

MEETING OF THE PARLIAMENT

Wednesday 19 June 2002
(*Afternoon*)

Session 1

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Scottish Parliament

Wednesday 19 June 2002

(Afternoon)

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

Time for Reflection

The Presiding Officer (Sir David Steel): To lead our time for reflection today, we welcome Colonel John Flett, the Scotland secretary of the Salvation Army.

Colonel John Flett (Salvation Army): Presiding Officer, thank you for inviting me to lead these reflections. Forty years' service as a Salvation Army officer has convinced me that the parable that Jesus taught about the Good Samaritan is continually relevant. Every neighbour is created in the image of God and deserves respect.

It is not enough to be there and see the need; there has to be an immediate and effective response. Religious practice, political ideology or even the exercise of authority can create barriers that limit the delivery of care when it is needed. How much more effective the outcome would have been if all the parable's characters had entered into meaningful partnerships of concern.

If we want to make an impact, faith, ideology and action are inseparable. If we would serve all the people of Scotland, we dare not place limits on our partnerships. We all need each other and we must value each other for God's sake. Faith and politics cannot be kept apart. There are no impossible situations, because no one is beyond the transforming power of God.

May Morrison was a gracious and compassionate member of my first congregation, who was always ready to go the extra mile. It was not always like that. For years, May was one of Edinburgh's most troublesome characters. Banned frequently from our women's hostel in the Grassmarket for disruptive behaviour, May was described regularly as a hopeless case.

May awoke one morning on a bench on Arthur's Seat, surrounded by sheep. She says that at that moment she recalled the two texts hanging in the office at the hostel that threw her out so often—"All we like sheep have gone astray" and "I am the Good Shepherd". That challenged May and she made her way back to the hostel and pleaded to be allowed in. Although the Major must have thought, "Not again", she sensed that perhaps

God's moment for May had arrived. From that moment, May's real nature, long crushed by her chaotic lifestyle, emerged to show what God really intended—a lovely, lovely lady. May was not a one-off; I have met thousands like her in all parts of the world who have been similarly transformed.

The Salvation Army works for the likes of May and others. Our mission is clear—to bring the message of hope and transformation at every point of need. What we have in experience, skills and insights is offered gladly in support of your vision, as a Parliament, of social justice for all our neighbours.

I invite you to join me for a brief prayer.

God of Grace, Mercy and Hope, grant to the members of this Parliament wisdom to discern Your will, power to serve this nation and a vision that includes the needs of the whole world. Through Jesus Christ our Lord.

Amen.

Points of Order

14:36

Tommy Sheridan (Glasgow) (SSP): On a point of order, Presiding Officer. Before we begin the main business, I want to raise a point of order, which I have already spoken to your office about. It relates to the interim report of the expert panel on school meals, "Hungry for Success", which was delivered today to all members of the Parliament.

The problem is that yesterday I received a detailed analysis of the document from the Labour resource centre, briefing on stage 1 of the School Meals (Scotland) Bill. It would appear that the Labour party got hold of the report at least one day, if not more, before the rest of the members of the Parliament, which is grossly unfair and represents a contempt of the Parliament, particularly as it has occurred on the eve of an important debate on school meals. I ask you to rule on whether that represents a serious contempt of the Parliament.

The Presiding Officer (Sir David Steel): I am grateful to the member for giving me notice. However, I received notice only about a minute ago, so perhaps he will forgive me if I look into the matter and come back to him at the end of the day.

Alex Neil (Central Scotland) (SNP): On a separate point of order, Presiding Officer. Tomorrow's debate on free school meals has been allocated one and a half hours. The present structure of debates means that the front benchers will have a total of nearly an hour and the back benchers will have only half an hour. Will you examine the allocation of times and attempt to re-establish what was intended in the consultative steering group principles by ensuring that the back benchers have at least as much time in the debate as the front benchers?

The Presiding Officer: I do not have the power to alter the timings. That is a decision for the Parliamentary Bureau. We have the same problem every time that there is a short debate. If the member would like to write to the bureau, I will ensure that the matter is drawn to its attention, but it is not a matter for me to deal with.

Local Government Finance

The Presiding Officer (Sir David Steel): Our main item of business this afternoon is the debate on motion S1M-3206, in the name of Trish Godman, on behalf of the Local Government Committee, on the Local Government Committee's report on local government finance. It would be enormously helpful if members who wish to take part in the debate would indicate that now, as we have to fit in the debate on the Sewel motion and I must work out the timings.

14:38

Trish Godman (West Renfrewshire) (Lab): One of my favourite songs, "The Long and Winding Road", was written by Paul McCartney. On the long road to producing our report, I have often thought that, even with his great talents, Paul McCartney could not have set to music the long and tortuous road that is local government finance. However, we have arrived and I am sure that the debate will be stimulating.

