

TRANSPORT AND THE ENVIRONMENT COMMITTEE

Thursday 6 June 2002
(Morning)

Session 1

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TRANSPORT AND THE ENVIRONMENT COMMITTEE

19th Meeting 2002, Session 1

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

*Nora Radcliffe (Gordon) (LD)

COMMITTEE MEMBERS

*Robin Harper (Lothians) (Green)
*Mr Adam Ingram (South of Scotland) (SNP)
Angus MacKay (Edinburgh South) (Lab)
*Fiona McLeod (West of Scotland) (SNP)
*Maureen Macmillan (Highlands and Islands) (Lab)
*Des McNulty (Clydebank and Milngavie) (Lab)
*John Scott (Ayr) (Con)

COMMITTEE SUBSTITUTES

Bruce Crawford (Mid Scotland and Fife) (SNP)
David Mundell (South of Scotland) (Con)
Iain Smith (North-East Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Dorothy-Grace Elder (Glasgow) (Ind)

WITNESSES

John Boyle (ScotRail)
Nick Brown (ScotRail)
Brian Johnson (Virgin Trains)
Jonathan Metcalfe (Great North Eastern Railway)
Dr Mike Mitchell (FirstGroup Rail)
Graham Smith (English Welsh & Scottish Railway)

CLERK TO THE COMMITTEE

Callum Thomson

ACTING SENIOR ASSISTANT CLERK

Alastair Macfie

ACTING ASSISTANT CLERK

Rosalind Wheeler

LOCATION

Committee Room 1

Scottish Parliament

Transport and the Environment Committee

Thursday 6 June 2002

(Morning)

[THE CONVENER *opened the meeting in private at 10:07*]

10:17

Meeting continued in public.

Rail Inquiry

The Convener (Bristow Muldoon): Good morning. I welcome members of the press and the public to this meeting of the Transport and the Environment Committee. I also welcome Nick Brown, who is acting managing director of ScotRail, and John Boyle, who is director of corporate affairs at ScotRail. They are here to give evidence as part of the committee's inquiry into the rail industry.

I understand that, before we ask questions, you would like to make an opening statement.

Nick Brown (ScotRail): Thank you, convener. Good morning, ladies and gentlemen.

I congratulate the committee on its decision to conduct the inquiry. As we said in our written evidence, we hope that the inquiry will result in a much better and more informed debate on the key issues of funding and the development of Scotland's freight and passenger railways, as well as on the structure and infrastructure of the railway network in Scotland. The timing of the inquiry is of particular relevance in the context of the imminent publication of the Scottish Executive's instructions to the Strategic Rail Authority in respect of the next ScotRail franchise, which we believe will run for 15 years from 1 April 2004, when the current seven-year franchise expires. Those instructions and the forms of direction and guidance will spell out what Scottish ministers want the next ScotRail franchise to deliver over that time scale.

Last week, I was pleased to receive a copy of the draft of that document and to observe that it reinforces earlier public commitments made by the Scottish Executive to further improve and develop Scotland's passenger railways. The Scottish Executive made such a commitment most recently in the transport delivery plan, "Scotland's

Transport: Delivering Improvements", which was presented to the Scottish Parliament on 21 March 2002. When final approval has been received from Scottish ministers, the directions and guidance will signal the start of the franchising process, by providing the SRA with the instructions that are referred to in the so-called McLeish settlement, as announced in Westminster on 31 March 1998. That was the first anniversary of the ScotRail franchise.

As currently drafted, the directions and guidance are perhaps not as strategic, specific or prescriptive as their long gestation period may have led us all to believe that they would be. The problem arises partly because they have been drafted ahead of the results of on-going studies—such as the transport corridor study and other studies commissioned by the Scottish Executive—and the Government's policy on regional airports, which will have relevance to the funding and provision of heavy rail links into Edinburgh and Glasgow airports. The time scale involved in the publication of the draft of such an enabling document lends further credence to our views, and those expressed by many commentators, that the refranchising process will be difficult to achieve in the time scale that has been set out. The SRA's evidence on the process so far has borne that out.

I was pleased to have the opportunity to meet Iain Gray, the new minister, early in his appointment. I gave him the assurance on behalf of ScotRail and our owning group, National Express Group, that we wish to sustain the momentum of investment in the ScotRail franchise and in the railway network in Scotland. We believe that over the past five years we have built up a good reputation for working in partnership and bringing in new investment. We wish to ensure that that continues without the investment hiatuses that typified the rail industry prior to privatisation in 1996-97.

We reaffirm our interest in bidding to continue our stewardship of the ScotRail franchise. We believe that we have been responsible and progressive and have worked in close and effective partnership both with Railtrack and other key industry players in Scotland. In particular, we have worked in partnership with the Scottish Executive and Strathclyde Passenger Transport, with whom we operate under contract the biggest suburban rail network outside London. We have proposed to ministers the creation of £50 million of capital investment to introduce brand new Voyager-type trains on the Edinburgh to Glasgow route. That would form the initial phase of what could become the foundation for a wider intercity network in Scotland. We could do that without prejudice to either the franchising process or the time scale of refranchising—I have already described the time scale that was announced by

the previous minister, Wendy Alexander, as very courageous.

One thing that must be clear is that there has to be a more informed and realistic approach to railway development in Scotland. Railways fulfil a wider economic and social role in the community. They do not exist simply to benefit those who travel on them. That is reflected in the transport delivery plan and its comments on social inclusion, environmental impact and the benefits that public transport in general and rail in particular can bring. The economic and social costs of not having a railway, particularly given growing public concern around health and safety, the environment and the inexorable growth of road and inner city congestion, must be important elements in any value-for-money calculations.

There can be no question but that people in Scotland want their railways to be developed. We have been pleased to play a part in that and want to play a part in the future. We have provided the committee clerk with a two-page summary of developments in the passenger rail network in Scotland since privatisation. I cannot claim exclusive credit for ScotRail, because as I emphasised before, much has been done by working in partnership. I know from my experience south of the border and in Scotland that the level of partnership working in Scotland is very high. We want to play a full part in ensuring that that continues, thrives and expands.

I would like the committee to consider that, in effect, in Scotland we operate two very different railways: the Strathclyde Passenger Transport network, which is two thirds of the services and passenger journeys, and the network outwith SPT. In the former, SPT specifies the services that it requires and the fares that it wishes to charge. It keeps the fare box revenue and takes the revenue risk. Elsewhere in the network, the revenue risk remains with ourselves as operators. We are free to introduce new services at our own commercial risk, as indeed we did earlier this week, when it was our privilege to play a part in the services that are now running from Edinburgh out to Newcraighall. It is worth considering the extent to which the Scottish Parliament, which now directly funds Scotland's railway—as we in ScotRail like to think of ourselves—may consider it appropriate to have a similar arrangement apply Scotland-wide and not simply in the SPT network.

None of those suggestions in any way cuts across the strategic role of the SRA or the fact that the provision and regulation of railway services is a power reserved to Westminster. I merely suggest that, because of the wider social and economic role that the Scottish Executive clearly wishes ScotRail to fulfil, there is merit in considering those propositions. We might not advocate them fully ourselves, but we, as the

current operator, would still wish them to be debated.

I conclude by thanking you for your invitation for us to join you today, and we are open to answer any questions that you lay before us.

The Convener: Thank you for that comprehensive opening statement, which I imagine will cover many of the questions that we were going to ask.

John Scott (Ayr) (Con): You state in your submission that, for various reasons, the current—and expanding—ScotRail network will require increasing support from public funds. Could you explain the basis for that view, with reference to the differences to the need to meet track costs—including those for infrastructure enhancement—and operational support?

Nick Brown: That is a wide-ranging question, which goes to the heart of railway economics as they are now. The key thing that I wish to leave with you on why additional services will require additional grant is—let us cut to the chase—that, on railways that are largely social, as is the bulk of the network in Scotland, the marginal costs will always exceed the marginal revenue at a given level of service quality. By service quality, I am referring to punctuality and reliability, the comfort level on the train and the quality of the train itself.

I will outline our experience of introducing additional services in Scotland and around the UK. In order to provide passengers with a seat, a carriage is required; the costs for that carriage are X. We then add to that the costs of covering the track charges and so on, which are paid to Railtrack. If we add incremental services—in other words, if we increase service frequency—the costs of those services will always run ahead of the revenue, certainly in the short and medium term, by which I mean at least five to seven years hence.

The problem is that, once that additional train is filled through effective marketing, attracting passengers and securing modal shift, there is a potential deterioration in the quality of service that is being offered to the customer: there will inevitably be more standing. That means a virtuous cycle or a vicious cycle—whichever way we interpret it—of more passengers coming in, which is good and which is what we want, because it secures our long-term objectives, but a rise in the costs of providing the service.

How we secure improved and enhanced capacity on the rail network is key. It is not just an issue of putting more trains on the network; it is also about lengthening trains and platforms, or doing what is achievable and securing goals in ways other than through a relentless chase for increased frequency.

As far as the track charges are concerned, ScotRail receives quite a substantial chunk of grant for operating its services, the overwhelming majority of which, in effect, passes straight through us. We pay about £170 million per annum to Railtrack for track and access charges. That is for both the services within Scotland and the sleeper services to and from London.

Des McNulty (Clydebank and Milngavie) (Lab): I want to probe the idea that railways are a social investment. Does that apply to all the railway systems in Scotland, or are there particular bits of the railway system that could be seen to be genuinely economic links and economically viable based on the revenue rate of return. I am thinking in particular of the Edinburgh to Glasgow run, which you may have heard me discuss previously.

I wonder whether talking about investment in railways as a social investment offers a comfort zone—for the Executive and for you—and distorts the pattern of investment. The Edinburgh to Glasgow rail link gives rise to a market phenomenon in which you are competing with other forms of transport. The dynamic for that route will be different from that on the Inverness to Aberdeen link or on the west Highland line.

10:30

Nick Brown: That is absolutely right. We have to ask what we want from our railways. Of all the services that we operate in Scotland, the closest to a commercially viable one would be the Edinburgh to Glasgow service. The economics of that service are such that, if you change the mechanisms by which money is paid to Railtrack, or the quantum, and therefore the grant that we receive from the Strategic Rail Authority, the economics are affected. However, there is a heavy commercial incentive on us to operate the Edinburgh to Glasgow route commercially.

The wider issue—this relates to the directions and guidance from the Executive—is how to evaluate the value for money that the Edinburgh to Glasgow service, or any other service, provides. It is true that, in the Edinburgh to Glasgow corridor, we compete with other modes of transport such as buses, coaches and private cars. Rail patronage has grown substantially since privatisation—and, to be fair, since before privatisation—especially in the growth of the off-peak market. That market is where we compete for the pound in people's pockets—when people wonder whether to go to the cinema or to have a day out in Edinburgh, Dundee or Aberdeen. As living standards and personal wealth rise, having more disposable income enables people to make such choices. People are prepared to make use of the travel possibilities.

Des McNulty: If your goal is the maximisation of passenger take-up, a logical consequence may be progressive suburbanisation of the line between Edinburgh and Glasgow. Trains on that line now run six or seven minutes more slowly than they did 30 years ago, because of all the additional stops. If we are considering the Edinburgh to Glasgow link as an economic link, is there not an argument for doing what was done on the Paddington to Heathrow line—making a very fast link and separating that from the economics of the rest of the rail service? The two phenomena are different.

Nick Brown: That is certainly an option. At the moment, given the state of the infrastructure, the only way in which that could be done would be for us to invest in trains that were capable of much faster acceleration than the present trains. However, we would then have to stop and consider how to provide the intermediate services. We have to consider the social provision.

Des McNulty: Is the acceleration of the trains the only issue? Is there not an issue of track capacity? You do not have any effective dynamic loops on that line, do you?

Nick Brown: Precisely—and if you start to mix high-speed and slower trains on a line, which you would inevitably have to do, you would have to consider the infrastructure that would be required, which would then require huge capital investment.

John Scott: That brings us nicely to the next question—to what extent is infrastructure investment likely to reduce the gap between ScotRail's operating costs and its income? Are there circumstances in which infrastructure investment might widen the gap?

Nick Brown: If we consider the current model for Railtrack, leaving aside what may happen to it in the future, my first request of Railtrack would be to get the infrastructure to a state that would give a gold-plated service to train operators—ScotRail, Great North Eastern Railways, Virgin Trains or freight. What the Scottish rail network needs is reliable and robust infrastructure. By reliable, I mean that it must have a low failure rate; by robust, I mean that it must be able to have incremental rail services added to it without any deterioration in performance.

Investment purely into providing more loops—as mentioned by Mr McNulty—would not of itself improve the finances of ScotRail or any other rail company. It would give us some marginal improvement in revenue, and would therefore close the gap, but it would not move the financial performance of the companies that operate on the Scottish rail network by any more than one order of magnitude.

John Boyle (ScotRail): I will make a point that picks up on what Des McNulty and John Scott said. We have a fundamental problem. Consider, for example, the Edinburgh to Glasgow route. A large proportion of the costs is for infrastructure. We do not know what those costs truly are line by line or route by route. Studies were done a long time ago when the chairman of the British Railways Board was charged with examining the possibility of bustitution. A certain route was examined on which, in round terms, the costs seemed to be £2 million and the revenue seemed to be £400,000, ergo a saving of £1.6 million could come out of bustitution of that route. However, when the costs were analysed and the residual costs were allocated, the case for bustitution collapsed.

It is the same with what we are discussing now. We must be very clear about what we want the railway to do. If we want a Heathrow express—a dedicated, commercial railway line—we must be careful about talking about economic cases in that regard. The term that Des McNulty should use is “commercial case”. If such a project is to be a strictly commercial proposition with a brand new, privately run line and brand new, privately operated trains, we must have the huge flows that the Heathrow express has and the freedom to raise charges as rapidly as they seem to have risen on that service.

I give all credit to the Heathrow express. It is a spanking service and has a halo effect on lots of other services in the railway industry. We are not in that situation in Scotland. A very serious problem exists, and those who consider the cost of railways often make a mistake. The problem is that, when they consider the Strathclyde network—which, I am sure, the committee knows well—compare it to the rest of the network and examine the earnings per diagrammed vehicle, they see a high figure for the rest of the network and a relatively much lower figure in Strathclyde and they immediately jump to the conclusion that the Strathclyde railway network is less efficient, despite the fact that it carries more passengers and fulfils a greater social need.

We also have the problem that, in Scotland, people want faster end-to-end journey times on the express services and the infrastructure is plainly not capable of satisfying those in Inverness who want to be in Edinburgh by the crack of dawn and all those in between, who would make MSPs’ postbags groan with mail if it was suggested that stops X, Y and Z were removed. We know that because we have that experience. With the present infrastructure, we cannot have an express railway and a stopping pattern.

Consider the Edinburgh to Glasgow via Falkirk route. A decision must be taken on the purpose of that route. To what extent does it provide

commuter services for people from Falkirk into Glasgow or Edinburgh, or to what extent is the market the end-to-end Glasgow to Edinburgh passenger?

Des McNulty: I agree that we have to decide what we are doing. My problem is that somebody somewhere appears to have decided that we are suburbanising that intercity route and slowing it down, which acts as a disincentive for it to be as viable an alternative to car use between Edinburgh and Glasgow as I argue that it should be. I am anxious to find out how that choice was made and what the alternatives are.

