



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 16 January 2013

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**INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE**  
**1<sup>st</sup> 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:**

Keith Brown (Minister for Transport and Veterans)  
Raymond Convill (Transport Scotland)  
Graham Laidlaw (Transport Scotland)  
Cheryl Murrie (Transport Scotland)  
Graham Porteous (Transport Scotland)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

Committee Room 6



## Scottish Parliament

### Infrastructure and Capital Investment Committee

Wednesday 16 January 2013

[The Convener opened the meeting at 10:00]

#### Interests

**The Convener (Maureen Watt):** Good morning, everyone, and welcome to the first meeting in 2013 of the Infrastructure and Capital Investment Committee.

I remind everybody to switch off their mobile phones and BlackBerry's, as they affect the broadcasting system.

Item 1 is a declaration of interests. I welcome Elaine Murray, who is a new member of the committee, and invite her to declare any relevant interests.

**Elaine Murray (Dumfriesshire) (Lab):** Thank you, convener. I cannot think of any particularly relevant interests that are not in my entry in the register of members' interests, although I should perhaps draw attention to the fact that I am a member of Unite the Union, as that might be relevant at certain stages.

**The Convener:** Thank you very much.

## Ferries Plan 2013 to 2022

10:01

**The Convener:** Agenda item 2 is Scottish ferry services and the ferries plan 2013 to 2022. We will hear from the Minister for Transport and Veterans on the Scottish Government's ferries plan, which was published just before Christmas. The plan sets out the way forward for the next 10 years, and the committee is pleased to be able to question the minister on the details.

I welcome the Minister for Transport and Veterans, Keith Brown, and his supporting officials from Transport Scotland. Graham Laidlaw is deputy director of ferry operations, piers and harbours, and Cheryl Murrie is policy officer for ferries policy and procurement.

Would you like to make some opening remarks, minister?

**The Minister for Transport and Veterans (Keith Brown):** Yes, please. Thank you very much, convener.

We recognise, as previous Administrations did, that ferries are an essential part of Scotland's transport network, and we are clear about the significant contribution that our ferry services can make to the country's social, cultural and economic wellbeing. The quality of our ferry services impacts on us all, and affects both island and mainland communities. In recognition of those facts, we have carried out the first ever comprehensive review of ferry services in Scotland.

The publication of the ferries plan is a significant step for the Government. The plan sets out the way forward for Scotland's ferry services for the next 10 years, as the convener said. It focuses on how ferries should be funded and procured; on what basis fares should be set; what routes should serve each community, and what services each community should receive; and who should be responsible for providing those services. It also considers accessibility and environmental issues, for example.

The plan, of course, takes account of the comments that were received in response to the consultation on the draft ferries plan. We listened to all the views that were expressed following the publication of the draft ferries plan, and I have done some further work around our proposals. We have provided details of the significant steps that we will take to improve the ferry services that are provided to each community and indicated when those changes will take place. We note, of course, that it is not possible to do everything immediately, but there is much that can be achieved quickly.

We have also provided an investment plan that sets out the cost of making the changes.

On the same day on which the ferries plan was published, we announced that an updated road equivalent tariff formula will be applied to routes to the Western Isles, Coll and Tiree, and that revenue from that will offset fares increases for commercial vehicles on those same routes, following the withdrawal of RET for commercial vehicles.

As an early illustration of our continued commitment to our ferry service network, I was pleased to announce earlier today £2.7 million of funding for three new port projects. Vital maintenance work at the port of Tobermory can now start. That work is worth around £600,000, and a number of local jobs will be supported during construction. Concrete and steelwork will be installed to the slipway walls and there will be masonry repointing.

As part of our commitment to improve ferry services to Kerrera, we are working with the community and the council on a number of options to make long-term improvements to the ferry service and associated port infrastructure on the island and on the mainland. The new funding will ensure that appropriate infrastructure is in place to match future services.

The second of our new cutting-edge hybrid ferry vessels, which is currently under construction at Ferguson Shipbuilders in Port Glasgow, is to be deployed on the Tarbert to Portavadie route. We are working with the harbour authority at Tarbert Loch Fyne to adapt the port to accommodate overnight berthing of the new longer vessel.

Those projects are part of the Scottish Government's £205 million investment programme for shovel-ready schemes across Scotland to help to deliver a fillip to the building industry.

It is important to note that the outcome of the ferries review and the publication of the ferries plan are only the start of a process. We have to continue to review our approach to providing ferry services and to reassess our communities' needs. Our intention is to do that every five to six years, or before the tendering of each set of ferry services. We want to ensure that communities continue to receive ferry services that meet their changing needs, but we also want to ensure that fare levels remain consistent and that communities and island economies can grow in the knowledge that they have continued certainty about the vital lifeline ferry services on which they depend.

We are fully committed to delivering first-class, sustainable ferry services to our communities. We recognise the financial constraints within which we must operate, but we believe that the planned improvements set out in our ferries plan will

enable our rural and remote communities to thrive and to continue to make a significant contribution to Scotland's economy.

**The Convener:** Thank you very much.

Obviously, the review was led by the Scottish Government, but many other people were also involved. From our mailboxes over the past couple of days, we have seen that many people have had, and want, an input into the ferries review. Can you give us a brief outline of how you went about drawing up the plan?

**Keith Brown:** First, in December 2011 a draft ferries plan was published, with a 14-week consultation period. At that first draft stage, we received 2,000-plus responses from organisations and individuals. We listened to all the views that were expressed following the publication of the draft plan.

As I said in my opening statement, we have also done some further work on the proposals, given that some of these issues have a tendency to move on. That means that we have been able to ensure that the final ferries plan contains some significant changes and improvements to the ferry services provided to each community.

Crucially, we have tried to ensure that the plan has timescales attached to it. The plan includes things that we intend to do very quickly, things that will happen in the medium term and things that will happen in the longer term. We recognise that some of those longer-term commitments will be contingent on finances and the outcome of future spending reviews. However, the plan is not about saying, "This is everything that we want to do, and we will do it when we have the money." As I have said, the plan includes pilots, improvements to services and extensions to services that will happen right away.

The process itself threw up a number of concerns. As the convener mentioned in relation to the additional correspondence that committee members have received, some people continue to raise issues about the final ferries plan, and I think that that is to be expected. We will continue to engage with those communities and individuals.

**The Convener:** There are issues to do with particular ferry routes, but were any overarching key issues raised that were pertinent to ferry services everywhere?

**Keith Brown:** Yes, and such issues tended to be raised by organisations or by well-informed or even expert individuals. Accessibility, the importance of ferries to economic growth, the need for ferries to provide effective social inclusion and the need for co-ordination and integration were issues that came up across the whole network. In our rail proposals, we have already

said that we intend to oblige bidders for the rail franchise to provide further integration with ferries and buses.

Infrastructure was another overarching issue. It is quite clear that, over previous decades, there has not been the investment to maintain the infrastructure in the condition that we would like it to be in, so we will need an infrastructure plan, not least in relation to areas where we are hoping to grow services. For example, the Stornoway to Ullapool route will have a new, very substantial ferry, which will require changes to the infrastructure.

**The Convener:** In the previous parliamentary session, the Transport, Infrastructure and Climate Change Committee held an inquiry into ferry services in Scotland. The TICC committee's report recommended that any ferry plan should be accompanied by a fully co-ordinated plan for the replacement or refurbishment of vessels and any necessary upgrades to or replacement of ports infrastructure. An important point was that the plan should give confidence to ferry users that it will be delivered. Are you confident that those recommendations are met in the new ferries plan, or will a more detailed plan need to be published?

**Keith Brown:** I think that those recommendations are met. I have already mentioned the financial pressures that we are under, with the capital budget having been cut by around 25 per cent. Everyone here is familiar with the general financial situation and its impact on the Scottish Government, especially in relation to capital. We recognise that those constraints will not disappear quickly; indeed, in recent announcements, the United Kingdom Government has extended the period over which it thinks it will continue to need to impose them. Within that context, and within the context that future spending reviews cannot really be anticipated at this stage, I think that we have gone quite far in meeting the recommendations.