I thank all committee members, past and present, and those who left us, suffered withdrawals and came back. In particular, I thank Sylvia Jackson, who is the deputy convener of the Local Government Committee, and Johann Lamont, who is a past deputy convener and who has been very supportive to me during all the committee's sessions, especially those on local government finance. I give special thanks to the clerk Eugene Windsor and his team, without whom we would not have survived.

Our major and robust inquiry, which lasted for more than 18 months, was undertaken alongside other committee business. It is one of the longest and most comprehensive inquiries to have been held by any of the parliamentary committees. The Executive has recognised the task that the committee set itself and welcomed the scale and breadth of the evidence that we took. It has also recognised the vital role that local authorities play in the delivery of services—something that we are not able to say very often in the Parliament.

Over the past two years, while our inquiry was in progress, the Executive has continued to work with the Convention of Scottish Local Authorities. The result of that has been the move towards three-year funding and the abolition of spending guidelines. Those initiatives would have been recommended by the committee today if those processes had not continued to take place.

However, there is a fundamental difference between the committee and the Executive over the balance of funding. The committee believes that the balance should be as near as possible to 50:50, but the Executive does not agree. At

present, around 20 per cent of council spending is raised locally. The remaining 80 per cent comes in grants from the Executive and from non-domestic rates.

We believe that such an imbalance blurs local accountability. With such a large proportion of funding coming from the Government, the public are uncertain about who is responsible for local services. The arrangement also means that councils are very vulnerable to changes in grant distribution. Most important of all, the gearing effect means that, on average, a 1 per cent change in council spending leads to a 5 per cent increase in council tax. That sends misleading signals about spending decisions to the local electorate and to council tax payers.

The Executive argued that a large part of the 80 per cent central funding is unencumbered grant and that local authorities can therefore establish their priorities along with their local electors. The Executive believes that there is no need for a 50:50 balance. We were unconvinced by that argument. Our evidence showed that there is tight control from the centre and those arguments will be discussed by other committee members as the debate progresses. If we were to accept the Executive's position on the 80:20 balance, we would agree that the Executive's response to our report is reasonable, although not wholly satisfactory. Given the fact that we do not accept the Executive's premise, the question arises as to how the committee would get nearer to 50:50.

We first considered the council tax, which is a sound tax, but we believe that it needs to be reassessed if it is to remain so. We commissioned research from Heriot-Watt University, which recommended rebanding and revaluation. Five out of every 10 homes in Scotland are in the two lowest council tax bands. The rest are spread across the other six bands, but only one in every 10 homes falls into one of the top three bands.

The message is loud and clear: people who live in the lowest-value homes in Scotland and who do not qualify for benefits pay too much, while those who live in the highest-value homes pay too little. Although the Executive is not inclined to consider a review at this time, it has said that it will undertake a detailed analysis of the implications of a change. The committee will watch for progress with interest.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Does the member agree that a property tax such as the council tax is unfair? Many retired people are on incomes that are far less than what they earned when they were on a salary, but they still live in houses that are at the higher end of the tax band. The council tax is not related to people's ability to pay.

Trish Godman: I agree that taxes should be related to people's ability to pay.

The committee also considered second homes. We believe that, in the interests of equity, the full council tax should be levied on second homes. It is clear that some councils could be disadvantaged by the fact that they have a high proportion of second homes in their area.

The committee also considered non-domestic business rates. We recommended that they should be returned, with safeguards, to local authorities. We know that such a recommendation is controversial, but safeguards would mean that councils could not load any tax increases on to business rate payers—or, indeed, on to council tax payers. I am disappointed that the Executive has ruled out our proposal without giving it further consideration.

The Executive is wrong to say that control over business rates would not make local authorities more accountable. Businesses do not have a vote, but that is not the issue. Returning business rates to council control would enable the local electorate to see a much more direct link between a council's policies and the levels of taxation across the business and domestic sectors. Hence, electors could make a much more meaningful choice at election time.

The Confederation of British Industry Scotland could not give us any evidence—oral or written—that businesses located, or relocated, based on business rates only. The Forum of Private Business stated in evidence that it was opposed to the return of control to local authorities because experience had shown that some councils behaved responsibly and some had not. The committee's safeguards address those concerns.

The Executive is clear that it will not return control of non-domestic business rates to local authorities and some members of the committee are quite delighted about that—Keith Harding for one. If the minister will not return that control, will he consider a compromise? Cities such as Glasgow, Aberdeen, Dundee and Edinburgh, which encourage retailers into their city centres to provide shopping opportunities, and which encourage tourism and other ways of bringing people into the cities, have to commit to the infrastructure to support that. Would it be possible to return even a slightly higher proportion of the business rates to those cities—without losing sight of other council areas where, clearly, it is not possible, or would be very difficult, for businesses to locate?

I turn now to grant distribution. Presiding Officer, these speeches are always difficult, and it is usually anoraks who get enthusiastic about them. Earlier, a member of your staff—who shall be

nameless—said that they would try to keep their eyes open and be wide awake while I was speaking. I will not tell you who it was, but so far they have managed.