I am not arguing for the Heathrow express-type, private vehicle-based approach. We can do it in the public sector. I am interested in the argument for a French model, in which the line goes beyond the city centre—in Glasgow, for example, it might go out to Paisley or Clydebank—and sweeps in a much larger section of the population. How viable would that be as an investment priority? I am concerned that rail investment priorities do not match economic priorities and I would like to explore that issue more fully. Is there a fast economic service that makes commercial sense and which could take people from Edinburgh to Glasgow and beyond? What would we need to construct that? If we want to reduce congestion, that is the single biggest change that we could make.

You talked about the Strathclyde rail route, which is efficient and socially necessary. Economic and social indicators must be linked. How can we make greater use of rail in Strathclyde more attractive and encourage a more mixed economy between rail and bus?

Nick Brown: Your point shows vision, which I applaud, for cross-city services. Without pushing crossrail too much or talking about where we might have crossrail operations around Scotland in the future, I say that such services have merit. I cannot give a personal or professional view on the economic validity of such schemes, but the issue goes back to the old and over-used word “integration”. I do not belittle integration, but if services were run through and beyond Glasgow and through and beyond Edinburgh, there would be every reason for making a success of them commercially and socially, if all the economic benefit models were put in play.

I make no bones about it: extremely large capital investment would be required. We live in danger of the best being the enemy of the good. With modest investment, we can do a huge amount in the network that will make it very good. That might not make the network the best, but if we strive for the best—we should still do that—we must be aware that the best will require vast quantities of investment.

The Convener: Robin Harper and Nora Radcliffe wish to ask questions. If the points are related, we will take them together.

Robin Harper (Lothians) (Green): Yesterday, we heard evidence on the Edinburgh to Glasgow link from the Rail Passengers Committee Scotland. Its representative said that its research supported the view that the frequency, price and reliability of that route were more important considerations than shaving five or 10 minutes off the journey time. Do you have research that supports that view?

Nora Radcliffe (Gordon) (LD): What proportion of passengers on that line travel from end to end? Will you give an idiot's guide to why a fast train cannot pass a slow train that is standing at a platform? I am sure that there is an explanation, but I would appreciate the daft lassie answer.

Nick Brown: The research that the Rail Passengers Committee Scotland has undertaken is valid. Broadly speaking, I think our views are the same. Price, reliability and frequency are intermixed in the passenger's mind. When someone sits on a late train or waits for a train that does not turn up, reliability is the key factor. When they must renew their season ticket, price is the overwhelming factor. Given some recent difficulties, which we hope are largely behind us, service frequency can become the overriding factor.

I believe that the reliability of the Edinburgh to Glasgow service is key. Passengers and the Rail Passengers Committee Scotland have told us that the reliability that we have secured in the past six months, albeit at a slightly reduced frequency, has been better. Why? Please do not think for a moment that I am walking away from the 15-minute service. However, providing such a service throughout the day, given the state of the infrastructure and the state hitherto of the rolling stock—we bought brand new rolling stock that has performed below our expectations—has been like squeezing a quart into a pint pot.

There is another way of approaching the subject. If we decide to stress reliability, where do we fit in the other issues in which customers are interested, relating to price and customer service? If the railway is a commercial operation and we want to ensure reliability and a high level of customer service, with good-quality trains running at an affordable price, we need a fares tariff that appeals to different groups throughout the day. We have to deal with a mix of issues. A judgment will always have to be made, and often it will be the judgment of Solomon.

10:45

Nora Radcliffe asked why we cannot have fast

trains and slow trains. Consider the example of a two-track railway on which there are trains capable of accelerating fairly quickly to 100 miles an hour. A train can leave Edinburgh Waverley very quickly, but it must then stop at Haymarket. No one would disagree that trains should stop at Haymarket. Headways exist between trains, and for signalling reasons we must preserve those. If we generated a 20 per cent improvement in speed and reduced the journey time by a proportionate amount, we would find that trains bunched up behind one another. That would produce an uneven service. The solution is to have four tracks, with fast trains running on the fast tracks and slow trains running on the slow tracks, so that they can pass one another, or to have loops at stations.

It is important to bear in mind that the Edinburgh to Glasgow service is not just a railway that runs between Edinburgh and Glasgow, as services from the north feed into it. There is a triangular pattern. Although we could make improvements or changes to one railway, such as the Edinburgh to Glasgow line, we would find it difficult to timetable in services from Perth, Dunblane and Dundee. The Scottish railway network benefits from the existence of a basic interval timetable. Trains leave regularly, at the same point on the clock face—on the hour, on the half hour, at a quarter past the hour or at a quarter to the hour. That is very important for passenger perception of the service. Provided that we have got the service right and are able to deliver it reliably, passengers do not need a timetable, although we continue to produce one. If people know that a train will leave in either 15 minutes or half an hour, that will draw them into using the railways.

The Convener: Nora Radcliffe asked what proportion of the people using the Edinburgh to Glasgow line travel between Edinburgh and Glasgow, and what proportion board at intermediate stations.

Nick Brown: About 60 per cent of passengers on the line travel from end to end and 40 per cent board at intermediate stations. Those percentages are reflected disproportionately in revenue from the line.

John Scott: There has been considerable discussion of vertical integration of the railways. What is ScotRail's view on vertical integration?

Nick Brown: As I previously worked in a vertically integrated organisation—British Rail—the views that I express will be both personal and professional.

When I spoke at a conference recently, I did not argue either for or against vertical integration. Instead, I thought that the best professional position for me to adopt was to set out some of the

issues. Whether or not we have vertical integration is not the key issue. In the UK rail industry the problem that we must solve—and that is being solved, although perhaps too slowly—relates to alignment of objectives. That problem has been seen most clearly in the debate about Railtrack and the way in which it pursued its commercial agenda between its inception and the changes that took place in the company last year. Now Railtrack's role is to be an infrastructure provider, rather than both an infrastructure provider and a developer of the rail network. I do not believe that there are huge cost savings to be made from vertical integration. If there are, those savings should be ploughed back into the rail network. I stand by that statement.

Issues of operational efficiency—the planning of the timetable and decisions about whose train takes precedence—are covered by regulation and fall within the domain of the rail regulator. Moving to a vertically integrated structure would not help us greatly to optimise use of the rail network. Although there are some problems now, the network is reasonably optimised for what is required and what it is capable of.

A factor that needs to be borne in mind is what is spent where on the rail network. In our submission, we have put forward our thoughts, which I am aware differ from those of Railtrack's zone director, from whom you have heard. To develop the rail network and infrastructure in Scotland, we have to ring fence the Scottish rail network's money in some way. The money that I pay Railtrack is for the services that I run. Colleagues from Stagecoach and Virgin who operate here likewise pay a proportion of their track access fees for the service that they receive in Scotland. My question—to which I have no easy answer—is whether all that money gets invested in Scotland.

The Convener: Janette Anderson said that Railtrack Scotland was a net loss-making part of Railtrack. Do you concur with that view?

Nick Brown: I am not privy to Janette's profit and loss account. I am sure that the recent difficulty that the network has had in relation to Dolphingstone has made Railtrack Scotland more of a loss maker than it was before. That is an area in which we need transparency. We have transparency around the ScotRail accounts relating to the bucket of franchise operations that we have, but we need transparency in relation to the infrastructure of the Scottish rail network.

The Convener: Would the gaining of transparency not result in higher subsidy for the ScotRail franchise?

Nick Brown: One would have to draw that conclusion.

John Boyle: We are anxious to have you consider the possibility that, instead of having a large proportion of the ScotRail support payments going straight through to Railtrack, the funding for the Scottish zone of Railtrack could come directly out of the Scottish budget. I attended the parliamentary debate on that subject and heard the view that, if the Scottish zone of Railtrack had more autonomy and responded more directly to the wishes of the Scottish Parliament—just as there is a debate about the extent to which the ScotRail franchise could respond more directly to the wishes of the Scottish Parliament—there would be more control in Scotland over how the money was spent than there is under the present system. At present, it is arguably the case that Railtrack's priorities are the SRA's priorities and take into account what is perceived to be the greater need of the greatest number, which is in the south of England. I make that point to allow you to consider it.

Robin Harper: Yesterday, questions were raised about the feasibility of the franchise replacement programme and, in your introduction, you indicated that you have some doubts about it. Is there likely to be slippage and is there a need for additional action to allow, for example, the operation of additional rolling stock between now and 2006?

Nick Brown: It is right that we set ambitious time scales. If we set woolly time scales, there will be slippage as we are engaged in a complex process. Heads of terms for the only franchise that has been relet for a long-term period—Chiltern Railways' 20-year let—were signed at a ceremony that I attended in August 2000. I believe that the commercial agreement was closed in February 2002. Without wishing to demean the achievements of Chiltern Railways in any way, I point out that that agreement relates to a pretty straightforward railway that does not have the involvement of a national Government or a passenger transport executive. The issues that we face in Scotland are of an order of magnitude or two more complicated and need to be treated with care and caution.

There are mechanisms within the franchise agreement that permit extension either for seven periods or for up to 26 financial periods—in effect, seven months or two years. Those mechanisms could be triggered. My group has put forward to the Scottish Executive and the SRA ideas on how we could do that without prejudicing the long-term refranchising process. If the desire, the will and the funding were there, that would secure orders of rolling stock and sustain the momentum. ScotRail has a good record of investment in new rolling stock. The whole industry—not just our group, but all companies—has learned hard lessons from the rolling stock that has been

purchased, which has not worked out of the box. Likewise, the manufacturers have learned their lesson and there are prospects of getting new rolling stock in much sooner than the conventional refranchising programme—which would involve a relet in 2004—would deliver it. Orders for new rolling stock could not reasonably be placed until commercial close is reached on the ScotRail franchise, a month or two into 2004. At the conference a few weeks ago, Wendy Alexander outlined the time scale.

The Convener: In your introductory remarks, you referred to the idea of introducing investment in rolling stock ahead of the franchise. Could that happen independently of the franchise process?

Nick Brown: Yes.

Robin Harper: I have a question about options for structural change and will give you some prompts.

Nick Brown: Which bit of structural change would you like me to describe?

Robin Harper: Alternative structures might include a single passenger transport authority or executive for the whole of Scotland, which would answer to the Scottish Parliament; passenger transport authorities or executives for those parts of Scotland that are not covered at present; or an SRA with an enlarged Scottish office functioning as an agent of the Executive with respect to rail infrastructure planning as well as the ScotRail replacement franchise.

Nick Brown: You are asking me to tread into areas where simple railwaymen would probably not dare to tread. There are issues of babies and bath water here. Frankly, there is a high degree of partnership working, which I have touched on. I do not say that just because it is a politically correct thing to say; I speak with seven months' experience of working at the helm of ScotRail and having had the benefit of working here in the 1980s, when there was significant expansion of the railway. It is frustrating that the more people who are involved, the slower a process becomes. One of the benefits of the committee's report, which we look forward to seeing, is that it will help to generate a more single-minded vision of where we want to take the organisation and structure of the railways in Scotland.

I am in no position to comment on the relationship between the SRA and the Scottish Executive. That is not within my remit and it would not be proper for me to comment on it. We note that the SRA has opened an office in Scotland. We welcome that fact, if only for the purely practical reason that it is another point of contact. We sometimes seem to be a long way from London. However, let us not lose the advantage of being a long way from London. The increased

efforts that officials in the Scottish Executive are making to understand and get to grips with the issues of rail are to be commended, but they have a long way to go. As the incumbent in the franchise, we will support them.

I do not have a view on PTA/PTE structures covering the whole of Scotland. A set of relationships already exists between the Executive and Strathclyde Passenger Transport. Where would you draw the line? Would you close up and fold Strathclyde Passenger Transport, or would you replace it—as I think you are suggesting—with a whole-Scotland body? As the operator, we would desire to deal with one point of contact, but I do not want to give you the impression that the relationships do not work between the Scottish Executive, the local authorities and Strathclyde Passenger Transport—they work very well.

11:00

John Boyle: I came into the railway at a time when certain senior people within Strathclyde were saying, "Do you realise, John, that for every pound we collect in fares, it would be cheaper giving people 50 bob to go away?" I was not a railway person and that was my introduction to railway economics.

This goes back to the question that I raised earlier: what is the railway in Scotland for and what purpose does it serve? I am a great believer in the adage that he who pays the piper calls the tune. Some would argue that railway subsidy represents a significant investment. I fell out quite seriously with a minister who argued that because it was a lot of money, she expected more for it. Clearly, a sizeable investment is involved. Evidently, there are issues to do with infrastructure, which is the most expensive bit of the railway, and to do with the provision that is needed. Whether the requirement is for fast end-to-end journeys, a more social railway, a more accessible railway or what have you, the infrastructure costs are sizeable, so it is reasonable for you to consider the governance of Scotland's railway.

As Nick Brown said, the more people who are involved in the process, the more complicated and slow it becomes. The important point is that specific objectives and requirements should be established—it is for you to determine how democratic the process is—so that the operator, whoever that happens to be, knows exactly what his objectives are and can apply his particular skills on the operating or commercial side to achieve those objectives.

The issue of accountability has been raised. It is difficult to judge value for money and all sorts of things when the allocation of basic Railtrack charges was arbitrary at the beginning, as was the

valuation of the railway's assets. Considerable public support is provided to the railways. In addition, every elected member in this room has his or her own special interests that they would like to pursue. Therefore, clarity is needed above all.

The central problem is how to get the right mix between the democratic process, clarity of objectives and freedom for the operator to operate and exercise his commercial nous. You can argue that the social benefit from the Strathclyde railway is such that an extension and further growth in it, which would cost a lot of money, is essential. It could also be argued that hard-nosed commercial operations will immediately be in conflict with those wider social objectives. As the people who vote the money—and it is a lot of money—you have to decide on the kind of structure that you want.

The Convener: A couple of members would like to ask supplementary questions, but I would prefer to make progress, because we have yet to address a couple of major areas.

Robin Harper: That was a useful answer.

We cannot consider rail transport entirely on its own; we have to look at it in a wider context, and I invite you once again to consider it in that way. Do you support the principle of trunk road charging in addition to congestion charging, specifically in relation to the Glasgow to Edinburgh link?

Nick Brown: I would certainly want to know about it before I bid for a franchise, because it clearly would have a huge impact on the economics. I do not have any hard and fast views either way. The issue is how we get more money into public transport infrastructure and service development. We therefore come back to the question of taxation and the most effective way to raise it. Do we put a penny on income tax or do we try to use the principle that the polluter pays? I think that the tax has to be as close to the consumer as possible.

We could have enough consultants' reports to cover the floor of the room on the long-term economic effects of congestion charging and tolls or whatever mechanism is chosen, but nobody knows precisely how they will work out in practice. I do not object in principle to seeing how those measures would work and I am not against them.

John Scott: Will the uncertainty about the future of congestion charging be a real obstacle to the delivery of the agreement in 2004?

Nick Brown: I do not think that that will be a real obstacle, but the devil is always in the detail. The directions and guidance do not say what the duration of the franchise will be. We want to ask the Executive how long it is proposing that the

franchise will last. We believe that it will last 15 years and we believe that the details are not there because of omission rather than commission.

Any uncertainty—or even greater certainty—that is built into a franchise proposition on which we are to take commercial risk has to be factored in. Talk of congestion charging or tolling in whatever guise it comes has continued for five years. It is for politicians, rather than me, to decide whether it will be introduced in the next five or 10 years. I would just take a commercial view on when that is going to happen.