The procurement plan identifies around 15 new vessels worth more than £295 million that will come into service between now and 2025. As you will know, the Deputy First Minister launched the first of those on 17 December—that vessel will be operational in the summer. We have also laid out investment plans for port and harbour works over that same period—between now and 2025—that are worth around £73 million and which will significantly enhance our ferry infrastructure to meet the demands of new vessels and service improvements.

There are certain uncertainties, if you like, over future funding that we are all aware of, but within that context I think that we have made a very good attempt to lay out what we expect to spend and when we expect to spend it.

**The Convener:** So you do not propose to publish a separate implementation or funding plan because things are so up in the air due to funding issues.

**Keith Brown:** In the final ferries plan, we have set out a fully functional and detailed investment plan at appendix 1, which provides that information under "Routes and Services Proposals", "Vessel Replacement Programme" and "Ports & Harbour Works". I think that our investment plan meets what the TICC committee wanted and goes further than previous Administrations have gone. That is what we intend to do, and we think that the plan serves that purpose.

**Jim Eadie (Edinburgh Southern) (SNP):** I have a short supplementary question. For the benefit of the committee, can you tell us the overall funding gap between the projects that have been identified and the funding that is currently available?

**Keith Brown:** It is not possible to say. We are saying that we intend to fund the short-term proposals from within the current spending review, so we have said that those will be funded. There are degrees of certainty—it is a bit like a weather forecast, to take a topical example, in that there is more certainty over things that are closer—so for the medium-term proposals we have some certainty. We have not identified a funding gap. We are saying what we intend to do and how we intend to fund it. Obviously, if we have more funds available, we will be able to do more or do things more quickly, but we have not identified a funding gap as such.

**Jim Eadie:** The ferries plan states on page 10:

"the level of investment identified is higher than current funding levels for ferries."

**Keith Brown:** That is right, and that means that we will need to find that additional money from within the resources that we have. We are confident that the short-term proposals can be funded from the resources that we have. Spending has not been identified to the last penny in all the budgets that we have, and it may mean that there will be—as there always is—movement between budgets to ensure that we meet those commitments. For the early wins, it is guaranteed that we will achieve those commitments. There is a degree of work to be done to ensure that we have the budgets to deliver the medium-term proposals, but we are confident that we can deliver them.

We have less certainty in looking further out over the 10-year period. Obviously, things will depend on spending reviews and on constitutional change, for example. There could be major changes: the substantial borrowing ability of an

independent Scottish Government would change things quite fundamentally. Our view is that borrowing to create economic assets is good borrowing, unlike some of the borrowing that has gone on at United Kingdom Government level.

Graham Laidlaw may want to say something further about the budget, but our approach is that we will do the things that we have said that we will do in the short term.

**Graham Laidlaw (Transport Scotland):** Clearly, we are working forwards at programme level to ensure that our budget is fully spent and that key priorities are identified. As we go forward into future spending reviews, the proposals will be a starting point.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** I have a question about the finances, minister. Has the priority given to ferries in your remit changed? When the Government originally came to power in 2007, £85 million was being spent on ferries, but the figure is now in the region of £110 million and is projected to rise to £180 million. Given the financial pressures that we are under, that is a considerable hike. Can you explain why we are moving in that direction with ferries while everyone else seems to be getting cuts?

10:15

**Keith Brown:** There are two specific reasons for that and one more general one, which is the Government's commitment to ferry services. We have seen the services expand over the past five years and we propose to expand them further. I can think of no example in the final ferries plan of a contraction in services. However, during the expansion of ferry services, we have had the RET pilot, which has now been rolled out to other parts of the network. That is a substantial investment in ferries that shows the Government's recognition that these are lifeline services. However, as far as island and rural communities were concerned, the services were allowed to operate at punitive levels in comparison with mainland services. The point of RET is to try to equalise those costs.

RET is one factor in current expenditure, but a much bigger one is the increase in fuel prices, which will account for much of the £180 million figure that Adam Ingram mentioned. What we pay CalMac for its services now takes into account the huge increases in fuel costs for the northern isles and Clyde and Hebrides ferry services. I suppose that if we were not so committed to ferry services, we could cut back the financial support to try to level off the increase in costs. However, we are committed to those services.

Those are some of the specific reasons why the amount of money that we put into ferries has gone

up. However, we also have a genuine commitment to improving the services and making them more affordable for people in island communities.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** I want to continue on the theme of the investment plans for ferries. Caledonian Maritime Assets Ltd already owns 30 ferries, which are valued at £83 million, so the investment of £295 million in the plan in that regard is a substantial increase. It looks like CMAL will replace about 50 per cent of its fleet over the period of the plan.

I note that the latest boat that is being built for use on the Stornoway to Ullapool route is under an operating lease from Lloyds Banking Group. Given the pressure on the Scottish budget, will you consider that as a future funding method for the new vessels that are proposed in the plan, or is it a one-off? What alternative methods of funding are available to the Government?

**Keith Brown:** This is the first time that we have used that leasing method. We considered that method because of the level of capital that the Government has at its disposal and because of the cuts of around 25 per cent to which I referred earlier. Of necessity, we therefore have to consider different funding methods. Our preferred method is still straightforward capital investment at the Government's own hand, with the Government picking up the tab, not least because that is nearly always the cheapest method. However, I think that it is necessary, as it probably has been for some years now, to consider the different options that are available. We are not saying that this is how all procurement will happen in the future, but neither are we saying that we are ruling it out for any necessary investment in the network. In the absence of available capital resources, we must look at other options.

If we do as we have done in the case of the Stornoway to Ullapool route, with Lloyds procuring and building the vessel and us paying the leasing costs, it is crucial that we ensure that we have value for money. That is obviously the main consideration. We know that on that particular route, especially in relation to freight, we have to make the required investment. If only such alternative forms of investment are available for other cases, we will consider them.

You should not read too much into the example of the Stornoway to Ullapool route—do not think that that is how things will always happen in the future. However, it is one of the methods that we can consider, when we have to.

**Gordon MacDonald:** Basically, we are looking at it because of the pressure on the Government. It is a lifeline service and we have no other option in relation to funding it. Is that what you are saying?



**Keith Brown:** That is right.

**Gordon MacDonald:** Of the fleet of 30 ferries that we have, 17 were built in Scotland, 10 were built south of the border and three were built in Gdansk in Poland. The new hybrid diesel-electric ferries—which are a world first—are being built by Ferguson Shipbuilders in Port Glasgow, and the larger ferry for the Stornoway to Ullapool route is being built in Germany. Does Scotland not have the capability to build that larger ferry—for example, on the upper Clyde?

**Keith Brown:** Over the past 30 or more years, we have seen the diminution of the Scottish shipbuilding sector. With the contract for the hybrid ferries—which was won by a Scottish yard through an open procurement process—we have seen Scottish shipbuilders thinking very seriously about future projects that the Scottish Government might be able to afford.

We are not procuring the vessel for the Stornoway to Ullapool route; it is being procured by Lloyds Banking Group. It is true that in England and elsewhere, much of the procurement of new vessels takes place in eastern Europe. However, Ferguson's has won the contracts for two ferries in a competitive environment, which is a vote of confidence in Scottish shipbuilding.

I liken the situation to what has happened with buses. Through the green bus fund, we have invested in an open procurement exercise for cutting-edge technology for our buses. That process has been won, by and large, by Alexander Dennis Ltd, which has developed expertise in the area—not least because of the Government's investment—and is now winning multi-million pound contracts from around the world.

What Ferguson's has done is a sign of real hope. I would much rather open a tender document and see that it had been won by a Scottish company because of the impact on jobs. However, the best way for Scottish companies to prosper is to win contracts in open competition because they are the best. That is what Ferguson's did with the two ferry contracts, and I hope that that will happen more and more often.

We have just seen a new contract in Rosyth for oil rig installations. As companies win contracts it is vital that they develop the efficiencies and expertise that will allow them to go on to win future contracts. However, no Government can guarantee that companies will win contracts; the Government has to have regard to European procurement rules.