Grant distribution has the aim of providing an equitable allocation of central funding to ensure that all councils are able to meet the needs of their communities. That seems fair. However, the committee recommended that the

“grant distribution formula should reflect, on a service-by-service basis, the effects of deprivation on the costs of provision.”

Deprivation has to be taken into account when grant distribution is being considered.

On local authorities’ capital funding, the Executive has agreed to our recommendation of a prudential system that would give councils more flexibility in borrowing for capital investment decisions.

I will speak briefly on local income tax—Iain Smith will speak more about it later. The committee recommended that the Executive should—in the longer term—explore the possibility of a local income tax. That would have advantages, in that the burden of funding councils would be spread over a wider spectrum of taxes. One disadvantage of the council tax is that people may be on low incomes and be ineligible for benefit, and yet be liable to pay council tax, which takes up a large proportion of their income. A local income tax could take into account such circumstances and therefore be fairer. Again I am disappointed, because the Executive has thrown out a radical idea without further consideration.

The Executive has agreed that public-private partnerships and private finance initiatives are not the only game in town. At the Local Government Committee, the Minister for Finance and Public Services said:

“The Finance Committee is investigating PFI/PPP. It is doing a lot of hard work and I am interested in the findings. Part of that work is on public sector trusts. Some models are being developed, but the information is not yet available, because the trusts have not hit the streets. I am happy to consider such ideas.

Unlike some, I am not hide-bound to a delivery tool politically or by the way in which the Scottish Executive operates. If a tool works, we should use it. If it works to the benefit of our communities, we should use it. Work should be undertaken on deciding which services are included in PFIs, such as the soft services as they are classically defined in some PFI/PPP arrangements.”—[*Official Report, Local Government Committee*, 29 January 2002; c 2751.]

The Executive should consider developing alternatives: it is not the responsibility only of councils to do that. However, there is no doubt that community investment trusts, based on prudential rules, would offer improvements on conventional PPP and PFI.

The Local Government Committee is leading through the parliamentary system the Local Government in Scotland Bill. We are considering best value in councils and it is incumbent on us to consider PPP and PFI with our best-value hats on. That is what we are asking councils to do; that is what we should be doing—not only in the short term, but in the long term. On behalf of the Local Government Committee, I ask members to support the motion.

I move,

That the Parliament notes the 6th Report 2002 of the Local Government Committee, *Inquiry into Local Government Finance* (SP Paper 551) and calls upon the Scottish Executive to consider the report’s recommendations.

14:49

The Minister for Finance and Public Services (Mr Andy Kerr): I, too, travel the long and winding road of local government finance—it seems that I travel it every day.

I congratulate the Local Government Committee on its work. As the convener pointed out, the members have made a strenuous effort to raise debate on the committee’s comprehensive report and on the topical and difficult issue of local government finance. The committee set itself a significant task, which was to look across the breadth of local government finance and taxation issues and to take evidence from a wide range of interested parties. That evidence came from local government, business representatives, professional bodies and academics and demonstrates the diversity of views and opinions on the thorny issue of local government finance. We welcome the committee’s inquiry and report for raising debate on those matters. It was essential that, throughout the period of the review, the Executive should continue to engage with local government to review the system of local government finance. The convener of the Local Government Committee mentioned some of the improvements that have been made.

Our response—published last week—to the committee’s report reflects our commitment to delivering high-quality public services for the people of Scotland. After all, we work in partnership with local authorities to achieve that end and we share that top priority with local government. The system of local government finance is an integral part of our ability to deliver. Over the current spending review period there has been a massive shift in resources—an additional £1.5 billion over the three-year period.

We are delivering that improvement at local level and that has been recognised in our communities. The investment is delivering improvement in our schools—in the quality of education that they

provide, in the physical environment in which our children learn and in the teachers who teach them. It is providing vulnerable older people in our community with free personal and nursing care. It is providing record levels of support for police and fire services and it is providing more investment in the road network and in the concessionary travel scheme that is coming on stream. All those features of our work with local government underpin the value that we place on the delivery of high-quality local services.

Mr Andrew Welsh (Angus) (SNP): Does the minister agree that housing receipts that have been set aside by councils that have very low historic housing debt would be better used to create and improve housing stock as a service for the people?

Mr Kerr: As Andrew Welsh knows, we have consulted on the non-housing aspects of local government capital spend and we are considering that policy. Several things are happening in housing—including housing stock transfer discussions and new housing legislation—and we will review the matter in the light of that work. I am sure that Margaret Curran will discuss those matters with the Parliament in future. We are not willing to endorse Mr Welsh's proposal at the current time because of the context of overall change within housing.

Fiona Hyslop (Lothians) (SNP): Will the minister give way?

Mr Kerr: I would like to proceed, because I have a lot of ground to cover, although I will try to take more interventions.