Nora Radcliffe: Various submissions have suggested that fares should be lowered and restructured to offer wider availability of multimodal fares and standard fares that are not normally above charges for car use. Would you support the inclusion of such principles in the directions and guidance for a ScotRail replacement franchise? Will you give a broad indication of the likely impact of such changes on your operational results?

Nick Brown: If I understand you correctly, you are suggesting that the fares that we charge be matched to road charges.

Nora Radcliffe: You would set them at a level that makes them attractive in relation to the perception of the cost of car use.

Nick Brown: The misapprehension about the cost of car use is that apart from petrol costs, it is free at the point of delivery and we agree that we need to nail that.

Fare regulation has worked well in our experience, notwithstanding yesterday's reports from the SRA of a 1.5 per cent increase in fares over the past X years compared with a rate of inflation of 1.3 per cent. That has undoubtedly been a factor in drawing people back to rail, as have improved investment, a better quality of service, more services and, elsewhere in the UK, increased road congestion.

We will have to work through any reduction in our revenue base to increase grant. There would be a trade-off relating to how much we would expect a commercial operator to chase through innovative fares—ScotRail has innovative fares and there is a fare freeze at the moment—that make rail more attractive. Those are the carrots; as I said in a previous answer, I cannot put the sticks in place. If innovative fares start to bring more people into rail, there is a trade-off in how we cater for the increased capacity that a 10 per cent increase in rail passenger volumes will require.

Maureen Macmillan (Highlands and Islands) (Lab): I know that there are good schemes around Inverness, where there are low fares that attract commuters. How does that have a knock-on effect

on getting people to use rail for other journeys? What benefit do you get from it? I know that the travellers get a good service, but can you afford it if they do not then start taking the train to Edinburgh or London as well?

Nick Brown: There are two or three elements to that question. Can we afford to have low fares and can we afford not to have them? There is no doubt that we would like greater use to be made of rail, particularly in the north of the country.

Some of the best recommendations that we get are by word of mouth. If people, particularly regular travellers, are using an affordable, regular and reliable rail service, our research shows that they will tend to turn to rail for leisure journeys that otherwise they would not have made or would have made by car. There is a spin-off effect. The fares that we have put in place for the summer, including the new apex fares, are intended both to stimulate tourism and to help us play our part in bringing tourists back to Scotland and getting them to travel around Scotland. Those fares are also for the inhabitants to use if they can plan their journeys a little bit in advance. That returns to our point about growing the off-peak revenue. We must not have just a morning peak and evening peak railway.

Maureen Macmillan: So if we look at the wider picture, it is cost-effective to put such schemes in place.

Nick Brown: Yes. The key for us is not to chase volume at the expense of yield. Our average fare across the network is about £4. If it falls much below that and if the volume of passengers remains at its current level, that will be of concern. If the volume increases, that helps manage the volume-yield mix much better.

Nora Radcliffe: Have you any further comments on the draft directions and guidance? I suspect that you are thinking, "How long have you got?"

Nick Brown: First, I am glad that I did not have to write the directions and guidance. Scottish Executive colleagues to whom we have spoken and with whom we deal have made a pretty good stab at the job. However, the directions and guidance fall short in a number of areas, although I accept that they are only in draft form. It would be vain of me to suggest that they should be completely rewritten.

In some parts of the directions and guidance, the lack of specificity is key, although I do not mean that every last train at every last station should be specified. That takes us back to the point that John Boyle made earlier: it is crucial for us to know what kind of railway we want in Scotland. However, that is not easy to determine.

If I was on the receiving end of those directions and guidance, which the SRA will be, would I have

a sufficiently clear remit to go out and relet the ScotRail franchise according to the time scales that have been laid down? Members will draw their own conclusions.

I have other concerns. Colleagues have mentioned value for money. How that and best value are worked out is important. I was struck by clause 1.4 of the draft directions and guidance, which says:

"where service charges are proposed by bidders, costs and benefits should be assessed in line with the Executive's Scottish Transport Appraisal Guidance document."

I am not familiar with that document, although I think that is generally in line with the SRA's planning criteria document. What set of criteria are we judging against? Are we judging against the STAG document or the planning criteria?

Clause 1.4 goes on to say:

"the final decision on value for money will rest with the Scottish Ministers."

I accept that. The franchising process has, since the creation of the SRA, hit difficulties in that it has to compare apples with pears. It is easy to make a comparison using pound notes; it is difficult to do so with economic and social benefits. Without wishing to quote the Prime Minister too directly, I personally bear the scars of having to compare apples with pears with the SRA. That is difficult not just for it, but for us, as one man's clean environment is a train rattling past somebody else's back garden. We need to take such issues into account.

The Executive and the PTE must debate the revenue risk issues, which will clearly have a major impact on the future franchise. The question is not just who collects the fares and who takes the revenue risks; it is a much wider commercial issue of who sets the fares and what the objectives are around that.

The directions and guidance need to focus a little more carefully on the separation of the infrastructure schemes and the growth of the rail network. Clause 3.2 says:

"The Scottish Ministers direct the SRA to explore the full range of options available to it in order to let the franchise which is capable of being developed and enhanced in line with available funds—

whatever they may be—

"over time and which shall contribute towards passenger growth within current capacity".

As a humble operator, I have to ask whether the word "capacity" refers to track capacity. If so, there is a limitation on the number of additional trains that can be run on a network that is currently fairly congested in parts. If the word "capacity" refers to new trains capacity or the ability to get a seat, that

plays back into the quality of service that we are to operate.

11:15

Given that we have a growing railway, if “current capacity” refers to the existing number of carriages that we operate, the only way forward is to operate more trains. However, without infrastructure schemes, we have to put on more carriages to cope with the extra capacity and avoid huge problems of overcrowding. That issue needs to be unpicked and thought through in a little more detail.

It is quite clear from clause 3.6 that we have to

“maintain at least the current level of services, patterns of service and routes operated”.

If the directions are as clear as the draft, we will have clearer guidance on the money that is to be made available to fund the rail network in future.

Without wishing to be too technical, I want to draw an issue on due process to the committee’s attention. It is to be found in clause 3.7. I am quite happy to discuss with

“key stakeholders, in particular Railtrack,”

to satisfy myself

“about the deliverability of proposals”

that I make. However, the rail industry is concerned about the regulator’s ability to direct Railtrack to enter into commercial agreements with operators in what, under the Railways Act 1993, are called section 17/section 18 consents. The regulator has recently been overruled in the courts in London on cases in which Railtrack was forced to enter into an agreement with an operator while it is in administration.

The bottom line on the issue is that I cannot come to an agreement with Railtrack about X more trains or a certain junction while it is in administration without being completely rolled over on commercial terms. Although we are happy to enter into a commercial relationship with Railtrack, or Railtrack in administration, the playing field has to be level. I am no legal expert, but that issue has further to run before it is sorted out.

Clause 3.8 covers directions to the SRA to

“develop a Scottish franchise which, subject to affordability,”

will deliver 17 objectives. Although we are not to take those objectives as a priority order, I suggest that that is what they are. However, we need to think through how far the money will go before we deliver on objectives down to objective 17, which refers to being able

“to accommodate the demand created by major additional events.”

ScotRail played its part by moving almost 20 per cent of passengers to the European cup final and we will also play our part in the forthcoming golf tournament at Muirfield. I make the point that clause 3.8 lists everything, but let us get to the true priorities. Having done that, we will still move people to the European cup final and the golf.

Apart from those general points and one or two specifics, my conclusion on the draft directions and guidance is that they are a good start but that a lot more work needs to go into the document. I would not wish to see very detailed guidance of the sort that would say, “The train leaves at this time and arrives at that time,” as such details are for me to worry about. As the operator, I—or a colleague from the companies that are represented today and that may be running the franchise—have to come up with the best proposition.

We need a clear framework with clear guidance and steers about where the funding is to come from for the big projects that have been identified. In respect of the evaluation of value for money in the franchise, those who bid for the franchise need to have a clear set of criteria. If they do not, we will be shooting in the dark and that will not lead to value for money, which we all want.

Des McNulty: I wonder whether you are pulling one or two punches. You said at the start of your evidence that you needed to be absolutely clear about what the railway is for and the basis on which to proceed. You then said that the 17 different priorities are okay. Is there a need for a clearer definition of what the railway is for, to allow you to specify more clearly what you are trying to achieve? Do politicians need to make some harder decisions, rather than list priorities?

Nick Brown: Without pulling any punches, I would say that the answer to your question is yes. I was trying to avoid the use of the words “motherhood and apple pie”, but the 17 objectives are frankly motherhood and apple pie. The draft directions and guidance need to state that we want an intercity network, that we want a commuter network and that we want the social inclusion issues and economic factors to be addressed.

Des McNulty: Is there a dialogue between you and the Executive, or you and other interested parties and the Executive, that will ensure greater transparency in the specifications? Could there be a productive dialogue? I presume on the basis of what you have said that you could say, “Yes, we could run a more economically focused railway. Yes, we would run a more socially inclusive railway. If you set the objectives, we could come up with alternatives.” Is there sufficient dialogue to ensure that we will not be left with a multiplicity of objectives and that it is clear what can be delivered?

Nick Brown: I do not think that such a dialogue is occurring in sufficient detail. I do not wish to compromise our commercial position or that of any other operator. The SRA has the wherewithal to provide that guidance, but there is a chicken-and-egg situation with regard to what the SRA is saying, what the Scottish Executive can afford and how the system works now and in the future. Until the knot is cut, that will for ever be the situation. John Boyle is correct: whoever pays the piper calls the tune.

John Boyle: The issue of affordability keeps coming up, which prompts me to suggest to the committee that, throughout our active lives, we all need transport and we all need a good environment. We do not necessarily at a single point in life need a lot of education, a lot of police or a lot of social services.

The fact is that you will have the kind of railway that you want for Scotland if you are determined to have it. It will need considerable investment in infrastructure. The starting point is how much you are willing to invest to improve public transport—I do not just mean railways—and the transport infrastructure generally in Scotland. I suggest that the numbers are large and that there has been underinvestment for decades. That is a central issue, which has to be addressed. As in so many cases, the starting point is the amount of money that is available and the choices that have to be made. That is different from saying, “This is what I would like. How much will it cost?”

A lot of what everybody would like starts off with infrastructure. I am sorry, but we are not the organisation that will tell you what that will cost. The central issue is that the existing network needs money to be spent on it in order to be more efficient. If it had the resources, Railtrack could say how much would have to be provided to deliver the additional provision that is needed and to make the existing network operate better with the enhancements that we would all like to be made to meet the aspirations that politicians in central Government and local government have articulated. The price is going up all the time, but nobody has taken the view, “We want public transport. Those are the things that we want. How much do they cost? Right, here is the money. The cheapest and most cost-effective bidder will get the contract, but we will tell you as bidders exactly what we want.”

However, that is precisely what Stephen Byers said would happen after the shambles of letting the east coast franchise. He said that apples would not be compared with pears, that there would be a clear specification of what is wanted and that bids would be judged on that basis. I do not think that we are getting that in the draft directions and guidance, but perhaps there will be

more specificity in the future.

Nick Brown: It may help the committee to consider the subsidy that ScotRail receives—the original franchise profile—and how that in turn is modified by the reprofiling agreement that was put in place between the National Express group, the SPT and the SRA as signatories to the franchise agreement. That could be compared with the position that has been reached that, in effect, more grant comes in if the time scales of the franchise are taken into account. Basically, that takes us back to the position around 1999-2000 in respect of levels of grant.

With a little more precise detail from the committee's advisers, that might start to give the committee a real grip on the costs of operating the ScotRail franchise at current levels of capacity. One should then start to put incrementally on to that what we have discussed in respect of infrastructure, additional services and other investments in stations, station security facilities and everything else that should go into creating a thriving railway. As I said at the start of the discussion, incremental costs run way ahead of incremental revenue when new services are implemented.

The Convener: As the committee has no more questions, I thank Nick Brown and John Boyle for their contributions, which have been useful to the inquiry, particularly in respect of the draft directions and guidance. The committee will question the minister next week on the draft directions and guidance in particular and many of their comments will be useful. I am pleased that ScotRail will continue to serve the open championship.

Nick Brown: Thank you. If the committee wishes to invite us back, we would be happy to answer further questions.

The Convener: I welcome Jonathan Metcalfe, who is the chief operating officer of Great North Eastern Railway, Brian Johnson, who is Virgin Trains' director for service at stations, Dr Mike Mitchell, who is the chief operating officer of FirstGroup Rail, and Graham Smith, who is the planning director of English Welsh & Scottish Railway.

I will explain how we intend to structure the evidence taking. As there are four witnesses, taking evidence could take some time. I understand that all the witnesses wish to make brief introductory remarks, but I ask them to keep those remarks as sharp as possible. We will target questions at specific witnesses. However, if a witness wishes to make a cogent point about a question that has been put to another witness, they should indicate that and I will try to bring them in.

I welcome Jonathan Metcalfe, who is a former colleague of mine at GNER. The first questions will be targeted at him, but he may make introductory remarks. We will then move to the other witnesses around the table.

11:30

Jonathan Metcalfe (Great North Eastern Railway): We welcome the inquiry and the opportunity to give evidence. It would be appropriate to tell the committee briefly what GNER does in Scotland. We operate 44 services a day to and from Scotland, serving 22 stations in Scotland. We employ 640 staff in Scotland, covering a diverse range of roles and responsibilities, including on-train customer service staff, skilled engineers at our Clayhills depot in Aberdeen and our Craigenfinny depot in Edinburgh, and retail and station staff at Edinburgh Waverley station.

We bring more than 3 million passengers to Scotland each year and more than 1.6 million journeys within Scotland are made on our services. We believe that our services in Scotland enrich the economy by at least £170 million a year and provide the best high-speed link between Holyrood and Westminster.

We are committed to serving all our Scottish destinations. Since starting our regional franchise on the east coast main line in 1996, we have invested £40 million in trains, stations, services and staff and have achieved a 30 per cent growth in passenger numbers. GNER has continually received the highest passenger satisfaction score of any long-distance stock as measured by the SRA's national passenger survey. In January this year, we were awarded a two-year extension to April 2005 and have committed ourselves to investing a further £100 million in our services to and from Scotland.

At present, GNER receives no subsidy and has a profit-share partnership agreement with the SRA. Although GNER answers to the SRA for its operation on the east coast main line, it has always supported the McLeish settlement, which provides for the Scottish Executive to issue advice and guidance to the SRA with regard to the ScotRail franchise and on the franchising of cross-border services. With that in mind, we are fully committed to continuing to consult the Scottish Parliament.

We are pleased that the Scottish rail industry and associated bodies have, in recent years, been working well together for Scotland's railways. Through a series of meetings and activity at party conferences, the Scottish rail industry partners have demonstrated a unity of purpose and a desire to work together for the benefit of rail users and the wider Scottish community.

I will briefly touch on three key strategic issues that are relevant to the committee's inquiry and rail in Scotland. The first key issue relates to Railtrack. Following the placing of Railtrack in administration, the long-term infrastructure crisis is far from over and is likely to continue until Railtrack comes out of administration in the autumn of 2002. GNER is pleased that the day-to-day performance of Railtrack is improving, but there is a need to ensure that, when Railtrack comes out of administration, the momentum is kept going. If that is to be ensured, it is essential that the on-going funding requirements of Railtrack are properly addressed as part of its coming out of administration or as part of any interim application for a funding review.