**Gordon MacDonald:** I will move on to the proposal for self-financing harbour authority capital improvements. Can you outline how extensive the proposed changes to the charges between CMAL and CalMac for the interim Clyde and Hebrides

ferry service might be and whether they might lead to increased ferry fares?

**Keith Brown:** The intention is that they will not lead to increased ferry fares. By and large, the Government pays for these improvements, because the biggest customer in many of the ports is the Government or the CalMac services that go into them. The Government can end up paying the bulk of the fees and charges that go to harbour authorities as well as being the guarantor for much of the capital work that goes on in them.

The changes are necessary to make things more financially sustainable, but the intention is that they will not result in increased fares for ferry users and that, from CMAL's point of view, they will better reflect the management and maintenance of the facilities.

**Elaine Murray:** The minister will remember that we debated the proposal for the Mallaig to Lochboisdale service in March, as there had been a significant campaign about that service, with about a third of the respondents to the draft ferries plan expressing a desire for its reintroduction. When Alex Neil summed up that debate, he said that he would consult the campaigners on "the pros and cons" of the reintroduction of the service, or of possibly trialling a service.

What consultation has been held with the campaigners and how has the Government come to the decision that it is not going to trial or reintroduce the service?

**Keith Brown:** I have already set out the consultation process for both the draft ferries plan and the final ferries plan and our consideration of the responses that we received. I went to Barra and spoke to a number of people, including the ferry users committee, some of whom were very much against the suggested changes to the Mallaig to Lochboisdale ferry service and some of whom were strongly in favour of them. We understand the strength of feeling on the issue and acknowledge the representations that have been made directly and through elected representatives. However, as we have said, we have had to consider the issue in light of the current financial constraints and the service's economic viability.

On the ferry from Ullapool to Stornoway, I spoke to the captain and the vice-captain, or the first mate or whatever he was—I do not know what you call the next one down from the captain on a ship—who had diametrically opposed views on the matter. The captain had experience of the previous service on the route and did not think that it was viable or sustainable, whereas his colleague was convinced that it was absolutely necessary and would be successful.

As Alex Neil said we would, we have looked at the issue and concluded that the only feasible way of providing the additional service would be to diminish services elsewhere or to put on an additional vessel. The investment for an additional vessel, which we reckon at between £20 million and £40 million of capital with running costs of around £3 million to £4 million a year—even for the trial that the campaigners suggested—would have to come from elsewhere. That would amount to around £100 million of public funding over the lifetime of that additional vessel. If you look at the services that we provide to the Western Isles and at the various points of departure and arrival, you will see that we have made a very substantial commitment to the area. However, we did not feel that we could make that additional commitment at this stage. Instead, we have confirmed that we will consider the service's economic viability further when we decide on the specification for the next tendered CHFS contract. We simply do not have the money to make that commitment just now and, in any case, do not believe it to be the best use of money, given the other demands on the network.

**Elaine Murray:** Is there any possibility of putting in place different funding arrangements? We have already heard about the operational lease from Lloyds Bank. Have you considered such a possibility in this case?

**Keith Brown:** Yes, but it is more a question of the profile of spend than necessarily saving money. Indeed, if we took that route, the vessel would be owned not by us but by the person leasing it. I do not know all the details, but I think that it would be very expensive to lease a vessel for a trial because the person who leased the vessel would know that it would be only for the short term. We do not believe that to be the best use of scarce resources at this time, but we have not ruled out looking at the issue again in the next CHFS contract.

**Elaine Murray:** The ferries plan considers a number of pilot or additional routes, including that between Campbeltown and Ayrshire. How will you assess the success or otherwise of those pilots, and what consultations will be carried out with regard to decisions on whether they should be continued or cancelled?

**Keith Brown:** I will ask officials to respond to that question, but the obvious way of assessing success is to look at patronage—in other words, the use of and demand for the route. In contradistinction to the Mallaig pilot that has been suggested, we have in agreeing to the pilot that you mentioned and looking at the costs and the vessels available concluded that it is possible to provide it over a particular period. We will look at the running costs of and the farebox from that service, which will leave Campbeltown, stop in

Irvine and carry on to Ardrossan—which, of course, has a direct rail link—but the crucial issue is whether or not the service is used. If it transpires that, as local people have claimed, there is a demand for the service, that will be the main factor in assessing whether it has been successful. I ask Graham Laidlaw whether there are any more technical ways of evaluating the service.

**Graham Laidlaw:** I think that the minister has covered the issue. We will look at various details such as the carryings and the revenue take; of course, all the services are loss-making and require subsidy but the key questions are whether this particular service gets traffic off the road, whether it is used and whether it provides connectivity for people and businesses in the Campbeltown and Mull of Kintyre area to link to Ayrshire, the rest of the central belt and beyond.

**Keith Brown:** It is also worth mentioning two other points that are related not to the ferry plan but to our thinking on the issue. Campbeltown has no ferry service at the moment but, at the same time as issuing the final ferries plan, we announced additional weekend air journeys to the town as part of a new contract and are also considering trunking the road between Kennacraig and Campbeltown, which is obviously the responsibility of the local authority.

That brings me back to our philosophy as outlined in my response to Adam Ingram. I believe that it is very important for the Campbeltown community to have a range of services to allow it to carry on its social or economic business.

10:30

**Elaine Murray:** You mentioned in your introduction the need to review services every five or six years. How will the plan respond to changes in demand that might arise over that period if, say, particular business interests appear on certain islands? Is the plan flexible enough to allow you to make any changes that might become necessary should any unforeseen developments emerge?

**Keith Brown:** That is a good question. As the ferries plan lays out our intentions over the next 10 years, it has to contain a substantial amount of flexibility. As we have said, some of the proposed changes will be subject to local consultation and indeed if, as you suggest, a major new investment were to crop up in an area and change the configuration of travel we would have to respond to such developments.

However, the difference is that, as a result of the ferries planning process, we now have a methodology for evaluating all routes that has been developed by those who know how to develop methodologies. Every route in the ferries

plan has been evaluated as to whether it is primarily a lifeline service, a freight service, a tourist service or—as it usually is—a combination of all three. If there suddenly appears to be demand for a certain service, which means that we have to look at it again, we now have a methodology for testing such proposals. That will give us the flexibility to respond. Of course, it will always depend on whether funding is available to make those changes but we at least have tools in the toolbox for making that kind of evaluation.

**Alex Johnstone (North East Scotland) (Con):**

On the issue of future fare structure plans, we all know that many in the road haulage industry were very disappointed when freight fell out of the ambitions for RET. When do you expect to publish the final freight fares policy and can you indicate what it might look like?

**Keith Brown:** I can do so in broad terms and will probably ask officials, too, to respond.

If someone were to look at current and previous fare structures for the network, they would be able to find no rationale behind it or means of explaining every fare. The structure is simply riddled with anomalies. For the sake of consistency and accountability, we need a structure with some kind of starting point and, as a result, all passenger fares will in future relate to RET. Of course, that is not the same as saying that every route will be subject to RET; however, making it the reference point for all fares will provide an objective rationale for how we arrive at our fare structures.

As for RET for commercial vehicles, when we carried out the pilot, as we said we would, we concluded on the basis of surveys from Halcrow that the savings were not being passed on to customers or end users and, as has been investigated in the subsequent report that we are considering on the economic impact of withdrawing RET for commercial vehicles—I should add that the report has not been finalised, so I would rather not comment on it—there is also the question whether all it was doing was masking increases in fuel costs. In the meantime, we have extended to other parts of the Western Isles RET for a number of vehicles such as vans up to 6m, which has been a help.

I should add that the Western Isles is being treated differently because that is where the pilot was carried out and therefore it is coming from a different place on this matter. We have also put in place several hundreds of thousands of pounds of subsidies to manage the transition back to non-RET fares.

Our view is that although the RET pilot in the Western Isles had a huge beneficial impact on passenger and tourist carryings, it did not have the

same benefits for commercial vehicles. Our future fares policy will be based on RET not for commercial vehicles but for domestic passengers. We are working through the next stage just now—the report that I mentioned on the economic impact of the withdrawal of RET. That is one of the milestones in arriving at a new fares policy for commercial traffic.

Graham Laidlaw might like to say something more on that.