We need to learn the language of the so-called new burdens on local government, which are achievements that deliver real improvements to services for local citizens. Alongside that investment rests the issue of local government finances and, as Trish Godman mentioned, three-year stability for councils in Scotland, which is not available elsewhere in the United Kingdom. We have abolished spending guidelines, which gives councils flexibility in setting their council tax levels. We have reduced ring-fenced controls on local government spend. Ring fencing remains a concern of the Parliament and the leaders of local authorities and I continue discussions on the matter. However, we want to move on to more productive territory and to discuss local outcome agreements with our local authority partners.

We have introduced the Local Government in Scotland Bill, which addresses best value, community planning and other innovations that all seek better services for the public. The bill includes provisions that will give councils a general power to improve the well-being of their areas, including flexibility in raising income from

fees and charges. In the context of those welcome developments, the Executive will continue to work in partnership with local authorities.

On capital funding, which is an alternative to some delivery mechanisms such as PFI and PPP, local authority capital investment has increased by 40 per cent over the current three-year settlement period. The new prudential system, alongside other flexibilities that are proposed in the Local Government in Scotland Bill, should open up more options for local authorities in spending much-needed resources and in making their capital investment decisions. I hope that that addresses some of the issues that have been raised by the committee.

Grant distribution was a thorny issue for everybody during the report's formulation. We will never get it perfect. It is difficult to do so because of the diverse nature of our local authorities. We accept the committee's recommendations on that issue and we will continue to work with COSLA and local government to ensure that the distribution system is one that we can respect and which delivers for our local communities.

Brian Adam (North-East Scotland) (SNP): Grant distribution takes account of deprivation, population dispersion, island costs and diseconomies of scale, but it does not take account of growth. The current formula is not sensitive enough to the rapid growth that exists in some communities but not in others. I hope that the minister will take that into consideration.

Mr Kerr: Growth in many ways determines population, which is taken into consideration as part of the grant-aided expenditure process. I caution members against playing around with the assessment that is made through the complex GAE relationship. In the past seven years, 32 reviews have taken place, but there has been only a marginal shift. The greatest shift was 0.6 per cent in funding for an individual authority. When changes work through the system, all sorts of counterbalances come into play. Much effort, time and commitment has gone into reviewing the GAE, but to little effect. At least 12 authorities have seen no change in GAE. Most authorities have seen a 0.1 per cent change, and there was a slightly greater change for one authority. We are in fairly sterile territory, but that is not to say that we do not want to continue our discussions with local government on how to make the situation better.

The convener of the Local Government Committee highlighted the aim of achieving a 50:50 balance in local government funding, which clearly is a big issue for the committee. The available options are: first, to reduce the number of services for which local government is responsible; secondly, to return business rates to local control; and thirdly, to increase the level of local taxation.

On the first option, we made clear to local government our commitment to ensuring that it retains the essential role of delivering national initiatives locally and responding to local priorities. Therefore we share the Local Government Committee's view that councils should retain responsibility for a wide range of services. Councils cope well with a diverse range of services and responsibilities, and we see no reason to change that.

The second option concerns the thorny issue of business rates, control of which the Local Government Committee feels should be returned to local government. I believe, as does the Executive, that businesses and local authorities benefit from the stability of the current arrangements. Businesses have the consistency and relative stability that arise from a national rate poundage, which compares well throughout Scotland and the UK, and councils and businesses are protected from fluctuations in the income from rates.

Phil Gallie (South of Scotland) (Con): The minister suggests that the business rate in Scotland compares well with the situation in the UK. It did five years ago, but currently it exceeds the UK rate by 10 per cent. Why does he suggest that we compare well?

Mr Kerr: We compare well because revaluation took place down south, which we have taken account of, therefore there is a nil effect in Scotland. There is no lack of competition with regard to the business rate here in Scotland.

Presiding Officer, I need to proceed. I caution members who wish to intervene, because I have much ground to cover.

I dispute the democratic aspects of returning business rates to local control, which many members have raised. Returning business rates to local control would not increase local accountability. Indeed, the Local Government Committee's proposal to limit increases in business rates and council tax might actually reduce local councils' flexibility to raise income locally, therefore we do not accept—

Johann Lamont (Glasgow Pollok) (Lab): Will the minister give way?

Mr Kerr: I have not taken an intervention from my colleague, therefore I will do so.

Johann Lamont: Does the minister agree that the key issue in relation to business rates is not the setting of the rate, but the fact that in a city such as Glasgow we see poverty among plenty? There is huge frustration because although Glasgow supports economic regeneration and creates wealth, that wealth is distributed throughout Scotland. We do not feel that we get

back a fair share when the distribution factors do not recognise deprivation sufficiently in determining the moneys that go from the Scottish Executive to local authorities.