The next key issue is the transport delivery plan for Scotland. We welcome the commitment to a longer-term franchise for Scotland. The redevelopment of Edinburgh Waverley station will provide a welcome increase in platform capacity for train operators in Scotland. From a GNER perspective, the redevelopment must dovetail with the SRA's east coast main line upgrade and capacity improvements.

Our initial view was that, although there are some arguments for a form of vertical integration in Scotland, the case is not compelling. We are, however, working on the case for vertical integration on the east coast main line, which would also involve other train operating companies on the route. The arguments behind that are primarily based on the principle of reducing the number of operational interfaces and improving efficiencies.

With regard to services north of Edinburgh, we welcome the plans to improve interurban links and journey times. Investment in journey times north of Edinburgh is essential and GNER feels that, as well as working on appropriate infrastructure improvement, consideration must be given to providing express non-stop services between Aberdeen and Edinburgh and Inverness and Edinburgh, which would connect to high-speed services to London. I stress that that suggestion in no way means that we do not intend to continue to operate our through services to London, which, as we fully recognise, have a high social value. However, we believe that there are some arguments for considering stopping patterns on those services, which would be linked to the provision of local feeder services in conjunction with ScotRail.

I want to clarify why GNER suspended services north of Edinburgh following the tragic accident at Potters Bar. That was simply because of insufficient power supplies from the overhead lines on the diversionary route, which meant that we had to redeploy our diesel high-speed trains to the

southern end of the route. That does not reflect a reduction in our commitment to services north of Edinburgh. The fact is that that was the only way in which we were able to come anywhere near being able to cope with the huge number of passengers who were affected at the southern end of the route. Around 60 per cent of our services either start or finish in London. Although we acknowledge that that left a far from ideal situation in Scotland, alternative arrangements were made in conjunction with ScotRail in a way that was not possible at the southern end of the route.

We acknowledge that there is a need to consider capacity on around the Hertford loop—we are currently engaging with Railtrack and the SRA on that issue. In the event that we have to face such a situation again—one hopes that we will not—extra capacity would mean that we would not have to use our diesel HSTs in the south and would be able to continue to operate a service in Scotland. We are discussing with those organisations how that might be achieved and what the cost implications would be.

Brian Johnson (Virgin Trains): First, I thank the committee for its invitation. That invitation was addressed to Chris Green, our chief executive, who sends his apologies. His heart is very much in Scotland and he would have dearly loved to be here, but I am representing him.

I am sure that the committee is aware that Virgin Trains is made up of two franchises—CrossCountry Trains and West Coast Trains. We play a relatively small role in the provision of internal services in Scotland, but we play a significant and expanding role in cross-border links. From September this year, those links become truly international when we introduce direct services between Edinburgh and Cardiff for the first time.

We are now five years into the two franchises. We are well down the road of delivering a superb fleet of new trains and more than half our departures from Scotland are operated by our new Voyager and Super Voyager fleet. From September this year, we will be introducing our new CrossCountry Trains timetable, which will double ridership on Virgin Trains over the next few years, as will the new West Coast Trains timetable. I therefore suggest that we are making a significant contribution to the objectives of the Scottish Executive and the SRA on introducing new trains, new services and increasing capacity.

Finally, although I am sure that you have read the paper that we submitted, I have one other thing to pick out. We support and share the Scottish Executive's aspiration to ensure that the new ScotRail franchise is strong, long term and secure. We want that because we want to build on the effective partnership that we already have in

Scotland with ScotRail and others in the industry. We also want to underline the importance of the connecting services, such as those that ScotRail operate, to the cross-border services that we and GNER operate.

On that point, I suggest that the term "integration", which is very much part of the thinking behind the directions and guidance on the ScotRail franchise, needs to embrace integration between domestic and cross-border services. A good example where we might have to think about that is Glasgow. If we were inventing railways in 2002, we would have only one station in Glasgow. We have inherited two stations, however, which many people perceive as difficult to move between. If the stations were an airport, there would be a north terminal and a south terminal—the stations are no further apart than those terminals at Gatwick airport. Glasgow Queen Street station serves the domestic network and Glasgow Central station serves the domestic and cross-border networks. We must integrate those two stations more effectively to achieve some of the objectives to which we all aspire.

Graham Smith (English Welsh & Scottish Railway): Thank you for inviting EWS to address the committee.

EWS is the largest UK rail freight operator. The rail freight industry is not franchised. For better or worse, we bought our business in 1996 and we intend to make a success of it. Today, the SRA announced that last year there was almost 9 per cent growth in rail freight in the United Kingdom. That means that there has been a 50 per cent increase in the past seven years and that rail freight now has an 11 per cent surface market share.

Last year, EWS alone increased traffic in Scotland by 32 per cent. That was a significant achievement. Freight moving from Scotland by rail now represents 20 per cent of our business. That growth came in transporting coal, construction materials, steel and express parcels. Unfortunately, one anticipated growth area—international rail freight—has declined because of the vexed subject of asylum seekers. We look for support from the Scottish Executive and members of the Scottish Parliament to get the problem of asylum seekers in France resolved.

Rail freight has invested £1 billion in privatisation and EWS alone has invested £750 million in locomotives, wagons, terminals and systems. Our locomotives work out of the box—or rather, off the ship—and have led to a significant improvement in reliability and punctuality. Since the locomotives were introduced, the number of delays caused by freight locomotives has halved in the past three years. Our royal mail service is now delivering 100 per cent reliability and nearly 95 per cent

punctuality every night. Only the royal train exceeds that punctuality performance.

A key issue for rail freight in Scotland as for the whole network is the quality of the mixed-use network. There are still too many speed restrictions on the network and members will be aware of the issues that we have faced in running our new coal wagons. We have invested more than £50 million in new coal wagons to move coal from open-cast sites and from the port of Hunterston to power stations in Scotland and England. We try to run our old coal wagons at their full authorised speed, although that is unfortunately reduced in Scotland, and we run our 125mph freight locomotives at their full speed. We also seek access to the network 24 hours a day, seven days a week. Our prime competitor is the road haulier, who has access to the road network over that time.

A key issue for rail freight is the capacity of the network. In Scotland, that concerns the west coast main line, the east coast main line and the lines in Glasgow, the south-west and the central belt as well as the lines that go further north. We are pleased to see that there is widespread support for the opening of the Stirling to Alloa route, which will enable coal trains to be removed from key passenger routes, thus increasing passenger capacity and providing a more reliable service for Scottish Power.

Further key issues for rail freight are the protection of the UK Government's £4 billion for rail freight over the next 10 years and the requirement for the UK Government to reconfirm that the target for the next 10 years is 80 per cent growth in rail freight, in line with European Community objectives and, we hope, supported by the Scottish Executive. The environmental benefits of rail freight must be properly quantified, as they support the grant mechanism for rail freight. By and large, rail freight is self-standing, but environmental benefits can be gained by transferring freight from road to rail with financial assistance. However, in the past, the application of the grants process for rail freight in Scotland has been less than ideal.

Finally, on the structure of the railways, we are on record as being fundamentally opposed to vertical integration. As a national operator—as our name suggests—we believe that vertical integration will create boundaries and barriers, lead to more intrusive regulation and cause fragmentation and disruption in the network. Although that view is not shared by some of my colleagues in passenger transport, we feel strongly about it. Rail freight is important.

11:45

Dr Mike Mitchell (FirstGroup Rail): Like my

colleagues, I am pleased to have been invited here today. FirstGroup welcomes the opportunity to give evidence to the inquiry into the rail industry in Scotland. We fully support the Scottish Parliament in its efforts to ensure that Scottish rail networks meet the needs of the country and deliver what the people of Scotland need and deserve.

We believe that the future of rail is of paramount importance for transport in Scotland. The new franchise, which provides an opportunity for investment and growth, must be planned and delivered carefully. If necessary, I will comment further on the directions and guidance, but I do not want to repeat what Nick Brown said earlier, much of which I agree with.

I want to say a word or two about FirstGroup. We are a Scottish-based international transport group, which has its headquarters in Aberdeen. Our origins are in the former Aberdeen Corporation transport department—the company arose from a management buyout. FirstGroup, which operates in the United Kingdom and in North America, has a turnover of about £2 billion a year. We are divided into three main operating divisions: UK buses, UK railways and US buses, which is involved principally with school buses in the United States and Canada.

In the UK, we have demonstrated our commitment and expertise in three types of railway activity. Our intercity train operating company, First Great Western, operates from Paddington station to south Wales and the west of England; our award-winning commuter TOC, First Great Eastern, operates from Liverpool Street station to East Anglia; and First North Western operates a regional railway which, in some ways, shares many of the difficulties of the outer reaches of the ScotRail franchise.

In keeping with the Government's determination to improve the national public transport system, we are committed to providing, first, a safe service and then a comfortable, reliable and seamless travel experience for our customers. The key issue—apart from safety, which is a given—is that we are the UK's leading provider of integrated transport. We are the major bus operator in the west of Scotland and the largest bus operator in the UK, which brings benefits. We operate many integration schemes in south-west England, in the First Great Eastern area and, increasingly, in north-west England.

We have increased the availability of through-ticketing to make the service easy to understand and accessible for customers. The train times hardly require a timetable document, which facilitates easy interchange between train and other modes of transport. I echo the point that was made earlier about the need for integration with

other train companies.

We are dedicated to providing value for money for our customers. That is a key issue for the franchise. We are also dedicated to growth, which has been spectacular during the past few years, for the reasons that have been mentioned.

We look forward to the results of the inquiry and to bidding for the opportunity to operate the franchise.

The Convener: I thank the witnesses for their opening statements. The first group of questions will be directed at the witnesses from GNER and Virgin Trains. Because many of their experiences are comparable, I ask them to dovetail their answers and to try not to repeat points on which they agree.

John Scott: I ask the witnesses to say a little about vertical integration. Jonathan Metcalfe commented on that, but Brian Johnson said nothing about it.

Jonathan Metcalfe: I will make one or two brief comments. We accept and agree that the fewer operational interfaces there are, the better. A debate must take place about how the east coast main line will be upgraded and how the major infrastructure schemes will be carried out. We must also consider the funding mechanisms for the upgrade and the issues surrounding special purpose vehicles, which are proving to be complicated in the franchises in which they exist. At the same time, we must ensure the continuation of the day-to-day maintenance and inspection works and the day-to-day operational running of the railway.

If all those aspects can be made to work, there will be no need for vertical integration. However, if those issues cannot be resolved, because construction, project management, day-to-day operations and maintenance and inspection cannot be dovetailed, the argument for vertical integration will come to the fore.

We are putting together a proposition that says that, in the event that all the other strands cannot fit together and the model cannot be fulfilled, we will take on some of the responsibilities to ensure that the upgrade and on-going running of the east coast main line move forward and investment in the schemes does not stagnate while the deeper issues are resolved.

Brian Johnson: I will not cover ground that has been covered already. Virgin Trains is much more like EWS than any of the other passenger operators—we operate between Aberdeen, Penzance and Brighton, visiting many places in-between. If vertical integration happened, it would be rolled out with many other TOCs around the country. It is not something that Virgin Trains is

considering in particular, for reasons that the committee will understand.

I underline the point that we made in our submission to the committee: if vertical integration were seriously on the agenda for Scotland, we would not have a problem, provided that there was effective regulation to ensure that non-domestic services had equal and appropriate rights and the same terms of access as we enjoy today. We should not tear down some barriers only to create new ones. An experience that we share with EWS is that we operate in all the Railtrack zones. It is amazing how difficult it is to get Railtrack zones in the same company talking to one another and working together effectively. Vertically integrated areas could make that even more difficult.

The Convener: Vertical integration is one option that has been floated. The other option, on which we took evidence yesterday, is the idea that the new rail network should be split between a Scottish network and a network for the rest of the UK. That has been suggested on the basis that resources could be drawn to the congested south-east of the rail network while preserving investment in the Scottish industry. What are your views on that? I can read into some of your answers what your views might be, but perhaps you can comment on that definitively.

Jonathan Metcalfe: There is a clear argument for greater transparency in the funding of Scotland and the rest of the country. However, I would be cautious about drawing a clear boundary that might lead to a separation between Railtrack in Scotland and Railtrack south of Scotland. Separation could work against some underlying benefits. My preferred approach would be for a clear zone in Railtrack or Network Rail that focused on Scotland, with clearer transparency of funding. I would be cautious about separation.

Brian Johnson: I support that. I have listened to the arguments about whether Scotland is getting a fair crack of the whip in relation to finances and resources from Railtrack and there is not sufficient transparency to know whether that is true or not. Separation could work against Scotland.

John Scott: Should the SRA become an agent of the Scottish Executive for infrastructure planning in Scotland as well as for the ScotRail replacement franchise?

Jonathan Metcalfe: The SRA has the overall ability and capability to take on a clearer responsibility for infrastructure improvements. Railtrack has moved towards maintenance and inspection and is not primarily targeted at dealing with infrastructure improvements. The SRA will have to lead on those issues, but it will require clear direction from the Scottish Executive about what those priorities are in order to quantify and

specify what they mean for design and build solutions.

Brian Johnson: I agree. The west coast main line upgrade is the first example of that beginning to happen. The SRA has picked up the mantle of determining what happens south of Crewe in particular. We have yet to see the outcome and we will have to judge how effectively it works. In principle, the SRA should be able to give the strategic, long-term view of capacity that is required.

Nora Radcliffe: I have another question about operational matters. What improvements in journey times between the Scottish central belt and Aberdeen and Inverness would you consider to be feasible in five and 10 years' time? What contribution might tilting trains make to such improvements, compared with track and signalling works?

Jonathan Metcalfe: The potential reduction in journey times from, for example, Edinburgh to Aberdeen or Inverness is in the order of half an hour. You mentioned both of the approaches that could be taken. The first is to consider tilting trains. That core proposition was in our original bid for the GNER franchise and would have resulted in journey time reductions in Scotland of about 20 to 30 minutes. The second opportunity is that presented by the introduction of fast express trains between major urban centres, which I mentioned in my opening address. Such trains would be supported by local feeder services that would run in close proximity to central hubs in places such as Dundee and Perth and would feed into high-speed services. That approach could also reduce journey times by about half an hour.

I stress that achieving such reductions would require co-operation between the companies that run the high-speed express services and those that run the local feeder services. GNER or ScotRail might get involved in running high-speed express services, and the companies would have to work in tandem with each other—the situation could not be considered in isolation.

Maureen Macmillan: Is there any scope for increasing the frequency of services from Inverness to London? At present, there is only one service a day.

Jonathan Metcalfe: The answer to that question is no, given the amount of rolling stock that we have. We desperately need to invest in more rolling stock. That ties into the issue of longer-term franchises, which was part of our submission to the SRA and which, to an extent, is being reviewed while we deliver the two-year investment schemes that are linked into the two-year franchise extension. We can put in more services, which must be tied into the longer

franchise, only when we have additional rolling stock.

The Convener: Does Brian Johnson want to come back in? I realise that Virgin Trains also runs services to Aberdeen.

Brian Johnson: I can speak only about the Aberdeen to Edinburgh route, on which we operate. Our new Super Voyager train, which is the tilting version of the diesel train that we are buying for cross-country services, has the potential to reduce journey times by about 20 per cent. The trains facilitate the reduction in journey times in two ways. The first is obvious—the use of the tilt mechanism. The second is sheer power, which should not be underestimated on a route such as the one between Edinburgh to Aberdeen, on which there will always be a reasonable number of stops, although the total number of stops is up for debate. The Voyager accelerates twice as quickly as a high-speed train. It does 0 to 60 in a minute—the record is 44 seconds—which is quite spectacular. That makes a real difference on routes with frequent stops.