**Graham Laidlaw:** Work continues on that. In fact, yesterday I chaired a meeting of the working group representing a series of interests—the Freight Transport Association, the Road Haulage Association, Western Isles Council, Argyll and Bute Council, the Outer Hebrides commerce group and others. As the minister said, we hope to finalise and publish the report shortly.

The ferries plan contains a commitment to a fundamental review of commercial vehicle fares. When the report is completed, it will feed into that. We will then set up a working group with stakeholders along the lines of the other group to take that work forward and, we hope, take it forward fairly quickly. The group will come up with a methodology and approach on fares and an implementation plan for that.

There is huge variation in the structure of commercial vehicle fares between the Western Isles, where we had RET, other bits of the Clyde and Hebrides network, where there was no RET for commercial vehicle fares, and the northern isles services, which have a totally different rationale. There is no overarching consistency and we want to try to get some so that there is fairness and transparency for each community that is involved.

**Alex Johnstone:** It is certainly easy to detect a fear among the road haulage industry and others that, if fares were set too high, that could have a significant impact on island communities' economies. Are we safe to assume that you are aware of that?

**Keith Brown:** Part of the rationale of the pilot was to see what economic benefit RET would have for the islands. There are different views on the matter. I concede the point that you make, but our view was that RET did not have the impact that we thought it could have had in terms of people in the Western Isles receiving goods at cheaper rates because haulage prices had come down. That is not to say that the hauliers were grabbing the money for themselves, but they were, perhaps, covering other increases that took place.

That matter will be covered in the report, but the straightforward answer to your question is that we are well seized of the idea that higher fares can have an economic impact on remote areas and

islands in particular. That will form a large part of our thinking as we go through the process.

**Alex Johnstone:** On a slightly different issue, the plan raises the idea of demand management and the possible introduction of premium fares on certain sailings. How will demand management be developed? Will you assure us that any such measures will not impact on the ability of low-income islanders to use the travel arrangements that are in place?

**Keith Brown:** Yes. From memory, the plan also has a pretty strong commitment to ensuring that local communities are consulted on demand management. It will be for the operator—the company that wins the contract—in the first instance to consider demand management.

If it is done in the right way, demand management will improve the ability of those on low incomes to use the service. As with the railways, it seeks to ensure that better use is made of the facility, so it is spread over a different period of time. The ability to manage demand so that peaks and troughs are not inevitable can help people to access services that, in the meantime, they might find problematic.

The idea is not to use demand management as a way to get additional income. The Government's purpose behind it is to manage the traffic that goes on to the services. That makes perfect commercial sense and, if it is done correctly, will be to the benefit of local people. As a safeguard, the plan lays out that no operator will be able to implement demand management without having substantial buy-in from local communities through the consultation process.

**Alex Johnstone:** The plan indicates that there will be an annual review of RET and that the formula will be updated

“in line with the cost of travel”.

What does that mean? Is it possible that fares could increase at a rate above retail price inflation?

**Keith Brown:** The idea behind the road equivalent tariff is to make the cost of travelling by ferry equivalent to what the cost would be to travel by road. That is our chosen method of trying to equalise the costs to people in remote communities. Given that the tariff is based on the cost of travelling by road, which changes each year, it is only right that we uprate it if prices are increasing. That is the only way in which to make it sustainable—I think that that is obvious.

The mileage rate that Transport Scotland uses is based on independent research that is published by the RAC and the Department for Transport, so it will be in line with the cost of travel. That is the most objective way of doing it

that we can find. I suppose that it might open up the possibility of higher-than-inflation increases, but it also opens up the possibility of lower-than-inflation increases. It is a road equivalent tariff, and we intend that it will go forward on that basis. It is based on the equivalent road prices and, as we all know, increases to those can be higher or lower than inflation.

**Alex Johnstone:** We can foresee a situation in which the annual review will be greeted with a welcome or with disdain in the same way as announcements on rail fares are.

**Keith Brown:** The position with rail fares is not the same, although you will know that we recently announced that, in the next franchise, we intend to bear down on increases to rail fares and have lower-than-inflation increases for off-peak travel, depending on the rate of inflation.

I imagine that the biggest determinants of changes to the cost of road travel are fuel costs and taxes. If we had control over them, there would be a different calculation, but at present we have no control over the rate at which those things increase or otherwise. When they increase, there is an increased cost to the road user. If there is an increased cost to the road user and our purpose is to make the costs for ferry users equivalent to the cost of travelling by road, it is only right that costs are increased at the same rate.

**Elaine Murray:** I have a supplementary question on the situation with RET for commercial travel. I appreciate that the minister will not necessarily wish to discuss the interim report of MVA Consultancy, although that is available to many people including me and I note that some of its conclusions seem to be in conflict with the Halcrow survey. However, when the Parliament debated the matter in February last year, Alex Neil made a commitment to review the transitional arrangements in the light of—I think—the MVA Consultancy report. Can you give us any detail on when that review might take place and how it might be conducted?

**Keith Brown:** I know that this is a bit complicated, but the general review of fares that was mentioned previously is going ahead according to the timescale that Graham Laidlaw outlined. From memory, I think that Alex Neil was referring to the fact that to get back to pre-RET prices would have involved a big hike in prices because, when RET came in for commercial vehicles, there was a huge drop for many hauliers. We sought to mitigate any big hike by providing transitional relief when the change first happened, and we have said that we will discuss with the hauliers and others how we manage the next stage. The result could have been increases of up to 50 per cent this year, in the hauliers' view.

I met hauliers in Stornoway and some in Barra, and they have communicated with us and asked us to look at the issue before the change in prices comes in this year, which we have done. We have limited the increase to the increase of about 10 per cent that will be applied to passengers because of what we have just discussed—the annual uprating of RET. The same is true for passengers as for hauliers. We have met the commitment to review the position, as the hauliers asked us to do. They said that they would find it difficult to cope with increases of about 50 per cent, not surprisingly. The average has turned out to be 10 per cent, with the figure being slightly lower in some cases. We have therefore met the commitment to review the next tranche of increase for the hauliers.

**Elaine Murray:** What Alex Neil said was:

“At the end of the transitional arrangement, we will review the position in the light of the results of the study, which we will carry out with the hauliers.”—[*Official Report*, 23 February 2012; c 6540.]

That has happened, has it?

**Keith Brown:** No. That is the process that we talked about before. The report that you said you have seen must have “draft” on it. It is a draft report, and that is why I am not commenting on it. That study is the next part of the process. It is being discussed now; once it has been discussed, there will be a review, as we have mentioned, of—

**Elaine Murray:** The final report is due this month.

**Keith Brown:** Yes. I return to the point that Graham Laidlaw made in response to Alex Johnstone’s question. We are moving to a general review of commercial fares across the network. That is where we are heading.

10:45

**The Convener:** Okay. I hope that you will send the policy to the committee when it is available.

**Jim Eadie:** The ferries plan recognises that there is no single mechanism for providing ferry services across the extensive network. Given the Scottish Government’s willingness and commitment to assume responsibility for ferry services, what discussions has the Scottish Government had with local authorities and ferry operators with a view to assuming that responsibility?

**Keith Brown:** We have had several discussions, some of which were at the political level, but the bulk of which were at official level, with Argyll and Bute Council, Orkney Islands Council and Shetland Islands Council. Different circumstances obtain in each of those local authorities. In some cases, the local authority believes that it is at least possible for the Scottish

Government to deliver the services more effectively because the network would be larger and more able to deploy vessels in different ways.

We have had fairly substantial discussions with Argyll and Bute about the investment that we are making in Kerrera. That service is provided privately and not by the council, and it does not provide the level of certainty that local people are looking for. Those discussions have been about not just the ferry service, but the port infrastructure and the island’s roads infrastructure. The local authority will be able to do some things and the Scottish Government can do others if it takes over the service. Those discussions have been going on for some months.

Things are a little less certain in Shetland. A view has been expressed that it might be desirable for the Government to take on the services. I saw a statement from Shetland Islands Council’s ferry spokesperson that said that it would not make the change if it meant hikes in costs. All that I can say to that is that we are responding to Shetland Islands Council’s request. It asked us to consider the ferry service, so we will do that in good faith. It will be for Shetland Islands Council to decide whether the internal ferry services are to be taken on by the Scottish Government.