Mr Kerr: The role that deprivation plays in the indicators is agreed with local authorities and the distribution formula is agreed throughout Scotland. Our difficulty with losing the stability that the uniform business rate gives us is that we need to provide a level playing field throughout Scotland. Of course, Glasgow is compensated in many other ways, given the resources that go into Glasgow to support local and national initiatives.

Another matter is the fluctuations that might occur in business rate income. The national scheme protects councils from such fluctuation and the possibility of reduced income.

The Executive's view of some of the innovations that the committee proposed, such as business improvement districts, is more positive. We accept the committee's recommendation on them and we will make proposals to consult local authorities, business and others on arrangements to allow local authorities and business to choose whether to introduce business improvement districts. I am sure that that will play a significant part in Glasgow's thinking.

We must examine how that model would work in rural areas. We must allow local authorities flexibility. Some of that flexibility exists already in the form of rural rate relief, which we propose to extend under the Local Government in Scotland Bill. Local authorities also have flexibility to offer relief for businesses that face hardship, as they did during the foot-and-mouth outbreak.

The final option for changing the balance between central and local funding—the 50:50 issue—was to increase the relative burden of local taxation. The committee recommended that consideration should be given to an additional income tax, but its report did not provide great detail on how that might operate. Without discussing the merits of a local income tax per se, we do not accept that there is a strong case for an additional local tax. It would add complexity to the current arrangements, so we do not accept that recommendation.

The committee also referred to the 80:20 balance in council tax income and the gearing effect, with which I was very familiar when I worked in local government. The money that we provide through the GAE is allocated under the formula. Local authorities decide how GAE and assessed income are spent. The strength of the three-year settlement is that a council tax contribution is no longer assumed towards the cost of national initiatives, which are fully funded. Therefore, the so-called gearing effect is not

caused by national implementation of policy, because the Executive has provided and continues to provide full central grant for those central initiatives.

Brian Adam: Will the minister give way?

Mr Kerr: I am afraid that I need to close. We will pick up further interventions in Peter Peacock's closing speech.

We have made provision to deal with local authority pay and price inflation, which is a step forward. We have introduced the minimum grant floor, which council tax levels reflect.

On accountability, although 80 per cent of councils' expenditure is funded from the grant, 20 per cent is raised locally, which allows flexibility in delivery of local priorities. Even if councils raised 100 per cent of their income locally, the Executive and the Parliament would want to ensure acceptable standards of delivery. National priorities are also delivered locally. I am not sure how all that balances out in the debate about the relationship between central and local government.

The committee's report raised the big issue of council tax revaluation. Although the argument has merit, we must examine the issue more. The technical aspects of performing a revaluation beyond 2005 are difficult, because a business rate revaluation is being undertaken, so the ability to conduct such a process would be limited. The bands were designed to absorb property price changes, so they continue to have some credibility. We will examine through our research the work that the committee has undertaken and the work that the Executive will do on the impact of bands, the relationships between the bands and the impact of property price changes.

I will move swiftly to my conclusion; perhaps I will pick up on other issues during the debate. We have published our response to the committee's report in order to allow members to understand fully the Executive's position. We have been sympathetic to and welcome many of the innovations in the report. We differ on some matters, but they will be part of the continuing discussion not only between the Executive and the committee, but between the Executive and our colleagues in local government. I congratulate the committee on its thorough and wide-ranging review.

15:04

Tricia Marwick (Mid Scotland and Fife) (SNP): I congratulate the members of the Local Government Committee and the committee's clerks on their work in compiling the report. I pay particular tribute to Trish Godman—the

convener—to Sylvia Jackson and to all members who have belonged to the committee since it started. The inquiry was long and, as other members know, I was a member of the committee for a short time while the inquiry was being conducted and the work load was considerable.

The Parliament should commend the committee and others who carried that work load for such a long time. The McIntosh report of 1999 recommended that an independent inquiry into local government finance should be instituted immediately. The Executive refused to do so, which is why the Local Government Committee undertook the work on behalf of the Parliament. Again, I commend the committee for doing so.

The committee took evidence from many organisations and individuals and its report highlights several areas of concern. The SNP does not, however, agree with all the report's recommendations. We do not, for example, support the return of business rates to local authority control. We are not persuaded by arguments that the return of business rates to local authority control would increase business opportunities and expansion, nor do we agree that doing so would increase revenue to local authorities. It is more than likely that the Executive would give with one hand and take away with the other. The end result would be that local government finance would remain in the chaotic position that it is in at the moment.

Local government finance is in chaos. There is a lack of transparency and a lack of agreement between local authorities and the Executive about how much money should go into local government and how much should be ring fenced. We spend so much time arguing about local government finance that there is no time to reach a baseline agreement on a definition of local government finance and of how much money is involved. However, the argument about that is sterile. We should instead concentrate on delivering the public services that we all need. The Executive and the Convention of Scottish Local Authorities disagree about the percentage and the amount of funds that should be ring fenced. Their disagreement is silly and needs to be sorted out as soon as possible. Such disagreements damage the good work of local government.