Thirdly, allied to that, we should consider relatively quick and easy infrastructure schemes that could knock off the odd minute or two, which adds up. For example, the cross-country upgrade is Railtrack's good news story, which very few people have heard about. On our behalf, Railtrack is spending £200 million upgrading the cross-country network. Although that might be small beer compared to the west coast main line, it will make a huge difference in achieving the 20 per cent improvement in journey times that the Voyager trains are capable of delivering.

I suspect that a mixture of those three aspects could make quite a difference on the Aberdeen to Edinburgh line. The problem arises if all we do is allow the faster train to catch up with the slower train in front. Something has to be done about the timetable and capacity.

Nora Radcliffe: What is your attitude to the idea of having high-speed sections of route—on which trains could reach up to 200mph—to cut times significantly from London to Edinburgh and London to Glasgow?

12:00

Jonathan Metcalfe: There is an argument for having a high-speed route within a 10 or 15-year time frame. Questions such as the precise geography of such a route, the part of the country it would traverse and how far it would run are all part of the SRA's current review. If we are to encourage people on to rail and see rail volumes grow in the way that we hoped they would, there is a clear argument for such a solution.

If that is to happen, it will take us 10 to 15 years

to plan such a scheme and be able to deliver it. As a result, it is probably more of a 15-year solution, rather than a solution for the next 10 to 15 years. In the meantime, we must deal with capacity problems in the ways that have been outlined.

Brian Johnson: We are hugely supportive of the idea, given that we put in a bid along those lines for the east coast when the franchise was offered. Part of the problem that the industry faces in England as well as in Scotland is that previous generations never thought big. When other countries in Europe were considering high-speed lines, we were tinkering around with already congested lines. We have to think big, but that is for the long term—we have to get through the short and medium term as well. We should seriously consider having a high-speed link to London.

Maureen Macmillan: You have said that the Edinburgh to Aberdeen route is suitable for tilting trains. What routes are unsuitable? Does the use of such trains depend on the terrain that they go over?

Brian Johnson: The unsuitable routes are the straight ones, because trains get the benefit of tilt only on corners. It is a bit like leaning into bends when you ride a motorbike. It then becomes a matter of cost; some routes will be easier to adapt for tilting trains because such adaptation really depends on how closely bridges have been built to fit existing trains, whether there is enough scope for a tilting train to get round or, in some cases, how close together the tracks are. Certain routes might need quite a bit of investment to get the benefit of tilt and to modify the infrastructure. The answer to the question requires Railtrack to carry out more detailed exercises and to have a better knowledge of its assets than it has at the moment.

Maureen Macmillan: Has any survey of Railtrack's infrastructure been undertaken to identify which routes might be suitable for tilting trains, or would you carry out any such survey yourself?

Brian Johnson: We are already upgrading the west coast main line for tilting trains, which will allow Super Voyagers to tilt all the way from Stafford to Glasgow and on various other parts of the network. I do not think that any detailed work has been carried out north of Edinburgh, but clearly that should be on the agenda for the future.

Jonathan Metcalfe: Certainly when we were working through the bidding process for the longer-term franchise for the east coast main line, GNER and Railtrack closely examined journey time opportunities and infrastructure issues in relation to tilting trains.

Brian Johnson: Just to give the committee an idea of the size of the problem, I point out that, to

clear the west coast for the tilting Pendolino operation, Railtrack has to take detailed measurements every 15 yards along the route. It is an extremely time-consuming and thorough task. As a result, the answer is not an easy one to reach.

Robin Harper: Quite apart from the costs of the upgrade to take the extra stresses on the track from high-speed trains, are there any extra on-going track maintenance costs?

Brian Johnson: Yes. One needs a different maintenance regime for higher speed trains. Moreover, for tilting trains, one has to be quite precise about the geometry of the track on corners. A price has to be paid for going more quickly, however that is achieved.

Nora Radcliffe: Will you comment on two other possibilities—electrification of the line to Aberdeen and an improved route from Edinburgh to Glasgow Central station?

Jonathan Metcalfe: Virtually none of the various aims and objectives in the directions and guidance for the ScotRail franchise will be delivered by electrification of the line to Aberdeen. I accept the arguments about the environmental benefits of electrification; however, the bigger environmental measure is getting people out of their cars and on to the railways in the first place. When the scale and cost of electrification are weighed against all the other things that could be done—procurement of new rolling stock and other infrastructural improvements, be they journey time improvements, signalling schemes, diversionary routes or passing-loop schemes on the existing infrastructure—it is clear that far more could be done for the money in sensible time scales. Therefore, our view is that electrification is not the right policy to pursue.

Brian Johnson: We share that view. The Voyager train demonstrates the fact that all the benefits of speed and on-board environment can be provided by diesel traction. The technology has moved on enormously over the past five or 10 years and one does not need expensive infrastructure—which electrification provides—to achieve the journey times and on-board benefits that we all desire.

Jonathan Metcalfe: For the route between Glasgow and Edinburgh, our priority is reductions in journey times. We are relaxed about whether those can be achieved on the existing route or whether an alternative route is required. Although there are issues about capacity, we do not mind what the solution is. The priority is to ensure that the overall capacity is maintained and that there is a reduction in journey times.

Des McNulty: I am not suggesting that this will happen, but let us suppose that the Edinburgh to

Glasgow connection moved out of the existing ScotRail franchise and became part of an intercity franchise such as those with which you are involved. What would your selling point be in trying to secure that route? What could you deliver if the franchise altered in that way?

Jonathan Metcalfe: There are some serious issues behind that, concerning rolling stock and the way in which the service could be fulfilled. If GNER was asked that question, it would sell itself on customer service. We strive towards high levels of customer service. However, it is questionable whether such a change in the franchise would make sense.

Brian Johnson: My views are similar. We have experience of the Voyager trains, which I am sure would be our preferred traction for the route. In several areas of England, we operate that kind of interurban service—for example, from Birmingham to Manchester.

Des McNulty: When you provide that service, do you operate it as a fast route or as a suburban route on which the trains stop at every station?

Brian Johnson: We do not stop at every station, but we make intermediate stops. It is 82 miles from Birmingham to Manchester and the trains typically stop four times over that distance.

The Convener: I suspect that colleagues from Falkirk and Linlithgow will be getting nervous about your line of questioning, Des.

Robin Harper: I have two questions. Do you support the provision of rail links to airports? Do you have any views specifically on access to Edinburgh and Glasgow airports?

Jonathan Metcalfe: GNER supports links to airports. We do not have a perspective on the detail behind the particular proposals to which Robin Harper refers, but airport links must be the right way forward and must represent a sensible element for inclusion in the ScotRail franchise.

We believe that there are other ways in which to attract people on to rail and to keep cars out of city centres. We are keen on the concept of parkway stations—we have been considering a parkway station for Musselburgh. There are a number of other ways in which to address integration and get people off roads.

Brian Johnson: I agree with that, although our objective, especially with the west coast upgrade, is to persuade people that flying is not the best way to get everywhere. Attractive journey times and modern trains with superb customer service will be a means through which to get people out of the air as well as out of their cars.

Robin Harper: You have already made several observations that relate to my next question. How

serious is the conflict on the rail network between high-speed passenger services, intermediate passenger services and freight, and what suggestions would you make on easing that conflict?

Brian Johnson: The problems are different in different places. Growth over recent years has undoubtedly been significant in some areas, for example in the area around Edinburgh and in many conurbations throughout Britain, such as Leeds, Bristol, Reading and Birmingham. Some quite expensive actions need to be taken to improve capacity—the reconstruction of Waverley station and the £200 million Virgin CrossCountry Trains upgrade to which I referred are part of that.

The CrossCountry upgrade builds in quite a bit of additional capacity for other users, as well as for Virgin trains. It enables more trains to be run and allows slower trains, freight trains and faster trains to avoid conflict by using additional loops, by recommissioning loops for the use of passenger trains as well as for freight trains, and by replacing capacity that British Rail removed in the past. With the benefit of hindsight, making such cuts—for example, reducing junctions to one track only, when two tracks were necessary for flexibility—was short sighted. The Didcot junction has just been redoubled as part of the CrossCountry upgrade. There is no single solution to fit all circumstances, but measures can be taken, apart from in the big schemes, to create worthwhile capacity.

Jonathan Metcalfe: Measures such as passing loops and journey-time improvements are more achievable in the short to medium term. The improved acceleration times of modern rolling stock enable us to address the stopping issue and to bring about journey-time improvements much more readily than was possible with more traditional rolling stock, which tended to be much heavier and to lack such acceleration capabilities.

Graham Smith: A perception exists, which perhaps goes back 100 years, that rail freight is a 20mph or 30mph service that clanks from yard to yard. I mentioned our 125mph express freight mail and parcels locomotives. Our intermodal trains can run at 90mph and many of our trains run at 75mph. On the southern end of the west coast main line, the great capacity consumer is the all-stations service between Euston and Milton Keynes, which uses nearly half the capacity on the slow lines on that route. Very slow trains, stopping trains and very high-speed trains consume most capacity.

I am pleased to be part of the steering group on the upgrade of the west coast main line, which also involves Virgin, other freight operators, the SRA and Railtrack. We have, in our discussions, identified six capacity solutions. The first is the

obvious measure of putting in more infrastructure. Although putting in a third or fourth line or flyovers are quite expensive options, such things are occasionally the right things to do.

The second measure is effective timetabling, which was discussed earlier. It is always good to let the fast train go first and have the slow train follow it, rather than the other way round, because that tends to increase capacity.

Other measures include: fit-for-purpose diversionary routes, for example the Glasgow south western route versus the Caledonian route; improved and more powerful traction, which has been referred to and applies to passenger and freight services; a maintenance strategy with efficient possession of the network—inefficient possession of the network is not helpful for any services when little work is being done—and better infrastructure standards that allow all trains to run faster and at more standard speeds. As in any network, the closer together the speeds of the trains are, the more we get out of the network.

12:15

Robin Harper: I was also thinking about dialogue structures, such as virtual boards. Do you have any suggestions for improvements that need to be made to the way in which companies can talk to each other?

Graham Smith: Under Richard Bowker's direction, virtual boards are being introduced for all routes, including those in Scotland. They are effective and people are talking. Previously, freight operators were kept apart from passenger operators and everybody was kept apart from the infrastructure maintainers. The new improved Armit-Edwards Railtrack has allowed people to get together and talk much more coherently and effectively. I think that Mike Mitchell has found that to be the case.

Dr Mitchell: That is certainly the case. We have experience of the virtual board at First Great Western in the great western zone. I think that I am right in saying that that was the first board to be established and it has proved to be effective in breaking down the barriers to which Graham Smith referred.

Nora Radcliffe: This might be a daft-lassie question, but is there any way of increasing capacity by combining freight and passenger services? I presume that freight does not need platform capacity and that a combined train would take up only one slot. Is that a possibility, or is it just an idiot's idea?

Graham Smith: There are examples in mainland Europe of lightly used services pulling freight as well as passengers but, in essence, we

are supplying customers who require their services to be delivered within 10 minutes of a specified time. The Royal Mail wants its services to be delivered within that time at its depots; those are not stations, because it now has its own depots. Coal generators want their coal to be delivered within 15 minutes of a specified time. That is very different from the situation, say, 20 years ago. Freight and passenger services have very different requirements, as do passengers on high-speed services and passengers on intermediate services. It is far better to let people stick to the knitting and put decent timetabling in place.

Nora Radcliffe: Do you want to make any other comments on the draft directions and guidance?

The Convener: That question is for Jonathan Metcalfe and Brian Johnson.

Jonathan Metcalfe: I welcome and endorse most of what the directions and guidance say, although there is probably a need for more specification, particularly on interurban high-speed services, where more guidance and direction would be appropriate. However the core objectives of attracting more people from road to rail, and having a rail service that supports economic development and integration are welcome. More clarity about what the Scottish Executive wants from schemes would be welcome.

The Convener: Before I invite Brian Johnson to comment, do the Scottish Executive and the SRA run the risk of creating a situation similar to the east coast refranchising in which, as a result of very different bids being received, refranchising did not happen according to the original timetable? Does the lack of specification in the guidelines carry that risk?

Jonathan Metcalfe: There is a difficult balance to strike. What we do not want, and what is not helpful, is the clean-sheet approach that says, "Give us all your best ideas." That is, in essence, what happened with the franchising of the east coast main line, which led to an apples-and-pears situation. Equally, bidders need to know what the essentials are; what are the core requirements that are expected of them? To what extent will funding be available for those requirements?

We ended up in a situation in which there were different competing propositions and we got totally bogged down in an evaluation process that could not separate out the priorities and the funding that was available. It is not the SRA's job or the Scottish Executive's job to prescribe the number and types of services and their times. The issue is whether the Scottish Executive is looking for increased high-speed services and express services between interurban areas. That level of detail is appropriate.

Brian Johnson: The Parliament is in a midway position between where the SRA was with the east coast and where it wants to be with ScotRail. I return to paragraph 3.8 of the draft directives and guidance, which Nick Brown talked about and which contains the Executive's list of 17 priorities. My first thought was that they described "Utopian Railways", not ScotRail. The priorities are all worthy, but to get bids that can clearly be evaluated against one another and to understand the economics, the priorities need to be clearer; that is, what is critical and what is not? I disagree with Nick Brown, who said that the priorities are placed in a reasonable order. I say that because I believe that priority 10, for example, which is on the safety and personal security of passengers, should be near the top of the list. The list needs to be reworked and must be made clearer if Scottish ministers and the SRA are to be able to evaluate the bids that are submitted.

I have two other points, the first of which reiterates a point that I made earlier. Integration between cross-border and domestic services should be included in the guidance. Secondly, in connection with paragraph 4.3, the Executive must be more specific about what it means by "car park improvements". If we are to attract people out of their cars and into trains, which we all want, we must be clear about two points. Car parks must be of good quality and they must be absolutely secure, so that one knows that one's vehicle will still have four wheels when one returns to it. Equally, there must be sufficient capacity in car parks to get people off the road in the first place. There are around Scotland many examples of inadequate car parking. I draw the committee's attention to Motherwell, which has the potential to be a significant railhead for Strathclyde local services, for GNER and for Virgin, but where the car park has only 17 or 18 spaces, although there is plenty of adjacent land. We need to think big to get people out of their cars.

The Convener: I would like us to redirect the main focus of our questioning to Mike Mitchell and FirstGroup Rail. I ask you to address the final question that we asked Virgin and GNER. Do you have any views on the draft directions and guidance?

Dr Mitchell: I do not wish to repeat points that have been made, many of which I agree with. It is important for two reasons for bidders to have a clear specification of exactly what we are being asked to provide. First, it will save a lot of time and enable everyone to focus on what the Scottish Executive and the SRA—as the Executive's agent—wish to do. Secondly, it is important because of the costs of submitting a bid, which are not inconsiderable. My company and my colleagues' companies have spent a huge amount of money on aborted bids in the let's-have-all-the-

good-ideas stake, because in some cases we went through the bidding structure two or three times. That has a significant effect on costs, manpower and management time.

My main point is that there cannot be 17 priorities. There must be two, three or four priorities together with other issues that should be addressed. As Brian Johnson said, safety is the number 1 priority—that is a given. Beyond that, we must ask what kind of railway system we want in Scotland, and we have to ask what you want us to bid for.