We are a bit more advanced in Orkney, and there has been more discussion. Orkney’s particular issue is the capital cost of investment in vessels and harbour facilities, and it has been talking to us about that. It has been agreed politically that we should have those discussions, but the officials have taken them on.

**Cheryl Murrie (Transport Scotland):** We have made significant progress with Orkney Islands Council at official level. We have discussed the processes that would be involved in allowing it to make the decision to transfer responsibility for the ferries to the Scottish Government. As the minister says, a key issue for Orkney Islands Council is the continued funding of its vessels, and that will be considered during the discussions that the Scottish Government has with the council.

**Jim Eadie:** Clearly, a number of factors inform the decision-making process before the decision to transfer is taken. Funding is obviously critical among those factors; are there any others?

**Keith Brown:** In Argyll and Bute, it is about local individuals’ views of how particular services can best be provided. In other areas, people like to see the ferry services being provided by community-based organisations and not as part of a larger network.

Funding is, by and large, the biggest issue. If we fund councils to provide ferry services, as we do at the moment, and change that to the Government providing the ferry services, that will change the

amount of funding that is available to councils. The situation is complex, but it comes down to an essential decision. The decision-making structure will be to ask the council whether it wants to agree to the proposal, and the council will have its own process for agreeing that. The Scottish Government will then decide to take on the ferry services based on what has been agreed.

It is worth pointing out that the other part of the decision-making process is in relation to ferry services generally. One of the reasons for having the interim contract for the CHFS network is that, if the Government takes on the ferry services, and we are closer to doing that in Argyll and Bute than we are in the northern isles, the contract will look quite different from the previous contracts. Some discussion is going on about that just now and things look positive in Argyll and Bute. I think that we will end up in the right place there.

**Jim Eadie:** That is helpful.

On the issue of a ferries regulator, the Government has said:

"We have concluded that there are strong arguments against the establishment of any additional regulation of ferries."

What are those strong arguments?

**Keith Brown:** First, the creation of a regulator would rely on the UK Government taking the initiative on some of the legislation that is required. The UK Government indicated that it was unwilling to have further regulation, so that was a crucial consideration.

We have substantial regulation of ferry services, not least through the contracting and tendering process. However, some fears remain in areas about how services are provided. A particular fear is that a monopoly service might mean that passengers and other users paid higher prices than would otherwise apply or had a service that was less general than they wanted.

The ferries plan looks at establishing an objective analysis by considering an expert or advisory group. A number of people in Scotland are expert in ferry services. Of necessity, we in Scotland have developed great expertise in providing ferry services. We will tap into a more objective viewpoint on how ferry services are working and can work better in that way rather than through creating a regulator.

**Jim Eadie:** So you are not in favour of a ferries regulator but you are keen to ensure that the regulation system is as robust as it can be. To that end, will you keep the matter under review?

**Keith Brown:** We know that we cannot legislate for a regulator ourselves and that the UK Government seems unwilling to legislate on the

matter. We are trying to see which of the benefits we can get that a regulator might provide. In theory, a regulator could step in if a monopoly emerged, but there are other means of dealing with that, through regulatory agencies. We are looking to provide the other features of a regulator through other means. That solution is likely to be more sustainable.

**Adam Ingram:** In response to a question from the convener, you said that accessibility was an overarching issue in the network. How is the Government responding to that? Will you provide more information on the size and scope of the ferries accessibility fund? Do you expect the fund to continue after it is reviewed in two years' time?

**Keith Brown:** We expect that to happen. Accessibility should not be guaranteed by the fund; it should happen in any event. Every time that we procure a new vessel or build a new facility, accessibility should be built into that, as is required. However, we are dealing with a network in which different parts are at different stages and of different ages. The idea behind the accessibility fund is to go beyond the legal requirements. We are determined that the fund will not become the way in which the ferry operator makes changes that it is obliged to make; the fund will go further than that. That is the thinking behind the fund that we intend to create.

**Graham Laidlaw:** A lot has been done to identify the key issues. We have an ageing population that has increasing mobility and access issues, so we want to ensure that ferry services are open and available to all and that ferry design continues to be taken forward.

When new vessels are built, they should be much more able to deal with access issues for people with different mobility levels and people with visual impairment or auditory disabilities. We can cover all those issues much more favourably when a vessel is designed with relevant features from the outset.

We are much more attuned to the needs of those with accessibility difficulties when it comes to the redevelopment of piers and harbours, and we will adopt that approach with new infrastructure and vessels. Clearly, there is a legacy going back decades, if not centuries, when piers and harbours did not cater for those needs—the use of steps is an example of that.

For the northern isles ferry service, we have put in place much stricter and more stringent controls for access. We are improving staff's access to training so that they are more aware of the issues, including issues about on-board toilets. Much has been done and much more can be done. We see the accessibility fund as a further way of enhancing and developing that.

**Adam Ingram:** The fund will focus on retrospective remediation.

**Graham Laidlaw:** Yes. Going forward, we will ensure that we use accessible designs from the outset but, clearly, we are also trying to address the legacy that we have been left with.

**Adam Ingram:** My understanding is that the Scottish Government will provide CMAL with the resource for the fund. How will you establish the scale of resource that is required?

**Keith Brown:** As I say, “required” is probably not the correct word. There are things that CMAL is required to do by legislation. In a way, the situation is similar to the railway network. CMAL has legal obligations to meet with regard to accessibility, but it has a legacy of things that do not match everyday requirements. I think that there is an awards for all fund—I may be confusing that with another fund—that is administered by Westminster, into which we input if we think that a particular project on a railway bridge or station waiting room is required. We pitch into that, but that is going over and above what is needed.

We will establish the fund in around 2014—it will be available for the two years that you mentioned. That will be a Scottish Government grant, but we are not averse to looking for contributions from the operators or CMAL, or even for that to develop eventually into a charitable trust. It is likely that it will be necessary for us to put in the bulk of the funding initially. However, that work will be over and above what the ferry services are legally required to do.

**Margaret McCulloch (Central Scotland) (Lab):** Good morning, minister. The strategic environmental assessment that accompanied the ferries plan concluded that there was potential for an increase in the emission of greenhouse gases, resulting from an increase in car traffic volume taking advantage of the roll-out of RET across the network, and an increase in vessel traffic due to the increases in vessel movements on existing routes and the number of vessels. How does the Scottish Government intend to offset the negative environmental effect resulting from the proposals in the plan, particularly the increased greenhouse gas emissions associated with the roll-out of RET fares?

**Keith Brown:** We intend to address that through a combination of short and long-term measures. However, we are not the only actors involved. For example, the European Commission and the European Union have prescribed certain changes to emissions made by ferries, particularly sulphur emissions, which mean that substantial changes must be made by ferry operators to reduce those emissions. That is vexing the

industry to a large extent, but the operators are obliged to do that under European legislation.

We will try to influence what we know we can influence. First, we will take short-term measures such as emission reductions, focusing on fuel consumption and ensuring that vessels are more fuel efficient. In that regard, I have mentioned the two new hybrid vessels that will reduce emissions.

Interestingly—we have not taken this that far forward—we have heard about a hydrogen-based ferry service in Bristol. I am told that when they put in the hydrogen power unit and took out the engine, they had to put in further ballast because the engine weighed much less. Obviously, if hydrogen-based systems can work, they can effect huge changes in vessels’ weight.

We have a hydrogen-based bus project in Aberdeen, which also includes the production of the fuel. We have not yet progressed that with ferries. I understand that the Bristol example is known as a pipe-cleaner project, which means that there is no regulatory framework for designing or approving the hydrogen-based system. In order to create that, a pilot is established, which then goes through a system like a pipe-cleaner.

That possibility therefore exists, as well as the hybrid ferries. As the fleet is replaced, we will ensure that it is much more fuel efficient. Fuel management, vessel replacement and the use of alternative fuels are the ways in which we will seek to address in the longer term the carbon footprint of the ferry services.