The lack of transparency in local government finance between the money that is raised and the services that are provided leaves local residents confused about who delivers what. If we, as citizens, are asked to come out and vote in local council elections, the least that politicians can do is ensure that local council finances are conducted openly and transparently. All councils are financially responsible and accountable to the electorate.

Phil Gallie: The Scottish Executive made a substantial sum available recently to local authorities for urgent repairs to local road systems. Does Tricia Marwick disapprove of that kind of ring fencing or is it right that the Scottish Executive should provide money at times for specific projects?

Tricia Marwick: I will come to ring fencing in a moment.

The Local Government Committee became sidelined into discussing restructuring of council tax bands. To do that was merely to tinker around the edges of local government finance instead of making the root-and-branch reform that is required.

As I said, the notion of restoring business rates to local government control should be opposed. The business community firmly opposes such a move and the SNP will not sanction penalisation of local businesses in order to overcome the inadequacies of central funding to councils.

The Executive should consider a local income tax that is based on ability to pay, which the SNP has advocated in the past. The introduction of a local income tax would bring accountability and fairness to local funding. That proposal is supported by various organisations and it is recommended in the Local Government Committee's report. I agree with Trish Godman that the proposal for local income tax is radical and I am extremely disappointed that the Executive has not accepted the committee's recommendation to consider local income tax in the short and medium-term. There is agreement throughout the chamber that there should be examination of how we raise the money for local government. The proposal for a local income tax has much to commend it. I, along with the members of the Local Government Committee, commend that proposal to the Executive; I hope that the Executive will reconsider its rejection of that proposal.

Ring fencing of funding erodes the financial responsibility and freedom of local authorities. It is rigid and bureaucratic and it weakens co-ordination of services. It creates pressure to ring fence other services and can sometimes generate an almost perverse outcome. No one denies that, in some circumstances, ring fencing should be accepted; however, the problem is that neither COSLA nor the Executive can agree about the level of local government finance that is ring fenced. Until that is sorted out, we will find it difficult to track the amount of local government spending that is available for core services and the amount that is available for ring fencing. Council services are no longer being addressed by core services. COSLA believes that almost 30 per cent of local authority funding is either ring fenced or

centrally directed. If that is the case, such a situation is untenable.

Andy Kerr shakes his head. That is precisely the problem: the Executive and COSLA—

Mr Kerr: I tried to intervene earlier on the subject.

Tricia Marwick: Oh, go on then.

Mr Kerr: I should point out that I continue to meet COSLA to discuss ring fencing. However, will the member confirm that, during the care homes crisis, her front-bench colleagues advocated ring fencing of care home funding?

Tricia Marwick: I said that I am not opposed to ring fencing. The problem is that there is no agreement between COSLA, which represents most of the local authorities, and the Executive about the amount of funding that is ring fenced.

I want to move on to PFI. We heard much evidence on that subject, particularly from Dougald Middleton from Ernst & Young. PFI should not and must not be used for local government capital projects. As the evidence shows time and again, such projects are costly to the public purse, do not deliver value for money and are now being rejected by councils such as West Dunbartonshire Council in favour of not-for-profit trusts. We must give local authorities the ability to establish projects such as new schools that deliver true value for money and core services for the community.

In its written evidence, Ernst & Young pointed out that developing such trusts would

"deliver tangible benefits in terms of empowering the procuring authority",

and went on to say that local trusts would

"deliver enhanced value for money".

The committee report recommends that the Executive should work to develop alternatives to conventional PFI/PPP schemes and that that must be implemented as a priority. As the Executive has accepted that recommendation, I hope that it will work towards the establishment of not-for-profit trusts. From the evidence that I heard at the Local Government Committee, it is clear that PFI is neither transparent nor does it offer value for money, and that it does not provide the kind of services that we need.

When we ask ourselves what local government is for, and what the whole debate is about, the answer is delivery of high-quality public services. It is important that we do not overlook that. Local government must be financed in an open, transparent and publicly accountable way and it must deliver core services. An inordinate amount of time and hard work has been spent preparing the report, so I hope that the Executive translates

that time and hard work into action, resolves the confusion, addresses the imbalance, removes some of the ring fencing and abolishes PFI. It is time for the Executive to act. It is time to give our councils resources in a clear and simple way. Indeed, it is time to deliver high-value public services for the people of Scotland.

The Presiding Officer: Before I call the next speaker, it might help members to know that we are quite relaxed about timing this afternoon. Many members have indicated that they have a lot to say, so back benchers will be allowed five or six minutes instead of the usual four.

15:14

Mr Keith Harding (Mid Scotland and Fife) (Con): I pay tribute to Eugene Windsor, the Local Government Committee clerk, and his staff, who guided us through the long but interesting investigation into local government finance.