Des McNulty: Do you support the principle of vertical integration in Scotland? If that principle were not adopted in Scotland, would you support the suggestion that direct payment of track access charges should be made by the Strategic Rail Authority or by the Scottish Executive to Railtrack's successor in Scotland?

Dr Mitchell: For obvious reasons, we favour vertical integration far more than does Graham Smith or Brian Johnson. About 18 months ago, I went on record to speak in favour of a specific form of vertical integration, which I might come to in a moment. Much has changed because of Railtrack's being taken into administration. We have to be careful that we do not reorganise to get out of difficulties. It is great fun to reorganise and change structures, but much inevitable disruption occurs, which takes management focus off the main issues. People start to become concerned about whether they fit in the organisation and, indeed, whether the organisation fits. Although we favour vertical integration, this is not the right time to do it.

The kind of vertical integration that we did favour—and still do, though perhaps more for the longer term—is what we call operational integration. I should explain what that means. We feel that the boundary between infrastructure maintenance and operation is drawn wrongly. Railtrack and "Newtrack" are, in effect, engineering companies; their job is to provide the infrastructure and to maintain it to a high standard of safety and availability to the operators. They must also build in the kind of redundancy that Graham Smith spoke about that did not exist, or was consciously removed, when the railways were in decline. However, those companies should not be charged with organising timetabling, signalling, pathing of trains or determination of which train should run first or second. Such functions are diversions.

The question is: when should we move from the present situation to that ideal situation? As I said, the time is not now. The priority is to get Railtrack out of administration and to get more confidence into the network. However, a few years down the line, the kind of vertical integration that I have

outlined could be introduced. If so, it would be wise to do it in a pilot area with relatively few operators.

Is that—

Des McNulty: I am sorry to interrupt you but, given the limited number of operators in Scotland and the relatively well-defined differentiation between them in terms of track use, would Scotland be an appropriate place for such a pilot?

Dr Mitchell: That could be the case. We have identified two particular areas. One is East Anglia—for the kind of reasons that Des McNulty mentioned. Under the new structure, the greater Anglia franchise will be, in effect, the sole user. Scotland is the other area that we identified. However, as I am sure members are aware, it is a mistake to think that there is one operator here. There are several—three are sitting here today.

Des McNulty: I am sorry. I interrupted you and probably prevented you from answering the question on direct payment of track access charges.

Dr Mitchell: That probably falls into the category of “If it isn’t broken, don’t fix it,” or of “Don’t let’s reorganise ourselves out of trouble.” The issue can be addressed, but possibly not now.

Des McNulty: Do you want to comment on ScotRail’s proposals, particularly on extending SPT to cover all Scotland and putting it under the control of the Executive and the Scottish Parliament?

Dr Mitchell: I repeat my answer that there is a danger of reorganisation being seen as a solution to problems. The existing set-up appears to work reasonably well. It is clear that it could be improved, but possible improvements must be balanced against disruption while those improvements are being sought.

12:30

The Convener: I would like to probe that issue further. An alternative that has been discussed is to give some voluntary partnerships in Scotland a more statutory basis, which could happen without disrupting the progress of franchising. Those partnerships could act as vehicles to promote improvements to the network. Car parks and station safety were mentioned as precursors to a full-blown passenger transport executive in other areas of Scotland. Do you favour that approach to get the railway back on track, as it were.

Dr Mitchell: There is no reason why such informal structures should not be considered. At the end of the day, we should be trying to achieve the right output for customers and we should try to avoid administrative structures that get in the way of achieving that output. It is often possible to

achieve such things through co-operation between operators. Many things that we do in the rest of the UK are done without changes in structures. For example, we have agreements with other operators to offer integrated fares in urban areas, with add-on fares to rail fares. Such agreements can be reached by common sense and co-operation.

Des McNulty: When the then Strathclyde Regional Council existed, an historic advantage of the Strathclyde Passenger Transport Authority was the interface between rail planning, traffic planning and bus services. Given that you are involved in a group that has rail and bus interests, do you see any possibilities of strengthening or reinstating that interface between bus and rail services—between operators, providers and regulatory authorities? Is there scope for significant improvement in that respect?

Dr Mitchell: Yes. We are demonstrating the scope for such improvement in, for example, the Bristol area, the south-west and East Anglia, where we are the principal bus operator. We are also a major bus operator in Manchester and we participate with others in developing initiatives. It would be strange if we were the major operator of railways and buses in an area, but did not integrate them.

Because I am responsible for both divisions, one of my responsibilities is to promote integration. That makes good business sense, because it makes travel far more accessible and easier to understand for the public and it gives us more growth.

Des McNulty: Would it be possible to give current and potential examples of bus and rail integration, perhaps in a submission to the committee?

Dr Mitchell: Yes. I can give one or two specific examples. In Chelmsford, we are enhancing the bus station and making it very close to the railway station. We are offering add-on fares through bookings from bus to rail and rail to bus. In Bristol, we have introduced a frequent bus service, which runs every 10 minutes from Bristol Temple Meads station to several parts of the town. The buses have the same livery as the trains and are advertised and announced at the station. We promote them as a rubber-tyred branch line from the railway.

The PlusBus train-taxi in Truro is another and perhaps more innovative solution. We have an eight-seat Ford Galaxy vehicle, which can be pre-booked by people on trains at a flat fare to take them to places that are within a certain radius of Truro station. We are looking to expand those sorts of ideas elsewhere.

Maureen Macmillan: I wish that you would

expand them to Inverness. I have no transport when I come off the train, so a radius of 15 miles around Inverness would suit me just fine.

The Convener: Not that we are here to sort out your personal travel arrangements, Maureen.

Maureen Macmillan: It is very difficult to travel by public transport in the Highlands.

I am interested in what Dr Mitchell said about bus-rail integration. Various submissions have suggested that the problem is that rail travel is too expensive and that it is much cheaper simply to jump into the car. Because getting to the station and getting from the station to one's ultimate destination is often a problem, jumping into the car can be much easier. It has therefore been suggested that rail fares need to be lowered and restructured so that the multimodal fares that Dr Mitchell mentioned are much more widely available. Should such things be included in the directions and guidance? Should there be guidance on fare levels and on bus-rail integration? What would be the likely impact of such changes on FirstGroup Rail's operational results? Obviously, bus-rail integration has been positive for FirstGroup Rail but what about lowering fares? I am also interested to hear what the other two train operating companies think.

Dr Mitchell: In a sense, the more detail that is put in the directions and guidance, the better. However, like Nick Brown, I think that there is a danger in being too specific and in nailing everything down. For example, it would be possible to specify the fare and departure time of every train, but that would remove a huge amount of flexibility. All the operators offer a range of fares, some of which exist to meet certain demands. That is no different to what happens with airlines; carriers such as easyJet and Ryanair charge according to the length of time remaining before departure.

A huge amount could be done for off-peak travel. Much off-peak travel can be carried at marginal cost. As the seats are, in effect, empty, we get marginal revenue purely by the generation of additional revenue. The trick is to ensure that by doing so we do not divert people from peak travel into off-peak travel.

On integration, Maureen Macmillan is 100 per cent right that we need to see people's needs as being an end-to-end journey. For example, people might not be travelling simply from Aberdeen to Edinburgh Waverley but perhaps from somewhere in Aberdeenshire to somewhere round about, say, Longniddry. We need to examine that kind of need. If we look at travel purely in terms of station-to-station transport, we will fail.

The second point that I want to make is that rail journey times must be comparable to car journey

times. Coming from Aberdeen, I know that I can get to the Forth bridge in two hours, give or take a few minutes, so it is not much use to me to be able to take a train that takes two and a half hours. That objective could be achieved in several ways that have been outlined already. As Brian Johnson mentioned, it is quite possible to get major improvements purely by using modern rolling stock with better acceleration. We achieved that in south Wales with our class 180 trains. That can make an enormous difference.

Finally, we need to examine how we communicate the fares and offers to the public. It is no use having a brilliant fare offer and brilliant integrated transport arrangements if people are not told about them. The fares need to be simple and easy to understand but, above all, they need to be widely known.

Brian Johnson: I want to make two comments. First, one must be careful not to fossilise the industry's services or fares in the way that they exist today. I recall that there was a lot of discussion about that when franchises were first made available. If everything had been set in stone at that time, many of the innovations and improvements that have been introduced since then might have been constrained.

Secondly, I want to highlight the fact that the question was predominantly about ScotRail. One must draw a distinction between local operators such as ScotRail and the regional operators in England, whose operations mean that they will always need support and subsidy to continue, and the commercial operators such as GNER and us. GNER already receives no support, and Virgin is moving towards that position. For such operators, fares must be commercial and a mixture of pricing for different markets is provided. Pound for pound, our Virgin value fares are probably cheaper than rail fares have ever been. If people can book and accept some restriction on the trains that they can use, they can have what are probably the best rail travel bargains ever.

Jonathan Metcalfe: The operators bring an awful lot of experience on and knowledge of integration schemes, intermodal travel and through-ticketing. We offer a range of through fares with a range of bus companies up and down the east coast main line. Far more cheap tickets are available than ever before. I would confine the directions and guidance to infrastructure-type schemes and hardware issues. Operators can bring many ideas, solutions and innovations for integration from our experiences.

Maureen Macmillan: My question is for EWS. I was interested in Nora Radcliffe's question about integrating goods and passenger trains. I know that that is probably impossible because separate companies operate those trains, but I am old

enough to remember the goods wagon at the back of the train where a parcel or trunk could be put when people went down to university, for example. The need remains for smaller loads to be aggregated. As you have probably realised, I come from a rural area and I am concerned about the scale of what we can do. Recently, the rail freight access charges have been cut. Is other action necessary to meet the targets for rail freight growth? If so, what must the Executive do?

Graham Smith: We must start from the fact that rail freight is a commercial business. It receives no support. If we make no profit, we will go out of business. No Government has any statutory duty to support us. Targets are in place, but no statutory duty exists.

If by identifying environmental benefits, the SRA would be willing to support a freight service such as Maureen Macmillan described, we would be more than happy to be involved in operating it, but we should be realistic. The individual collection and delivery of parcels that operated under British Rail—passengers' luggage could be sent in advance, as you said—was time consuming, resource intensive and people intensive. People would not do that without support. It is interesting that Consignia has just withdrawn from its Parcelforce business, which operated the service that Maureen Macmillan described.

As for the wider question of achieving 80 per cent growth, we have achieved 50 per cent growth in the past seven years, so it could be argued that we must be getting something right somewhere. In my opening statement, I referred to the amount of investment that we have made and its impact on punctuality and reliability. Rail freight in the UK exists only because it provides its customers with something that they want. Unlike in other parts of the world, we move nothing that could not be moved by road, so we must offer a competitive price and a high-quality service.

We could always do better, but by investing in locomotives and new wagons, we have done much towards improving the quality of service above the rail. Our view—I think that my colleagues on the panel share it—is that delivering quality of service and reliability such that customers feel that they can rely on rail as they rely on road depends on the quality of the infrastructure.

That quality is measured in terms of not having temporary speed restrictions, not having emergency blockades in the route and not having a repeat of the post-Hatfield situation. It is also measured in terms of the capacity and capability of the network and the ability to fill the space on the network more efficiently by running longer, heavier and wider trains rather than sub-optimising the capacity. It is time for the Government to

match the investment in rail freight that is made by the private sector. If the Government is willing to do that, 80 per cent growth will be achievable.

The amount of growth due to the channel tunnel might be another issue that could be dealt with by a number of other measures, but we will not deal with that at the moment.

12:45

Nora Radcliffe: How far is the capacity to achieve the target constrained by gauge—if that is the technical term for the width of bridges and tunnels?

Graham Smith: There are certain markets that we cannot access or can access only in a limited way, in particular the market for deep sea containers, the standard height of which is increasingly becoming 9ft 6in. To move those on the existing network, we need to have well wagons, which are standard wagons with a hole in the middle that you drop the container into. We have some of those wagons, but not enough to meet the demand. Gauge enhancement, first of all out of the main deep sea container ports and then on the key arteries—the west coast and east coast main lines and the Edinburgh to Glasgow line—would be advisable. We suggest that the west coast main line should be enhanced to take higher gauge trains and that its gauge should be increased in order to take the Virgin Pendolino.

Nora Radcliffe: A suggestion has been made that, with the opening of the Rosyth to Zeebrugge sea route, there is an opportunity for the establishment of a sea and land route from Ireland, across the narrow part of Scotland and through to Europe. What constraints are there on that route?

Graham Smith: The only constraint would be one of capacity, which is part of the problem with the coal trains at the moment. They have to use the Forth bridge, because the direct route, via Stirling, has lain idle for some time. I hope, however, with the support of parliamentarians, that that route will soon be reopened. Once the capacity of the network is put in place, the issue becomes one of market price and whether rail can meet it. If rail cannot meet that market price but would deliver significant environmental benefits, there are arguments that the Scottish Executive, in its capacity of the issuer of freight grants, might want to participate actively in the situation.

Maureen Macmillan: You compared your record to that of the royal train in terms of punctuality. I have to say that Her Majesty the Queen described the royal train as going hell for leather from Wick to Inverness. Can you match that?

Graham Smith: We operate the royal train, so it

would have been one of our drivers who had the throttle open. Clearly, the royal train does not get derogation against the line speed of the route or the speed around the curves. It would be unfortunate if EWS were seen to be responsible for an incident involving the royal train and Her Majesty the Queen. We would not be able to live that one down.

We are serving Wick with freight trains for the first time in a long time. If there is an opportunity to serve Thurso—one bridge would have to be upgraded first—we will do that. The rail route from the far north to Inverness is not direct but winds and curves and has restrictions on it. The capacity for having tilting freight trains on that route would be a matter for future consideration.

Maureen Macmillan: Perhaps we could run them around the Lairg loop.

You said that you were aiming at a target of 80 per cent growth over 10 years. When is the end of that 10-year period?

Graham Smith: The Government set the 80 per cent target in its 10-year plan, but it was curiously silent as to when the target started and stopped. We are working on the presumption that it stops in 2010 and, at the moment, we are on track to achieve the target. I would like to reinforce the point by saying that it would be extremely unhelpful if, in rewriting the 10-year transport plan, the Government decided to walk away from targets. That is because, in debates such as this, targets give focus to the industry as a whole. If targets are taken away, direction is lost. The 80 per cent target is the right level to set; it is something that we can all aim to achieve.

Maureen Macmillan: You are comfortable with that level.

Graham Smith: Yes.

Fiona McLeod (West of Scotland) (SNP): You will know that we are interested in the question of the vertical integration of operation and services in Scotland. I understand that EWS is concerned that that might mean that preference is given to passenger services over freight. Will you specify your concerns? It has been suggested that those concerns could be eased if the SRA was to be made an agent of the Scottish Executive for infrastructure and franchising. Is that the solution?

Graham Smith: Let me take the second question first. Many of the issues about which people are concerned might be solved if the SRA was to be made an agent of the Scottish Executive. If, to take one example, that was to happen in respect of freight grants, some of the administrative problems that we have seen in the past couple of years might be resolved.

What is vertical integration? All the proponents

of vertical integration take a slightly different approach to the subject. Mike Mitchell's enthusiasm is for a bit of vertical integration that is different to that which Jonathan Metcalfe seeks for the east coast main line. Both of those are different to the concept that is held by Brian Souter for the south-west.