**Margaret McCulloch:** You probably answered this question in part in responding to Gordon MacDonald’s earlier question. However, you are piloting the hybrid ferries just now. Will you consider implementing that type of ferry, or the carbon-saving ones to which you referred, when you are replacing the old stock?

**Keith Brown:** The fuel consumption figures for the new Stornoway to Ullapool vessel will be substantially better than the current ones. For a start, one vessel will be replacing two. The route currently has a freight service on an old vessel—the MV Muirneag—and there is a vessel for the passenger service. The new vessel is bigger, so it can carry more, but it will be more fuel efficient. I think that the point of your question is whether, as we replace vessels, we will ensure that they are more efficient, unless that would make them environmentally damaging. The answer is yes. We are doing that now and we will continue to do it in the future.

**The Convener:** As there are no other questions, I thank the minister and his officials. I suspend the meeting to allow a changeover of witnesses.

11:01

*Meeting suspended.*

11:05

*On resuming—*

## **Forth Road Bridge Bill: Stage 1**

**The Convener:** The third item of business is our first evidence session on the Forth Road Bridge Bill. We are going to hear from the Scottish Government's bill team. The aim is for the committee to seek clarification on the bill's provisions and associated documents. I welcome the bill team, who are David Thomson, bill officer; Raymond Convill, bill team leader; Graham Porteous, head of special projects; and Susan Conroy, principal legal officer. I invite one of you to make some opening remarks.

**Graham Porteous (Transport Scotland):** Thank you for inviting us. I am head of special projects at Transport Scotland. Raymond Convill is the bill team leader, David Thomson is a supporting officer and Susan Conroy is a principal legal officer with the Scottish Government.

The Forth Road Bridge Bill was introduced on 11 December 2012, and supporting information was also published on that date, notably the policy memorandum, the explanatory notes, the financial memorandum and the delegated powers memorandum. A business and regulatory impact assessment and an equalities impact assessment have also been published. A full strategic environmental assessment was undertaken for the Forth crossing. As the bill will have a negligible impact on the local environment, we have not done an environmental assessment for that part of the bill. Transport Scotland will, however, specify in the contract documents the minimum requirements on the bridge operating company in relation to environmental responsibilities.

The bill is relatively short, and is in some ways technical, dealing as it does with trunking, maintenance, the organisational status of the Forth Estuary Transport Authority and the Transfer of Undertakings (Protection of Employment) Regulations. I can assure the committee, though, that ministers, the Scottish Government and Transport Scotland fully appreciate the impact that the changes will have on the lives of the FETA staff, who are drawn from the local communities and who work on the Forth road bridge, particularly as many of them have long years of service there. Any changes in respect of an employer, career progression and pension rights are very real and should not be underestimated.

The principal aim of the bill is to enable the most cost-effective and co-ordinated approach to the management and maintenance of the Forth replacement crossing and the Forth road bridge. The Scottish ministers believe that having a single contractor carrying out the management and



maintenance of the two bridges and the adjacent connecting trunk roads will achieve cost efficiencies, and that holding a procurement competition is the only way to truly test the market to prove value for money.

The bill's provisions will trunk the road over the Forth road bridge, transfer FETA's assets and liabilities to the Scottish Government and dissolve FETA and transfer its employees to the new bridge operating company. In line with ministerial objectives from the outset, the bill paves the way for the procurement process to take place. It will protect all the FETA staff and retain their skills, knowledge and professionalism, as they are all greatly valued by the Scottish Government. As with the wider Scottish Government approach, there will be no redundancies. Subject to parliamentary approval, the bill's commencement provides for the simultaneous dissolution of FETA and transfer of its employees.

To allow the management and maintenance arrangements to bed in and so that the new bridge operating company can become familiar with the Forth replacement crossing, commencement of the new bridge operating contract will be in advance of the opening of the new Forth replacement crossing.

I hope that those opening remarks are helpful. If the committee needs any other information, we will try to provide it.

**Adam Ingram:** Mr Porteous, you touched on some of the bill's provisions, but can you outline what the key provisions are and why they are necessary?

**Graham Porteous:** The first key provision is to trunk the road over the Forth road bridge so that responsibility for it becomes the Scottish ministers' as roads authority. The second provision is to ensure that all the assets that FETA currently owns, such as land, buildings and vehicles, transfer from FETA to Transport Scotland. That results in the bill's third provision, which is dissolving FETA. There are also delegated powers that are transferred to us on bylaws and the transfer of the FETA employees.

**Adam Ingram:** I presume that the provisions are necessary because we need to co-ordinate between the new crossing and the Forth road bridge.

**Graham Porteous:** Yes. A maintenance company has to be in place to maintain the Forth replacement crossing. There will be a new bit of road and new sections of motorway at either side. In order to pave the way to get a procurement competition, we must trunk the road to take responsibility for it.

**Adam Ingram:** Perhaps there will be questions about that a wee bit later.

What consultation has Transport Scotland carried out on the proposals? Why has there been no formal public consultation exercise?

**Graham Porteous:** The bill's provisions are tightly defined and technical rather than broad and conceptual but, as I mentioned, they affect individuals, which is important. Transport Scotland takes the view that continuous consultation with targeted stakeholders throughout the project—from policy development through the legislative process to the implementation of the policy during the dissolution of FETA—is more appropriate and inclusive than a one-off written exercise.

As the bill affects specific groups, the method and frequency of stakeholder engagement have been tailored to meet the specific needs of individual stakeholders. That was the purpose of our communication with the groups. For example, we have worked with FETA to identify the options for future maintenance and management, we have met FETA staff to discuss their concerns, and we have met community groups on the north and south sides of the river.

**Adam Ingram:** What were the main issues that were raised with you during that consultation? How did you respond to the concerns that were raised?

**Graham Porteous:** The main issues from the staff related to their pension provision. They totally accept that they are going to a new operating company. Their terms and conditions are protected, but their pension provision is not protected under the legislation. Under TUPE, a new company would have to provide a broadly similar pension arrangement, which obviously caused a bit of concern. We took that on board, discussed the matter with the Lothian Pension Fund and decided that the best option for the staff was to have their pensions stay where they are. That is why we will write it into the contract that the successful bridge contractor will apply for admitted body status. Essentially, that means that the staff's pensions will remain unaffected and that they will stay with the same terms and length of service. Therefore, their pensions are, in effect, untouched.

**Raymond Convill (Transport Scotland):** I understand that the Scottish ministers are acting as a guarantor for that admittance to the Lothian Pension Fund. That is an additional commitment that was made to address the staff's concerns.

**Graham Porteous:** When we met the community councils, they understood what we were trying to do. They were particularly excited about having clear lines of communication and how we would deal with that. Obviously, we were

able to explain that the Forth bridges forum is part of that process.

The community councils were excited about the potential for an improved visitor centre. As things stand, there is very little for visitors to do at the bridge, and there is a huge opportunity for something to happen there.

There was very little from bridge users. The bill will not affect them as such.

**Raymond Convill:** Another feature was the timing. It was important to try to establish the arrangements quite early on so that people would know where they would be in years to come.

**Gordon MacDonald:** You have touched on staff issues. You said that staff will be transferred under TUPE and that pensions have been safeguarded. How many staff are affected by that?

**Graham Porteous:** Seventy-two.

**Gordon MacDonald:** I understand that there are safeguards for the short term when the transfer takes place, but are there any safeguards for people's pay and terms and conditions in the longer term?

11:15

**Graham Porteous:** Yes and no. Nobody is guaranteed a job for life these days—that is an accepted fact. However, the company that takes over the responsibility for the bridge has a duty to employ the staff who are there at that time. That contract will have a set life, which will be a specific period with a series of add-ons envisaged at the end. For example, our typical maintenance contract will have a five-year duration with a series of add-ons at the end—perhaps two plus two plus one, which takes it to somewhere around 10 years.

At the end of that period, staff who are employed on that contract would be entitled to transfer to the next company under the Transfer of Undertakings (Protection of Employment) Regulations, which will safeguard their jobs. At that point, we will ensure that something happens with the pension of anyone who is a member of the FETA staff now and who is still employed by the bridge operating company. The idea is that, in however many years' time, we will write a provision into the subsequent contract that will protect the pensions of the people who are currently FETA employees.

