasible to build a zero-carbon home today. Economically, that might not be the case, but it is technically feasible to do it.

An issue that is in the RPP that we are not really discussing is the delivery of net zero-carbon electricity on the grid. That does not come free either. There is the potential to have a zero-carbon home simply because it is connected to a zero-carbon electricity grid, but the electricity will not be free. I have to make the point quite strongly that we have to look at both sides of the equation here and more widely than just the house itself. We must not think of the house as an island; it is connected to the wider community. We have some sympathy with the view that the new-build industry and the existing industry could be brought together.

We talked about welfare reform. I agree with David Stewart that it is a hugely complicated subject so I do not want to delve into it too deeply. There is one thing that we have concerns about. In the past we have been used to identifying people as being vulnerable because they are eligible for a certain type of benefit, and we use that benefit as a passport into other services and so on. Under welfare reform, it will become more difficult to identify people quickly in that way and the process might become more complicated. What impact will that have on eligibility under things such as the energy company obligation? The affordable warmth element of that programme targets a fairly defined group of people. How will that relate to their status under universal credit, for instance?

We should also consider the Scottish Government's own programmes. How will they be converted under the universal credit so that the qualifying group is equal to what we currently know as the qualifying group? That is a challenge, but as David Bookbinder highlighted, there are many other challenges in the degeneration of what people will get as part of their benefit.

12:15

Mike Wagner: I do not have much to add, as Scott Restrick and David Bookbinder have

covered it. Welfare reform is probably the biggest single issue that housing professionals are struggling with. I know from seeing all the long faces that are going around that they are not too happy. They see major issues coming out of what is happening, starting in April with the bedroom tax and how that will wash through. There is still a lot of work to be done on how that will work.

On the energy side, the RPP takes a broad-brush approach on quite a few of the new funding streams that are coming out. They are all welcome, but it would be nice if the mechanism could be simplified. It is full of acronyms, and just when we get used to one thing, it disappears. We got used to CERT, but now it is CESP. We have UHIS, but now that is going to go. I understand the logic and how things are tied together, but people need to be able to go to one source of information to avoid the rat's maze of having to ask, "Can I get this funding? Can I mix it with this one?" and being told, "No, you can't. You have to go down this route."

We need to simplify the mechanism and take the onerous hassle out of it so that people know what they are going to get. We should make things clear and easy to get. Ideally, we should run things over a three-year period and not just for one year, because people cannot plan on one-year targets. We need a rolling two to three-year target, as a minimum, to get the programmes up and running.

Philip Hogg: To sum up, I suspect that everybody round the table has similar objectives and goals. We all want to reduce carbon and fuel poverty, and we all want to ensure that everybody has a roof over their head. From that point of view, we are all in entire agreement. I guess that where our differences lie is in the route for getting from A to B. Our suggestion is that, rather than the route necessarily being a straight line, we might need to take a little twist and turn here and there. Ultimately, we need to take cognisance of the bigger issues and other, external factors, but we are all committed to achieving the same things.

David Bookbinder: I take the opportunity to make a final point. As we said in our response to the consultation on the sustainable housing strategy last year, it could be that, in the coming years, there will not be the same range of carrots, if you like, particularly for home owners—and private landlords are included in that, in a sense. Elizabeth Leighton mentioned the average cost of £1,000. With some works, the figure will be considerably more than that, and sometimes it will be less.

If it looks as if the carrots are just not going to be there, the radical approach that we would look to the Government to take—we believe that it can only come from the Government; it will certainly not come from commercial companies—is some

kind of small-scale, equity release approach whereby money is loaned to home owners and repaid not with interest payments, but on sale. We do not think that commercial operators will be interested in such a scheme because a commercial operator will want to lend someone, perhaps, 2 per cent of their property value and take back 4 per cent. Such a scheme would just not sell to commercial companies.

We appreciate that Governments do not want to act as lenders or banks, but that radical approach might be needed to get cash flowing in a recyclable loan fund, even on a small scale, particularly to overcome tenemental problems where one person's reluctance or inability to fund will stop everything in its tracks.

Dr Garvin: I have nothing to add.

Elizabeth Leighton: I have a few points to close on. On the offset proposal that has been suggested, the alliance's view is that there is no need to rob Peter to pay Paul, and we should have the best new-build buildings as well as a well-funded, well-designed retrofit programme. We would like both of those to proceed in tandem.

We have not had much of a chance to discuss fuel poverty in detail, but I remind the committee to bear in mind the benefits, which have not really been brought out in RPP2, of improving the energy efficiency of our homes—the ways in which that benefits society and the economy at large. I have a couple of statistics to highlight. In the most recent housing conditions survey, the lowest-rated homes, at F and G, showed consistent increases in fuel poverty, whereas all the others were improving. There is a problem there. Furthermore, 66 per cent of people in poorly rated houses are in fuel poverty, versus 20 per cent of people in homes with a good rating. It is a no-brainer, as people were saying earlier. Improving energy efficiency is not the only solution—we know that fuel prices have a huge impact—but it provides a good chunk of the solution.

One of my biggest asks to the committee for improving RPP2 would be to welcome the minimum standards commitment for the whole private sector. I would also welcome a comment or request on the timescale, which could be brought forward. That could help with the whole issue of market transformation and with driving demand, as we were discussing.

I agree completely with Mike Wagner on the national retrofit programme. Even we experts struggle with all the different funding streams. My hope is that the national retrofit programme will evolve into providing a one-stop shop and an overview of the best funding for doing jobs on social housing or other houses—it should provide that oversight.

Lastly, let us be ambitious about the homes and communities sector. It is capable of delivering a 42 per cent cut in emissions. The Government should be challenged on the kind of sectoral cut that it is considering. Is it still 36 per cent? Is the Government falling back? It should accept that it will be easier to do the job in this area, compared with transport, agriculture or some other sectors, which are facing significant challenges. Homes can make more of a contribution than is suggested in RPP2.

The Convener: We will follow up the issues that have been raised today with ministers. Our response to the Scottish Government's second draft report on proposals and policies will of course be published.

Thank you all very much for your attendance today—I know that you are all very busy people, and we very much appreciate it. If you wish to give us supplementary evidence, can we have it by 20 February, please?

12:23

Meeting suspended.

12:25

On resuming—

Subordinate Legislation

Scottish Road Works Register (Prescribed Fees) Regulations 2013 (SSI 2013/8)

The Convener: Agenda item 3 is consideration of a negative instrument on the Scottish road works register, as linked to on the agenda. The regulations exercise powers to prescribe the fees that are payable by local authorities in relation to the register for the financial year 2013-14. The committee is invited to consider any issues that it wishes to raise in reporting to the Parliament on the regulations. No motions to annul have been received in relation to the regulations.

Members have no comments to make. Does the committee agree that it does not wish to make any recommendation in relation to the regulations?

Members *indicated agreement.*

The Convener: That ends our business for today. The next meeting is on 20 February, when we will hear evidence from stakeholders on the transport aspects of RPP2, and also from the minister on high speed 2.

Meeting closed at 12:26.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

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