As my colleagues on the Local Government Committee know, the report records my dissent on 12 separate areas. Now that the minister has responded to the committee, I see that I am no longer alone on a large number of the wilder suggestions that my colleagues made in their attempt to promote a tax-and-spend agenda at the expense of Scotland's people and businesses. The only bodies that were pleased by the report were COSLA, councils and others with vested interests. Great concern was caused to council tax payers and businesses. In responding, I am pleased that the minister has approached the Conservative position. Perhaps Peter Mandelson is correct: we are all Thatcherites now.

I should explain why I opposed so many of my committee colleagues' ideas. Unlike the minister, I can be open, as I do not have to fear upsetting back benchers in my party.

The first issue is the balance between central and local funding. I agree with the committee's view on proportions, but not with the method of getting there. My colleagues rejected removing services, but I proposed doing so precisely because we could bring about genuine devolution to local communities rather than to politicians. That would bring innovation, commitment and flexibility that monopoly, statutory provision and central direction cannot deliver.

In education, our policies would give parents real choice by devolving responsibility for managing schools to local groups of schools within their communities. That would improve standards, increase diversity and provide the flexibility to meet local needs in respect of employment and community development. It would also bring much clearer accountability. There would no longer be arguments between central and local government

about funding responsibilities and who is to blame when systems fail. Schools would be funded by block grants from the Executive, based on pupil numbers, other criteria and assessed capital needs. A stifling tier of bureaucracy would be removed.

By devolving power further from councils, we could remove the financial burden of schools and many other services and drastically change the nature of local government for the better. That would give us a huge opportunity to increase accountability and make the public's decision at council elections directly relevant through the impact on finance. Local authorities would be responsible for raising a higher percentage of their own budgets and consequently would have greater independence. Every member of the committee wanted that.

Giving education grants directly to local school boards to use as they see fit could reduce council grant by the net costs of that provision. Councils would be able to maintain spending on their remaining services at the current level that is allowed by guidelines. However, the key issue is that council tax income as a proportion of council spending would be far higher; it would approach 40 per cent or more as council tax income became a far bigger part of the smaller pot required for fewer services. Education has the largest impact in that respect, as it is one of the big two spenders, but other services could also be devolved to community councils, for example. Over time, the proportion of tax that is raised locally through council tax could be increased still further by the gradual reduction of central Government grant, which has happened since 1997. We would aim for a 50:50 split and perhaps phase that in over a five or 10-year period.

That is a coherent approach across a number of policy areas that the Scottish Conservatives have drawn together. On their own, the proposals are not dramatic, but our approach is cross-cutting and would bring about real change and genuine devolution of power to communities throughout Scotland rather than to politicians. Services would improve and councils could concentrate on what have always been their core services—those services that the public associate with councils and their reason for being. Most people think that education is the Government's problem anyway. Councils could concentrate on services that people constantly tell me are being neglected but that have a huge impact on quality of life. I refer to services such as road and pavement repairs, street lighting, litter collection and the maintenance of parks and public spaces—I could add dealing with dog fouling. Once again, people could be proud of truly autonomous local government that meets their needs.

The second major issue is the nature of the council tax. The committee agrees that the principle that the previous Conservative Government put in place is sound, so why does it call for a revaluation? The minister said in response to the committee:

"Although the current valuations are based on levels at 1st April 1991, the system of council tax bands was designed specifically to allow for quite significant movements in house prices without the need for early or frequent revaluations."

The memory of rates revaluations, which led to a clamour for a change from rates in the first place, brought about that system.

The bands are about relative levels, not precise values, and I see no need for change. A revaluation coupled with more bands, as the committee suggests, would return us to the worst days of the rates. Although it might be politically helpful to my party if the minister did that, I have no doubt that it would be a disaster for home owners. Far from being fairer, as the socialists of all colours suggest, the measure is inspired by the politics of envy. It is proposed simply to fleece the small number of people who already pay large amounts to their council through income tax and council tax, but who get little in return and even less by way of accountability at the ballot box. Council taxes have risen. The average band D council tax has risen 37 per cent in cash terms since Labour came to power. What would proposals for more and higher bands and a revaluation do here in Edinburgh? Even small flats would be revalued into bands around the current band D or above, for which increases of 60 per cent to 100 per cent are proposed in some of the plans that the committee supports. Members who have flats, bought with taxpayers' support, should perhaps talk to their neighbours before they think further on the matter.

Iain Smith (North-East Fife) (LD): Will Keith Harding give way?

Mr Harding: Iain Smith will have plenty of time.

Increasing the number of bands and reducing the amount paid at the lower end will result only in Scotland giving a windfall to Gordon Brown. All those peculiarly Scottish tax increases would only drive our brightest people south, but not nearly as much as the committee's proposals on business rates would. A return to locally controlled business rates would see businesses move south across the border, taking jobs and money generation with them. What would locally controlled business rates do for new business start-ups? The start-up rate is already low. Remember that, relative to profit and turnover, small businesses pay 10 times more in business rates than larger businesses do. Under our current version of the UBR, Scotland's businesses already pay about 10 per cent more

than their English counterparts do. The minister was wise to reject that ridiculous proposal.