Will track, maintenance, operating and operational planning be included? All those aspects have to be taken into account. We also have to consider that vertical integration is expressly forbidden by EC directive 2001/13 as part of the EC's attempt to liberalise the railways of Europe to achieve the sort of growth that we have seen in the UK. Leaving aside individual views of European Commission directives, they will shortly become the law of this land as well as that of Brussels.

The problem with vertical integration is that it creates further barriers. As Brian Johnson said earlier, Railtrack zones are difficult enough to deal with and crossing them is like trying to cross Europe. It is as if a train turns up at an international border and has no path on which to go forward. We have huge problems getting through paths and sensible engineering possessions through Railtrack zones. On one famous occasion at the end of last year, the north-west zone, the Scottish zone and the former LNE zone each decided to close their route to Scotland on the same weekend. We thought of renaming ourselves English & Welsh Railway, but we decided that that would not be a good idea so we knocked a few heads together.

If the owner-operators are allowed to reinforce the artificial barriers by taking a much fuller role in the operating of their own little bit of the network, that would make it extremely difficult for the people who seek to run nationally. About half our trains cross at least one, if not two, zonal boundaries. The concept of the virtual board that was described earlier is much better, as everybody involved in an area or on a particular route gets together and sorts things out. The last vertical integrated operation was called British Rail. In some places, that operation was not regarded as an overwhelming success.

In our evidence, we listed a number of questions about track and maintenance standards, network quality, sufficient track capacity and allocation of track access funding. No one has yet got around to answering the questions that we have posed in the public domain. Vertical integration is not a solution to some of the problems that the committee is facing at the moment.

Fiona McLeod: Is one of the solutions for the Scottish Executive to have more autonomy over the operation of the rail network in Scotland? You want the SRA to provide funding that is almost ring

fenced for your Scottish projects. Would it be helpful if the Scottish Executive, like the Northern Ireland Executive Committee, had more autonomy to ensure that that happened?

Graham Smith: The Scottish Executive regards rail freight, apart from freight enhancements, as a reserved matter. Sometimes I wish that the situation were different, because it would be useful if the Scottish Executive were to express its views publicly and forcefully on some issues, such as that of asylum seekers.

Given the extent of wholly internal Scottish services, I understand why the member suggests that autonomy might be helpful. However, the degree of through-running from England to Scotland of both passenger and freight is such that autonomy would create more conflicts and would not solve many problems. I am not very enthusiastic about the proposal.

Fiona McLeod: I am keen to explore that issue further. You take freight through the channel tunnel—you have already mentioned the illegal use of your trains on that route. When you use the channel tunnel, you cross boundaries. Does that create huge problems for you?

Graham Smith: Yes.

Fiona McLeod: Are those problems insurmountable?

Graham Smith: I will leave aside the issue of asylum seekers. Some European railways are not as advanced in their method of operation as the United Kingdom. For example, a number of European railways have a much greater focus on domestic services than on international services, both freight and passenger. That is why international freight services have been in structural decline for many years.

The European Commission is trying to break down some of the artificial national boundaries that exist through a trans-European rail freight network, the transport white paper and the second railway package. We no longer have boundaries on the road network. It is possible to travel from Belgium to Holland and from France to Belgium without seeing a border guard. Although issues of interoperability need to be addressed—the railways of Europe developed with different signalling and traction systems—locomotives can be changed in 10 minutes. That is done in the United States. The important point is that there should be through paths.

Anything that breaks down artificial barriers and boundaries must be helpful. I would much rather retain a UK integrated network in Scotland, England and Wales than create unnecessary boundaries as part of an autonomous Scottish network.

Fiona McLeod: However, at the same time you would like the Scottish Executive to be more open about what it wants from freight and how it will support that.

Graham Smith: Yes. I see no difference between the Scottish Executive and other bodies with a non-Westminster interest that want to develop the economy and industry in the geographical area for which they are responsible. I do not think that wanting the Executive to express its views publicly is in conflict with my position on the operation of the railway.

Fiona McLeod: You appear to be concerned that the Scottish Executive is not addressing as directly and openly as it could the issue of support for freight, as opposed to passenger transport. Do you think that the same criticism could be applied to the SRA?

Graham Smith: The Scottish Executive regards rail freight as a reserved matter, so there are limitations on what it feels it can do. The SRA supports freight better than its predecessor bodies did. The freight arm of the SRA, led by Julia Clarke, is a very pro-freight group. Recently it has found itself marking time a little, because following his arrival at the SRA Richard Bowker has had to shake up the passenger side of the railway and sort out some of the franchising fiascos to which reference was made earlier.

Last Friday, we showed Richard Bowker the freight railway on south Humberside and the port of Immingham. We also had him ride a mail train between Doncaster and Cheltenham, which is near to where he lives. I am hopeful that before very long we will be able to bring Richard Bowker to Scotland to show him the freight operations here.

The SRA has a freight growth objective of 80 per cent and is being held to that. It aims to increase the quantity of international rail freight. However, because freight is a minority user of the network, we must shout a bit louder and work harder to ensure that our interests are protected.

Fiona McLeod: Finally, you say that you are looking for improvements to the track, in order to improve freight services in Scotland. Does Railtrack have the ability and the personnel to deliver those improvements?

13:00

Graham Smith: Railtrack has had a few problems recently with shortages in particular skill areas. Let me give members an example. We are introducing 845 new state-of-the-art, high-capacity coal wagons, which will allow us to use the network more effectively. We are also introducing high-speed locomotives. Before those vehicles can run at their full line speed—75mph for the coal

wagons and 125mph for the locomotives—structures must be inspected. Railtrack Scotland has been short of structural engineers, who are required to inspect bridges.

Work may not need to be done, but bridges must be inspected for the stresses that are caused by the individual units. For example, structural engineers had to inspect bridges for the stresses that were created by the Pendolini that are used by Virgin. Railtrack Scotland is recruiting structural engineers, who are carrying out those inspections. We expect to hear today that the west coast main line has been cleared for the highest speed and heaviest weight possible of the coal wagons.

There may have been some shortcomings in the past—we are all aware of the post-Hatfield problems in Scotland—but I think that Janette Anderson is turning the situation round, getting it right and getting the right staff in place. It will be a bit of a haul at Railtrack. Network Rail should make a difference—I think that it definitely will—but in order for it to do so, it needs skilled track and bridge engineers who are able to respond quickly to customers' requirements.

The Convener: That brings us to the end of our questions for the panel. I offer our four witnesses my sincere thanks for their evidence, which will assist the committee when we come to address the directions and guidance with the Scottish Executive. It will also assist us with our overall rail inquiry, when we try to assess whether all the different structures in the industry are working. The insight that each witness brought is useful to us.

Petitions

Polluting Activities (Built-up Areas) (PE377)

The Convener: We now come to the final agenda item, which is consideration of four petitions. All the petitions were on our agenda about a month ago, but we postponed consideration of them because we were overrunning.

PE377 is from Michael Kayes and is on polluting activities in built-up areas. Dorothy-Grace Elder MSP contacted me a month ago to express her concern about the urgency of the issue. At the time, I took the view that we should try to initiate some action and wrote to a couple of the key public bodies, Scottish Water and the Scottish Environment Protection Agency, to ask for their views on the issues raised in the petition. Copies of the letters that I sent to Scottish Water and SEPA and the organisations' responses are in members' papers. Our intention today is to decide how to consider the petition. Before I give members the opportunity to comment on how we should proceed with the petition, I will allow Dorothy-Grace Elder to make some introductory comments about how she views it and how she thinks that the committee should deal with it.

Dorothy-Grace Elder (Glasgow) (Ind): Thank you very much indeed, convener, for the urgency with which you sent off the letters. At that stage, Scottish Water was proposing granting—and indeed has now granted—consent to discharge into the sewers. I regretted very much that that was being done just a fortnight before the committee was to meet. Unfortunately, Michael Kayes is on holiday and there is a full council meeting of Glasgow City Council on a Thursday, so the councillors cannot be here. Nevertheless, they are happy for me to present the case, which is a sign of the unity in Glasgow against the burner. I ask your indulgence while I pass to committee members some other submissions, including maps and photographs. Is that appropriate?

The Convener: That is fine.

Dorothy-Grace Elder: Thank you very much.

I shall briefly update members on the situation. It is regarded as an outrage by local people and their representatives that the incinerator should be situated in the midst of Glasgow, but the case raises several national questions. In fact, it raises the question of who is running Scotland: elected representatives—councillors and the Scottish Parliament—or unelected quangos? MSPs of all parties in Glasgow, including the MSP for Glasgow Baillieston, Margaret Curran, want the incinerator

closed. The Gartcraig and Baillieston community councils, and indeed all the east end community councils, want the incinerator closed. Glasgow City Council refused planning permission, but is still being ignored. The council's refusal of planning permission was overturned on appeal by the Scottish Office, just prior to devolution. The two quangos—SEPA and Scottish Water—have shown that they have much more power than do the people or elected members. We fear that the First Minister's wide-ranging policy on environmental justice is being flouted and that there is no joined-up thinking at all when quangos just pass the buck one to another.

SEPA and Scottish Water have granted discharge permission, which means that cattle blood and dirty water will go into the public sewers, despite knowing that a percentage of cattle entering that incinerator will later be proven to have had BSE. There is no doubt about that, and I ask members to refer to the Department for Environment, Food and Rural Affairs letter about fall in stock. The BSE prion can survive the sewerage system, and we know that it has even survived the sterilisation of hospital instruments, leading to the death of a patient from variant CJD.

Excessive dumping is another issue of national concern in certain areas, and the east end of Glasgow would definitely claim that. Baillieston already has Paterson's, the highest level toxic dump in the whole of Scotland, within its boundary. That dump is licensed to take up to 500,000 tonnes a year, or 4,000 lorry loads. It is even licensed to take cyanide and arsenic. On top of that, SEPA has permitted the cattle incinerator. Since last July, it has been opened, started and shut, and it is due to reopen in mid-June, after umpteen pollution problems.

That animal crematorium is the stuff of nightmares for the thousands of people who live nearby. It is the only one in the city or in any urban area, as you can see from the maps. It belches black smoke over the area, and that smoke has been only five feet above the rooftops at times. It operates 24 hours a day, including the cooling-down period. SEPA has closed it several times and has served more than 20 enforcement notices and two prohibitions in just 11 months. Do we need a limit on how many strikes there should be before they are out?

SEPA's brief includes balancing the interests of business with those of public health and safety. Many of us believe that SEPA has lost its balance and tumbled too far on to the side of business, pursuing industries that are totally unsuited to city areas. To Glasgow people and to many MSPs, SEPA has proved a toothless watchdog. It passes the parcel endlessly until the music stops. It says, as it did in letters to the convener, that location is a

planning matter for the council, but it knows that the council refused permission and is still against the incinerator. Margaret Curran MSP discovered that SEPA did not even lodge an objection when planning permission was first sought.

I turn to the question of openness. The letters that SEPA and Scottish Water sent to the convener do not tell the full story; indeed, they conceal it. SEPA has not informed the committee that the incinerator is not licensed to take cattle with BSE—it is not one of the few specialist incinerators. Its burners go up to only 850 deg C, but specialist BSE incinerators must go up to 1,400 deg C and they should not be in built-up areas.

Perhaps we should revisit the planning laws. A play on words is being used. Paragraph 6 of the planning appeal document states that

"animals clinically confirmed or diagnosed as suffering from BSE"

cannot be burned at the plant. When that protective clause was written in 1998, it was never suspected that fallen stock cattle would one day be regarded as high risk and that the EU would order them to be burned at incinerators under the BSE surveillance scheme, after first having been decapitated to discover whether they have BSE.

SEPA chose to interpret that clause in favour of the incinerator owners and not the public. I wonder how often they have done the same elsewhere. If, after partial decapitation, the animals at Carntyne are proven to have BSE, that is all right with SEPA—but I do not think that it is all right. Letters from DEFRA show that BSE will be present in a number of those animals. SEPA should have the power to refuse a licence even when planning permission has been granted. We know that, in this case, planning permission was granted through only one person—a Scottish Office reporter—when an entire council did not want planning permission to be granted.

I will end soon, as I do not want to try the convener's patience. SEPA and Scottish Water operate under outdated pre-devolution rules. For those quangos, the Scottish Parliament hardly exists. The guidelines on BSE-infected material were written as long ago as 1997, which was before much was known about the deadly BSE prion. Other legislation includes the Sewerage (Scotland) Act 1968, which was drafted before BSE was even dreamed of.

Scottish Water is willing to risk discharge into the public sewers and thence some into the fresh water of the River Clyde. From October this year, all sludge will be incinerated, but Scottish Water could not wait. No matter how much the prion is diluted, it will not be destroyed and it can escape. SEPA, in its letter, had the nerve to say that it

used a precautionary principle. To SEPA, that means seeking improvements here, there and everywhere, whereas it should mean that polluting enterprises are not allowed to start up in the first place. That is what the precautionary principle has often meant in European law, which is one reason why I am taking another petition to Brussels.

The local people and their representatives have been disgracefully ignored. They have been refused statistics about how many cattle with BSE have been burned at Carntyne. On behalf of other MSPs, councillors, community councils and the local people, I call on the committee to condemn the incineration of animals in any built-up area, to appoint an investigator or reporter, to call for new rules on the positioning of incinerators and to ask for the closure of Carntyne in the meantime. I also ask the committee to study how environmental justice is being denied in Glasgow and in other parts of Scotland.

Robin Harper: I thank Dorothy-Grace Elder for bringing such a well-prepared case to the committee. The map that she submitted suggests that the incinerator is probably on the worst possible site. Even without the issue of the cattle, the site would have inspired a Friends of the Earth environmental justice campaign. It is environmentally unjust that an incinerator should be in an area that has such dense housing. The issue of the cattle is also persuasive. The whole issue should be referred to the Executive as a matter of urgency.

13:15

Fiona McLeod: Robin Harper is right that Dorothy-Grace Elder has presented us with an almost cast-iron case for ensuring that the incinerator does not reopen. I know that we, as a committee, do not like getting involved with such individual planning matters, but the evidence that Dorothy-Grace Elder and the community have brought before us is similar to the evidence that we heard in the Blairingone and Saline case. Although the evidence is based on a local matter, it raises issues that we should consider to ensure that similar situations do not arise elsewhere.

I want to pick out a couple of points that I think the committee should examine. It concerns me that Scottish Water has said that the trucks can be cleaned and that water put into the watercourse without the prions entering it too. I would like us to take more evidence on the number of places where that is happening. I am also very concerned that SEPA has said that the incinerator can go ahead burning at 800 deg C instead of 1400 deg C—I am sorry, but I cannot remember the exact figures—and can burn cattle that could be infected with BSE. I want to clarify what rules and criteria SEPA is using and whether it has used them

similarly elsewhere in Scotland. Using this case as an example, we must ensure that we investigate how organisations such as Scottish Water and SEPA are reacting to similar problems throughout Scotland. It is incumbent on us to investigate the situation in more detail.

John Scott: Members will be aware from reading the papers that I was involved in this matter when I was on the Public Petitions Committee. At that time I found the whole situation unattractive. It is ridiculous that such a site has been situated in the east end of Glasgow.