**Gordon MacDonald:** Over time, there will obviously be a churn of employees as people retire or move into other employment. Will new staff be employed with the same terms and conditions as existing FETA staff, or will those

terms and conditions be up to the new operating company?

**Graham Porteous:** They will be up to the new company. Nobody else will be admitted to the Lothian Pension Fund, other than the existing FETA staff.

As we have explained to the staff, there is a possibility that the company that takes over could offer to buy out their terms and conditions, which is a standard practice. They could be offered a cash enhancement to transfer from FETA into the new company's pension fund.

**Gordon MacDonald:** That is really what I was getting at when I asked my first question.

**Raymond Convill:** Graham Porteous mentioned a figure of 72 staff. That is for the current staff, but there are also existing pensioners—I have a figure of 60 for current active members. There are those 60 people, then there are the 72 who have been mentioned and then other people who are previous employees. I think that I am right in saying that, if the contract is re-rendered in the future, the condition that means that those people will continue to be part of the Lothian Pension Fund will continue as well.

**Elaine Murray:** The bill transfers ownership of FETA's assets to the Scottish ministers. Is it feasible that some of those assets might be further transferred to, say, a private sector bridge operator?

**Graham Porteous:** No. The intention is that we will retain ownership of the land. There is no point in our holding on to disposable plant such as lorries that are getting to the end of their lives, but the fixed assets—land and property—will stay with us.

**Elaine Murray:** FETA has responsibilities other than the management of the bridge. In 2002, the Scottish Executive said that it could fund public transport alternatives, road works, traffic management measures and other schemes. How will those issues be dealt with following the dissolution of FETA?

**Graham Porteous:** The responsibility for that sort of thing would fall to Transport Scotland.

**Elaine Murray:** Last week, someone raised with me the sad issue of people committing suicide from the Forth bridge. What sort of safety precautions will be implemented—on the old bridge and the new bridge—to prevent suicides?

**Graham Porteous:** There is no pedestrian access to the new bridge, because it is a motorway, so there will not be the same sort of problems with people going for a walk and jumping off the bridge.

The set-up on the existing bridge will not change as a result of the bridge operating company taking over. The intention is that the control room staff who monitor the bridge for things such as potential suicides will still do the same job, albeit for a new employer.

**Alex Johnstone:** How does Transport Scotland intend to develop, let and manage the contract for the management of the Forth road bridge and the Forth replacement crossing?

**Graham Porteous:** The contract will be based on the existing fourth generation contract, which is for the current maintenance and operation of the trunk road network. We have been through several iterations of that and are now on version 4. The contract has recently been let for the west coast, and we will use that for our base document, while taking on board any lessons that have been learned and any observations.

Transport Scotland is fairly experienced at tendering contracts. I will be responsible for the tendering of the contract. As I say, we are basing the contract document on the 4G contract. Although that will take care of the roads on either side of the crossing, and although we maintain other bridges, such as the Erskine, Kessock and Kingston bridges, we will base the Forth replacement crossing part of the document on information that is provided by the Forth Crossing Bridge Constructors and the Forth road bridge section will be based on information that is supplied by FETA staff.

We have employed Halcrow as our development engineer to develop the document; it has done 4G contracts before, and it is working closely with FETA staff to gather together an operating and maintenance manual so that it can all be put into the contract.

**Alex Johnstone:** So you are at a fairly advanced stage in the preliminaries of putting the contract together.

**Graham Porteous:** We are getting there. I have a deadline, as I have to be ready to go to tender by June.

**Alex Johnstone:** But there is nothing particularly novel in what you are doing.

**Graham Porteous:** No. It is all fairly straightforward.

**Alex Johnstone:** Thank you.

Paragraph 22 of the policy memorandum highlights FETA's view that

"it is important that some local accountability is retained in light of the impact of bridge works on the local communities."

How are relations between any new bridge operator and the local community likely to be managed?

**Graham Porteous:** We will write it into the contract that the contractor will have a duty to consult local people and hold regular meetings. Engaging with local communities is important, so we have to do that with all our contracts. In this case, there is a local community adjacent to the project, but we do that with all our contracts.

We are working hand in hand with FETA to see what it does at this point in time. Whatever that is, similar provision will be written into the contract. For example, if FETA meets with a particular community council every month, we will replicate that in the contract so that the new contractor has to continue to do that.

To ensure that the contractor liaises with the community, the contract will include other provisions on issues such as community initiatives. For example, the current 4G contracts contain a provision that the contractor has to undertake a minimum number of community initiatives in any year. The contractor must also engage with the community through projects with schools and colleges—it will have to do something like four such projects a year—and a development opportunity has to be provided.

We will have the Forth bridges forum, which is a separate entity that has already been set up. It will engage with local communities to make sure that the contractor does what it has to do. There is also an audit function. The PAG—performance audit group—will audit the bridge operating company, which it does for all our contracts. For example, if there are supposed to be four community engagements, we and the PAG will check that they are being done. We will not wait until the end of the year to ask whether there have been four engagements or whether the operator has met the community councils; checks are done monthly. At the end of month 3, if there should have been a meeting with the community council and it has not happened, we will make sure that that is rectified.

**Raymond Convill:** There are formal terms of reference for the forum, which we can pass to the committee if you require it.

**Margaret McCulloch:** I want to go back to the procurement process. In the procurement requirements, will you take community value into account? Will there be a requirement to employ people who have been unemployed and who have the necessary skills to do the work that you are procuring? Will there be a requirement to take on apprentices?

**Graham Porteous:** I appreciate the reason for the question. There will be a specific stage in the procurement process at which we ask the

contractor what he is going to do, but we will have already written into the contract a minimum requirement that he will have to meet. Transport Scotland has a fairly good record—in fact, I think it is an excellent record—of ensuring that local people and apprentices get jobs. For example, in the recently completed M74 project—although it was a construction contract rather than a maintenance one—900 people were employed at the height of construction, over 70 per cent of whom were from the Glasgow postcode. Also, 15 apprentices were employed as a result of the project. All the contracts that Transport Scotland issues have similar provisions. The contract for the Forth replacement crossing has them—I do not know the facts and figures on that, but they are reported on monthly.

We will write it into the Forth road bridge contract that any vacancies that arise will have to be advertised in local job centres. The 4G contract has a provision that 10 per cent of all new recruits must get an apprenticeship or training. For example, we will specify a certain minimum that must be achieved for an annual spend of £10 million. Obviously, it is impossible to say that new people have to be employed year on year because, if the existing people do not leave, there will be no vacancies. However, we will say that either two new recruits or two existing staff members—these numbers are examples—will be trained up to Scottish vocational qualification level 2, and one new member of staff or an existing member of staff will receive professional training. Also, we will say that three work experience places must be provided per annum per £10 million-worth of spend. We will look to see whether any of the tendering companies can better that, but we will put that in as a minimum requirement.

**Margaret McCulloch:** That is excellent. Thank you.

**Jim Eadie:** What assessment has been made of the potential impact of the bill on users of the Forth road bridge? I am thinking particularly of cyclists, pedestrians and those who use public transport, given the bridge's future and continuing use as a public and active travel corridor.

**Graham Porteous:** There should be no change for users of the bridge. As a result of the bill, they will see nothing new, because things will stay exactly as they are until the new Forth replacement crossing opens. All that will happen is that there will be a different management contractor, which should do exactly the same as happens at present.

When the Forth replacement crossing opens, the traffic on the existing Forth road bridge will reduce—it will be buses, taxis, cyclists and pedestrians. The biggest concern that has been raised is about how we will continue to ensure that

cyclists and pedestrians get across in windy or foul weather. There will be no change to that. As things are, in winds above a certain speed—it is either 40 or 50 miles an hour—people are not allowed to walk or cycle over the bridge, so FETA gathers cyclists and pedestrians at one side and organises a vehicle to take them over. It is not a regular service, but if there are three or four people, FETA takes them over. We will replicate that as a condition in the contract. That will be in the bridge operation and maintenance manual, which will be part of the conditions under which the new company will have to operate.

