

Michael Matheson MSP submission of 19 December 2023

Inquiry into A9 Dualling Project

I write in response to your request, received by my Private Office on 6 December 2023, to provide a written statement in relation to the advice I received from officials in relation to the A9 Dualling.

I had overall responsibility for the A9 Dualling between 26 June 2018 and 19 May 2021 as Cabinet Secretary for Transport, Infrastructure and Connectivity.

I had oversight of the A9 between 19 May 2021 and 29 March 2023 as Cabinet Secretary for Net Zero, Energy and Transport. During this period, my Ministers' for Transport held direct responsibility for the A9 Dualling, namely Mr Dey between 19 May 2021 and 24 January 2022 and Ms Gilruth between 24 January 2022 and 30 March 2023.

Briefing during period as Cabinet Secretary for Transport, Infrastructure and Connectivity

During this period many of the projects were moving into their statutory processes and I received briefing in relation to the publication of draft orders along with other routine project development activities such as ground investigation and public engagement events. The project at Dunkeld was completing a "co-creative" community engagement process.

In August 2018, I was advised that the construction contract for the second project between Luncarty and Birnam would be awarded.

Other general briefing packs were provided as part of the Infrastructure Investment Pipeline updates and for RECC. In the latter stages of the period these included the impacts of COVID on transport in general, including the A9.

In terms of the specific interest of the Committee around funding and procurement, at that time the Non-Profit Distributing model (NPD) used for M8 and AWPR had been defined as *on balance sheet* and Scottish Futures Trust (SFT) were looking at the suitability of an alternative Mutual Investment Model (MIM) that was being adopted in Wales.

I was not the responsible Minister for decision making around wider potential infrastructure models or the work of SFT. However, I did request advice on the potential impacts of a privately funded procurement model for the A9 from TS officials to aid my understanding.

On 12 August 2018, officials provided that advice which also provided a breakdown of the capital required for A9 and A96. The briefing noted *"...10. Time would be required in order to develop, finalise and present a new model to the market. Although a similar model is currently being used in Wales, large infrastructure contracts for roads have yet to be awarded. Consequently, we believe that the time taken for the market to accept a revised model will impact procurement timescales meaning that a 2025 target date would be unachievable, even assuming that we could commence procurement immediately (which is not advisable as the statutory processes are still incomplete) ..."*

This advice was reiterated as part of the capital spending review (CSR) process on 19 November 2018 stating *"...the revised approach to delivery will mean 2025 timescale is not achievable with the end date yet to be determined based on market appetite and packaging of the remaining projects..."*

In May 2019 I am advised that SFT recommended that future revenue funded procurements in Scotland be based on the Welsh Government's Mutual Investment Model (MIM). Transport Scotland subsequently commenced procurement of specialist advisers to consider the use of MIM and other delivery models (including capially funded) for the A9.

I received briefing on this matter on 21 May 2019. The briefing proposed comms lines as *"...We remain committed to securing a strong delivery model which delivers the A9 dualling programme within budget and at the earliest opportunity, and one which maximise the many benefits for road users, communities and businesses who live along or use this vital route..."*

Further briefing on the procurement options work was provided on 12 March 2020 with further comms proposed as *"...Given the complexity and importance of the programme, it is essential we utilise the strongest industry intelligence and commercial advice which can deliver this programme within budget and at the earliest opportunity, whilst minimising disruption and maximising the many benefits for road users, communities and businesses who live along or use this key route..."*

During July and August 2020, I was provided with various briefing in relation to the CSR that again confirmed the use of a MIM model would mean 2025 would not be achievable.

In December 2020, relevant officials provided an update on the procurement options work and advised on the need to commence market testing for the options under consideration. These options continued to include both MIM and capital funding.

Briefing during period as Cabinet Secretary for Net Zero, Energy and Transport

During this period the Luncarty to Birnam project construction was completed and the procurement of the Tomatin to Moy project was commenced, it having been allocated capital funding. Other projects were going through their statutory processes, and some were being prepared for the making of the orders.

Other general briefing packs were provided as part of the Infrastructure Investment Pipeline updates and for RECC.

On funding and procurement matters, in December 2021, Officials provided myself, Mr Dey and Ms Forbes with a discussion paper setting out the comparative assessment of a capital or revenue funded model. The paper invited Ministers to “...*to comment on the issues noted in this paper and provide any views they would wish to be considered by officials in completing this process of evaluation...*” and notes that “...*the work has not yet been concluded...*”

The paper discussed the relative merits of the options and the complexity of the decision to be made in terms of the significant annual capital or revenue budgets required. Timescales are provided for “...*the most efficient timetable...*” based on capacity of the market, road user disruption and procurement sequencing. These are 2034 for a capital model and 2032 for a MIM model.

I note that Mr Dey has provided commentary on this paper in his evidence to the committee.

This advice was reissued to Ms Gilruth in February 2022 in advance of a meeting on 9 February 2022 which Ms Forbes and I also attended. The matter was the subject of further discussions through 2022 without conclusion.

I note that you have also received evidence from Ms Gilruth on this matter including the financial challenges facing us due to a range of external factors.

On 3 May 2022, as part of the CSR, advice drafted to provide to Ms Forbes notes A9 as an unfunded contingency “...*Linked to pending decision on funding of future dualling of the A9, significant on-going costs being incurred but no contractual commitment...*” Throughout the rest of 2022 there were various considerations of how the A9 could be treated to address budget pressures including suggestions of pausing the programme which was described as “...*unpalatable...*”.

On 7 December 2022 although no decision on a funding and procurement model had been reached, given reworking of the procurement programmes and approach around the Tomatin to Moy project and increasing capital budget pressures it became clear that a 2025 completion date was no longer achievable. Officials advised that Ministers should “...*Publicly indicate a move from the current 2025 completion date to an approach based on a phased/prioritised investment in dualling sections following normal business case processes and subject to suitable market conditions prevailing and budget availability permitting...*”

On 8 February 2023, Ms Gilruth informed Parliament that 2025 was no longer achievable.

I trust that this provides a helpful overview of the advice that I received from officials during my period of involvement in the A9 Dualling.