I am particularly appalled at what Dorothy-Grace has just said—that the authorities will not state the number of BSE-infected animals that the plant has burned. Given the spirit of openness to which we all apparently subscribe, I am surprised that those figures are not available. I am not sure that they would necessarily help to allay public fears, but they should be available and a decision should be made on the basis of them. As I understand it, the incidence of BSE infection must be falling off and therefore the burning of BSE-infected animals will ultimately stop being a problem. Nonetheless, I do not think that the smoke and smell levels that are associated with the plant are acceptable.

The issue of BSE prion destruction is huge. I am not sure what powers the committee has to deal with it, but I welcome the fact that Dorothy-Grace Elder has brought the petition to us and I support the petitioners, as I did when the petition was before the Public Petitions Committee.

Maureen Macmillan: There is a general problem in knowing what to do with fallen animals. I sympathise tremendously with what is happening in Carntyne. I used to live about a mile from a knackery that stank to high heaven because of the rotting carcasses that were dumped in the forecourt and because of the smoke from the incinerator. It took us ages to get it closed, because the environmental health people refused to believe that there was a problem. I wonder what criteria are being used, particularly with regard to odour. Reaction to odour is personal and where I used to live the problem was that by the time that the environmental health people came out to smell the odour it had gone.

A lot of the problem has to do with good and bad practice on behalf of the operator and relates to bodies, such as SEPA, using criteria that are up to dealing with the problem. I would like to know just what those criteria are. There seems to be a cavalier attitude on the regulatory side and on the side of the people who are operating the facility. I want to know what they should be doing and whether they are doing it. I know that we cannot get involved in planning decisions, but as Fiona McLeod said, given that this issue has cropped up a couple of times and that it might crop up again,

we should consider the criteria.

Robin Harper: I was really shocked when I heard you say 800 deg C because that has implications in relation to the level of cattle dioxins.

Dorothy-Grace Elder: It is 850 deg C.

Robin Harper: I would like to know what the dioxin levels from the plant have been in the past and what they are projected to be in the future. Rather, I do not want to know what the future projection is because I would prefer that the plant were closed.

Dorothy-Grace Elder: Could I comment on that? I have a picture of what the plant used to look like, when the residents were assured that it would not happen again. It has happened again. There is video of it happening. I was not able to bring the video to the committee because Mr Kayes has the tape.

In the past, the operation had to close because there were umpteen complaints and the plant lost a DEFRA contract. Nobody knows why it is still getting taxpayer's money through DEFRA because they have not burned that many cows.

On Maureen Macmillan's point about the smell, the problem is not just the smell when the chimney erupts, as it is doing in the picture—SEPA comes out, stops it and the plant is allowed to reopen after another enforcement notice—it is the smell from dead cattle on their way to the plant. The lane is narrow and there are two primary schools nearby and two other schools not far away. As members will see from the map, there is the same density of housing in all directions—the mighty housing schemes of Ruchazie, Baillieston and Mount Vernon. The vehicles, which are not refrigerated, travel down a narrow lane. In some cases, the animals are too disgusting to describe—they can explode.

Maureen Macmillan: Yes, I have seen it.

Dorothy-Grace Elder: That smell is appalling for local people. It is not there all the time, but that dreadful dead smell is there and little kids have to pass through it on their way to school.

When the chimneys erupt, as they are doing in this picture, they emit a terrible smell as the particles fall. It is a case of constant firefighting by SEPA: it comes out and calls for improvement on this and that. How many strikes before the plant is out? A person persistently lighting a bonfire in their back garden could not get away with it—they would be done after two or three strikes. Yet the plant can get away with eruptions such as those in the picture time and again.

The Convener: I am not in a position to judge the degree to which there is a genuine health risk. However, the issues that the petitioner has raised

are significant issues of concern and it would be appropriate for us to investigate them. We should try to come to a conclusion about the degree of risk arising from processes at the plant. Even if the risk is very low, it is a commonsense approach to planning issues to say that where one has to have incinerators for purposes such as the disposal of BSE-infected cattle they should be located well away from heavily built-up areas.

In the past, Lothian Health proposed building an incinerator smack in the middle of Livingston to deal with clinical waste. That proposal was withdrawn in light of a huge degree of public concern. Incinerators have a role to play in the disposal of certain types of waste. However, there is an issue to do with ensuring that the incinerator is working at the appropriate levels recommended by scientists to destroy risk material, as well as an issue to do with a hierarchy of where such incinerators are allowed to be located.

In its initial consideration, Glasgow City Council took the commonsense approach in rejecting the proposal. I do not understand why a different approach was taken after the issue was referred to the Scottish Executive reporter. There is an issue to do with proximity, an issue to do with the safety of the emissions and disposal in the water systems and an issue to do with transparency. If the animals are being tested for BSE, we should know what proportion have subsequently been found to be infected.

There are a number of important issues for us to address. Suggestions have been made about how we should proceed. We have a heavy work load over the coming month, but this matter is significant enough for us to do some work on it. From the evidence that we have received today and in the past, it seems appropriate for us to raise issues with Margaret Curran, who is responsible for planning, and with Ross Finnie, the Minister for Environment and Rural Affairs. We may also want to appoint a reporter to progress the matter. A member of the committee would have to volunteer to serve as a reporter, if the committee agreed to appoint one.

I ask members to indicate what course of action they would like the committee to take.

Mr Adam Ingram (South of Scotland) (SNP): I endorse the course of action suggested by the convener. Although it is difficult for us to examine a specific planning issue—

The Convener: In line with previous decisions that we have made, we would want any inquiry to address more than just the specific planning issue that has been raised with us. We can refer to that, but we want to focus on the general issue of incinerator proximity and planning.

Mr Ingram: I suggest that we consider the

question of the disposal of BSE-infected stock, as it is of major concern. We should also consider the planning aspect of the issue. How is it possible for such an incinerator to be located in a built-up area? Have we received or asked for information from the Executive about why it upheld the planning application for the Carntyne incinerator? Presumably it did so on the basis of the criteria that have been established, which means that the same thing could happen elsewhere. We need to get to the bottom of that.

Robin Harper: There are two approaches that we can take to this issue and we may want to pursue both. If, as in the case of Blairingone, we want to address the local issue, we should appoint a reporter, preferably someone who lives within a reasonable distance of Carntyne. However, in the not-too-distant future—perhaps before Christmas—we may want to take evidence on the general issue of incineration. Such an inquiry would not be restricted to cattle incineration, but would address hospital incineration, the proposals for new incinerators that are being made in area waste plans and the problems that are associated with our existing stock of incinerators.

The Convener: I note the broader issue that Robin Harper raises. However, given our tight agenda, I caution the committee against endorsing the approach that he suggests. It is appropriate that we focus on the specific issues that have been raised in relation to the disposal of BSE-infected cattle, and on the planning and location issues associated with those.

Maureen Macmillan: We should focus on the disposal not just of BSE-infected cattle, but of fallen cattle in general. Dealing with such cattle is problematic.

John Scott: I think it was suggested that we write to Margaret Curran and Ross Finnie; we should also write to Malcolm Chisholm because the principal issue is to do with health. The smoke and the smells, although disgusting and unpleasant, may not cause huge damage to people but, if there is a risk of BSE prions being deposited on housing in Scotland, that is totally unacceptable—as were the funeral pyres in Dumfries and Galloway. I said to the minister at the time of the foot-and-mouth outbreak that a few of the cattle on those pyres would have BSE, so prions were being chucked up into the atmosphere to fall where they would. We should write to all three ministers and see what response we get.

13:30

The Convener: The health issue is important, but I suggest that we write only to Ross Finnie and Margaret Curran. If we wrote to the Minister for Health and Community Care and the Minister for

Environment and Rural Development, we would likely get pretty much the same answer on the health issue, whatever that answer was. We know that there is a risk from BSE material in general, but the question is how to destroy it safely. That question should be directly addressed to the Minister for Environment and Rural Development. However, we should indicate that the health implications of disposing of such material are of key interest and importance to the committee.

Dorothy-Grace Elder: The people in the east end of Glasgow do not want the burning of any cattle there, whether infected with BSE or not. For the foreseeable future, the contracts are under the BSE surveillance scheme—which SEPA did not reveal to us a year ago when we had our first public meeting. The constituency MSP, Margaret Curran, is as angry and frustrated over this as anyone. She and I and others have had meetings with the burner owners. They are not the problem, because people will always try to make money out of things; the problem is SEPA and the water board. There have been endless efforts to shift the blame, with people saying that the council should do something. The council did its best back in 1998. It may still have a legal route to enforce paragraph 6 of the planning appeal document.

SEPA thinks that it is right to do things retrospectively—one can burn the cattle and find out later whether they had BSE. Any normal person would interpret paragraph 6 as meaning that cattle should never be burned there. We never knew that fallen stock would be investigated; we thought that one just dug a hole in the field and that was it, with nothing especially suspicious.

I wonder whether we should ask Mr Finnie—there is no need to ask Mrs Curran because she would be only too ready to agree—whether the animals can be moved to another burner. The maps prove the point: the Glasgow burner is here and the other burners are at a reasonably safe distance—a very safe distance in many cases—from housing. The location is important. What would happen in Glasgow when things went wrong would not, were another burner being used, affect human beings. Could we ask—right away—why the cattle cannot be shifted to another burner?

Sacone Environmental, which owns the Carntyne burner, owns another one at Brechin. It proposes to burn 400 cattle a fortnight at Carntyne. That is far too many for a built-up area, so why can the cattle not be taken to the other burner? The area of the Carntyne burner was meant for light industry and not this type of industry. This matter has slipped through the hoop—and I wonder how many others have done the same—on a recommendation of officers from the Scottish Office before they knew that this

category of cattle would be suspect.

The previous owners of the burner were burning cattle that were over 30 months. Those cattle were not being decapitated to find out whether they definitely had BSE, so people could get away with it but, with the new cattle, existence of the disease will be proven. I am sure that only a tiny minority will prove to have the disease, but one is enough. The estimate is between one and two a fortnight. We will not know which one or two. The men will have handled them, but the results of the tests will not be back until the cattle are incinerated. That is very alarming.

Originally, back in October, the water board told me that it was worried about its sewerage workers. A water board official said, "If the prion survives, what about our sewerage workers at Dalmamock?" I said, "Indeed, but you would not think of granting consent, would you?" The water board said that it would need to look at the matter. At that time, an application for consent had not even been made, but an application has now been made and consent has been given. It seems to be a no-win situation for the poor old public.

The Convener: We seem to be agreed that we should raise the issue with the relevant ministers. We are also agreed in principle that a reporter should be appointed. Is a committee member willing to volunteer to undertake that role?

John Scott: I do not really want—

Maureen Macmillan: I thought that Robin Harper had his hand up, but he was pointing at John Scott.

John Scott: In all honesty, I feel that I have more than enough to do.

The Convener: Given our time limits, appointing a reporter would probably be the most effective way of investigating the issue. It would be difficult for us to schedule time for the whole committee to deal with the issue. Appointing a reporter as we did for the Blairingone petition would be an effective way of getting a detailed insight into the issue at an early stage. Would any member be prepared to take that on?

Fiona McLeod: John Scott would probably bring a lot more knowledge to the subject than I would, but he feels that his work load is too much. I think that the issue is important, especially given the fact that the burning of these things will be restarted in July.

Dorothy-Grace Elder: It will restart in mid June, not July. At the moment, the incinerator is closed yet again.

The Convener: Fiona McLeod is volunteering. Is it agreed that we appoint Fiona as reporter?

Members indicated agreement.

The Convener: Perhaps Fiona McLeod and I can consult Alastair Macfie on the drafting of the letters that are to be sent to ministers.

Dorothy-Grace Elder: Is the committee prepared to write to Mr Finnie to ask that the cows be moved? Did I catch that right?

The Convener: We can incorporate that within the letter.

Dorothy-Grace Elder: I thank the committee for listening.

School Playing Fields (PE422 and PE430)

Playing Fields (PE454)

The Convener: Finally, we must consider three other petitions, all of which relate to a similar issue. PE422, from Mr James Docherty, is on the protection of school playing fields and PE430, from Mrs M Glendinning, and PE454, from Mr Peter Watson, are both on the sale of playing fields. The petitions are all concerned with the adequacy of current procedures for the safeguarding of playing fields. Two of the petitions are concerned about a potential conflict of interest whereby local authorities both sell land that they own and grant planning permission for the development of such land.

I seek members' comments on the petitions and on the options for action.

Mr Ingram: I am familiar with the petition from Ayr. The petition concerns the constituency that is next door to John Scott's. There is a lot of public concern about what is seen to be a conflict of interest whereby the local authority advertises for sale for housing development a playing field that is designated in the local plan as an area for recreational use. We need to consider those issues to maintain public confidence in the system.

The other aspect is that local authorities are supposed to set an example by conserving open spaces such as playing fields. In their local planning procedures, local authorities should take a lead in maintaining recreational land. However, it would appear that local authorities are under such financial pressure that they are looking to sell off such assets. That goes against all the planning guidance that has been issued by the Executive.

I believe that we must write to the Executive on the matter and I suggest that we consider option B of the options for action, which suggests that the current procedures are not particularly adequate for safeguarding playing fields.

John Scott: I agree with Adam Ingram. The situation is unattractive because South Ayrshire Council is set to benefit from the sale. I point out that the council is not in my constituency and

Adam is more qualified to comment than I am. Nevertheless, the council is setting itself up as the judge and jury. It makes the sale, then grants planning permission and will benefit to the tune of £1.6 million. That is worrying.

Adam rightly raises the point that the draft national planning policy guideline 3 states:

“Furthermore, local authorities should lead by example by resisting the development of open space and playing fields in their ownership.”

That could not be clearer, although I am not sure when that draft guideline is due to come into action. I am not sure that it is acceptable that—as I understand it—all that is required in that situation is that the Scottish ministers should be notified. That position should be reviewed and responses sought from ministers. I concur with Adam that option B is the one that we should pursue.

Robin Harper: One of the biggest postbags I have received in the past three years was from people registering their concern over the way that the planning system is working. Letter after letter was about councils allowing open space to be used for building and other developments.

The Parliament and the Executive should be taking up urgently the general issue of planning. The City of Edinburgh Council, for example, has its own development subsidiary, and I wonder whether the Scottish Executive could even tell us how many playing fields have disappeared over the past three years, let alone over the past 10 years. I know that a substantial number have disappeared over the past 10 years.

We should tell the Executive that it should be writing to local authorities, pointing out what NPPG 3 says and indicating that where that advice is contravened, the Executive will be calling the local authorities to account on it.

The Convener: I have no problem with the committee taking the route that has been suggested, which is that we write to the Executive and ask for its views and clarification on the planning guidelines and processes.

I note that NPPG 11, which is referred to in one of the letters from an Executive officer to Steve Farrell, says that disposals of recreational space

“should only be entertained if open space analysis demonstrates that the land is surplus to requirements, taking account of its recreational and amenity value.”

The same letter later says that

“any development that a planning authority considers to be a significant departure from a structure or local plan”

must be referred to ministers. That then puts ministers in a position to call in particular applications if they feel that that is appropriate.

It seems to me that the Executive is addressing some of the issues. However, I have no problem with writing to the Minister for Social Justice to seek clarification of the Executive’s position. We could also raise questions as to how many such applications have been made in recent years so that we can have an idea of the scale of the issue.

Maureen Macmillan: It is death by a thousand cuts.

The Convener: Are we agreed?

Members indicated agreement.

The Convener: That brings us to the end of the meeting. I thank those members of the public who have just come in—I am sorry that we are not going on a bit longer for you—and thank the members for their attendance.

Meeting closed at 13:45.

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