**Jim Eadie:** That reassurance is most welcome.

**The Convener:** I understand that Transport Scotland and FETA considered three possible options for the future management of the two bridges. Option 1 was:

“FETA continues to manage and maintain the Forth Road Bridge while the Scottish Government appoints a separate company to manage and maintain the Forth Replacement Crossing”.

Option 2 was:

“A single company is appointed to manage and maintain the Forth Replacement Crossing and the Forth Road Bridge”.

The third option was:

“Responsibility for managing and maintaining the new Forth Replacement Crossing is delegated by the Scottish Government to FETA, in addition to their responsibility for the Forth Road Bridge.”

Why did ministers choose the option that is presented in the bill—that is, option 2?

11:30

**Graham Porteous:** That option was considered the most cost-effective way of being able to ensure that both bridges were maintained and to prove value for money. The various other options that were examined were discounted because they could not happen.

It would be more expensive to have two separate companies operating the contract because there would be operation and maintenance costs for two companies when one could do it. It is obviously more efficient to have one company doing both.

If we left a new company covering the new bridge and FETA covering the existing bridge, FETA would not need as many staff as it currently has, because there would be far less work for it to do. For example, many of its staff are involved in nightly traffic management. Every night, there are cones out on the Forth road bridge because there is work to be done on it. After the new bridge opens, that will not happen, because there will be much less traffic, so the traffic management staff

will not be needed. If we went for two separate companies, there would be redundancies at FETA.

FETA could not tender to do both bridges because it is a fully funded Government organisation and, if it used Government funds to tender for the contract, that would constitute state aid and we would be breaching procurement rules.

Therefore, the decision was reached that by far the best option—which FETA supports—is to go for one company looking after both bridges.

**The Convener:** The final business and regulatory impact assessment of the bill's proposals confirms that the cost that is associated with option 3—FETA taking responsibility for both bridges—was not assessed. You have given the reasons why. However, given that, how can the committee be sure that the proposals in the bill represent the best value for money?

**Graham Porteous:** The result of the procurement competition will offer that certainty, because the competitor whose bid wins based on quality and price will be awarded the contract. Therefore, we will be able to prove that we are getting the most cost-effective bid.

**Gordon MacDonald:** I will ask a quick question about how we safeguard the standards of maintenance on the bridges. You mentioned the PAG report on the analysis of standards of work. The latest was from 2011-12. On electrical safety, which is covered by the BS7671 certification, it says that BEAR Scotland's performance in the north-east has "dipped to fair", with some

"non compliance with BS7671 for M90 Friarton Bridge"

identified. The report also states that BEAR's performance in the south-east has "dipped to fair", with

"no BS7671 certification ... available for ... Kincardine Bridge";

that Scotland TranServ's performance in the north-west has "dipped to fair"; and that Amey's performance in the south-west has "dipped to fair", with

"no BS7671 certification ... available for ... Erskine Bridge".

That certification is important for electrical assets, and all the performance units so far have "dipped to fair". How do we stop that happening on the Forth bridges?

**Graham Porteous:** I am not an expert on the operation of the maintenance contract but, based on previous experience, I think that BEAR will have been taken to task behind the scenes for that. It might be expected that one report could show a dip in performance, but I would certainly not expect the next one to show a dip. If that happens, discussions will take place at a fairly

high level. I certainly would not expect to see a second such report.

**Gordon MacDonald:** Will there be penalty clauses in the contract so that, if performance dips, penalties will be imposed on the company?

**Graham Porteous:** Personally, I do not like the penalties approach. There will certainly be a mechanism whereby the company does not get money, but it can be dangerous to penalise people by taking money off them. I understand the concept that you are getting at, but what will happen is that the operator will not get paid for something rather than be required to pay back money for not having done something.

**The Convener:** Are there any further questions?

**Jim Eadie:** On the issue of best value, you have said that option 2 represents best value for the taxpayer. However, if I heard your previous answers correctly, it seems that, because of the state procurement rules that apply, option 3 has not been tested, so we do not know whether option 3 would be more cost effective than option 2. Is that a fair assessment?

**Graham Porteous:** Let me just remind myself what option 3 was.

**Jim Eadie:** Under option 3, FETA would continue to have responsibility for the Forth road bridge in addition to its existing responsibilities.

**Adam Ingram:** No, option 3 is that FETA would take on responsibility for the Forth replacement crossing.

**Graham Porteous:** FETA could not take on responsibility for the new bridge without legislative change. At the moment, FETA reports to the FETA board, which is made up of several councillors. We would have an odd situation whereby Transport Scotland was responsible for the road but FETA was responsible, under a different reporting regime, for the existing Forth road bridge with a section of trunk road that was motorway.

Another difficulty is that, although FETA has some great guys who are experienced at what they do with the existing bridge, the new bridge will have a totally different type of structure that they do not have experience of. The new bridge will not be all steel in the way that the existing bridge is, so other skills would need to be brought on board.

**Jim Eadie:** There may well be sound reasons why the Government has chosen option 2, which may well be the most cost-effective option. However, what I am seeking to understand from you is whether option 3 has been tested for cost effectiveness or whether it has been excluded because of the state procurement rules that apply.

**Graham Porteous:** I will need to come back to you with a written answer on that, as I do not know the answer off the top of my head and I cannot read through all the notes just now. I was not involved in the process. I will come back to you with a written answer on that, if that is acceptable.

**Jim Eadie:** That would be helpful. Thank you.

**The Convener:** If there are no further questions, I thank our witnesses very much for coming. I will suspend the meeting briefly to allow the witnesses to leave the room.

11:38

*Meeting suspended.*

11:39

*On resuming—*

## Petition

### Remote and Rural Areas Transport Provision (Access to Care) (Older People) (PE1424)

**The Convener:** Item 4 is consideration of public petition PE1424, by Joyce Harkness, on improving transport provision for older people in remote and rural areas. Do members have any comments on the petition?

**Elaine Murray:** I am familiar with the petition, as I know the group of people from the Dumfries and Galloway third sector forum who undertook the survey, which is quite an interesting piece of work. They surveyed service users by sending out questionnaires to older people's groups and leaving them in general practitioner surgeries and elsewhere so as to get a picture—indeed, it is quite a concerning picture—about access to health and wellbeing services in what is a fairly remote and rural area.

Certainly in Dumfries and Galloway, there are also examples of good practice within the community transport sector. Therefore, the idea that we should incorporate the petition into our community transport inquiry seems very sensible, as that should reveal both the bad and the good and show what could be done.

I also agree with the recommendation that we seek an update from the Scottish Government. It looks like the final report of the working group, which was established following the Audit Scotland report, should have gone to ministers by now and the applications for the pilot projects should have been sought last month or this month. It would be useful to know whether that timescale is being adhered to.

**The Convener:** Do members agree with the recommendations in the paper?

**Members** *indicated agreement.*

## Subordinate Legislation

### **M9/A90/M90 Trunk Road (Humbie Rail Bridge to M9 Junction 1a) (Variable Speed Limits and Actively Managed Hard Shoulder) Regulations 2012 (SSI 2012/343)**

### **M9/A9 Trunk Road (Newbridge to Winchburgh) (Variable Speed Limits and Actively Managed Hard Shoulder) Regulations 2012 (SSI 2012/344)**

11:42

**The Convener:** Item 5 is subordinate legislation. The two negative instruments that are listed on the agenda will provide for variable speed limits on the M9/A90/M90 and on the M9/A9. The committee is invited to consider any issues that it wishes to raise in its report to the Parliament on the regulations. No motions to annul the regulations have been lodged and the Subordinate Legislation Committee raised no concerns about the regulations.

Does anyone have any comments on the regulations?

**Alex Johnstone:** I have no objection or otherwise to the regulations, but variable speed limits are a relatively new idea that is being introduced on a number of roads at the moment. We might want to consider getting some feedback on the issue in future to see how successful or otherwise they have been.

**The Convener:** That is a fair point.

Are we agreed that we do not wish to make any recommendations in relation to the regulations?

**Members** *indicated agreement.*

**The Convener:** Good. That more or less completes our business for today.

*Meeting closed at 11:43.*





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