As if the double whammy of business rates and council tax increases were not enough, the really wild ideas came out when the committee came to its conclusions on local income tax. What were committee members thinking of? Was it a sop to the Liberal Democrats? Even the people who have proposed local income tax in the past have said that it should be instead of, not as well as, council tax. Not even Tommy Sheridan has proposed two taxes.

The Minister for Finance and Public Services is a master of understatement when he says in his reply that there is no

"strong case or support for ... an additional local tax".

He bases that assertion on complexity, but he should just have made it clear to the back benchers in both Executive parties, who are no doubt supported by the tartan socialists in the SNP, that the proposal is electoral suicide.

Talking about the Scottish nationalists—I am sorry that Tricia Marwick has not remained to hear me speak—I welcome their conversion on the retention of business rates centrally, but they cannot escape the fact that in the committee they voted for the return of business rates to councils.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): Is it Conservative party policy that all its members on a committee should always vote according to a party whip? What does that say about the Conservative's commitment to the committee system?

Mr Harding: No, that is not our policy, but I guarantee that every one of our members will stand by the manifesto. The SNP manifesto stated that business rates would be retained at the centre. Conservative members would not make such a silly mistake.

The final tax plan is one that the minister did not reject—business improvement districts. That is a laudable concept in principle and one that I might support, but not if it is an additional tax burden on business. In the United States, from where the idea came, there is a low tax regime for both businesses and individuals. That makes semi-voluntary taxation much more attractive, especially if it is for particular time-limited projects. Here it would end up being an additional burden on hard-pressed businesses. It is economic madness to suggest the idea in a report that encourages various other tax increases. If we cut business rates first, the plan might get some support. In the meantime, let us tell businesses the truth. Those that support BIDs probably think that money for BIDs would be instead of other tax and that BIDs would allow them involvement. With taxes

increasing, those businesses will be far less keen to take part.

Far be it from me to be negative about the whole report. I have often called in the chamber for a reduction in ring fencing and I support all the committee's views in that regard. I am even pleased that the minister has accepted some of the committee's proposals. It is a shame, but not unexpected, that he is so grudging, given that each year under Labour and the Liberal Democrats the local government financial settlement has concentrated spending on particular priority areas. The Executive forces its priorities on to councils, attacking local democracy by stifling their ability to provide services and to spend in line with local priorities. Services such as road repairs, recreation and cleansing are neglected. Let us fix that misery. Cannot the minister be a bit more generous for the sake of local democracy and accountability? A large proportion of the reduced ring fencing has been achieved only by mainstreaming existing funding of services that are deemed to be a priority by the Executive. In effect, local government finance is still ring fenced.

I also support the work to free up councils on capital spending consents and I am glad that the minister agrees. It was also good to see that the distribution grant formula is to be addressed. I blame COSLA for the lack of action on that matter, as those who gain under the present formula often block moves for change. That happened under the previous Conservative Government and, regrettably, I believe that it still happens today, despite ministerial willingness to change. I urge COSLA to get its house in order and to fix the situation soon, in order to solve the problems with funding the McCrone settlement and concessionary travel and with the longer-term general mismatches that were identified by numerous councils. The councils that lobby us in Parliament on that issue should be clear that they must solve the problems with their colleagues if an acceptable solution is to be found. On that note, I am glad that the minister agreed to make funding provision and spending assumptions clearer in future settlements.

My philosophy is that councils should be freed up and enabled to do as they please, although that must be done with the consent of the local electorate. The problem is that there is little or no accountability in local government. Until we achieve that accountability, we cannot make progress towards genuinely autonomous local government. I oppose the committee's tax-and-spend assertions because they will not solve those problems or fit those criteria.

I am glad that the minister is closer to me than he is to his back benchers on this subject, and I

urge him to go further. If he were to accept the Scottish Conservatives' proposals for local government finance, he would have a coherent plan for achieving greater financial accountability and more community involvement without horrendous tax increases. That plan would be welcomed by the people of Scotland.

The Deputy Presiding Officer (Mr Murray Tosh): I call Iain Smith to open the debate for the Liberal Democrats. Mr Smith, you have been offered unlimited time by Mr Harding and I will try to be reasonably flexible.

15:27

Iain Smith (North-East Fife) (LD): Thank you, Presiding Officer.

Follow that, as they say. Unlike some other speakers, I am willing to take interventions.

When I joined the Local Government Committee in January 2001, it had already commenced its inquiry into local government finance. A substantial volume of written evidence had been garnered, but the committee had not yet commenced its oral evidence-taking sessions, which were to stretch out over 13 committee meetings in the next year.

Although members have a concise and precise committee report before them today, they should not underestimate the considerable amount of work by everyone involved, including the clerks, those who gave oral or written evidence and the committee's adviser, Rita Hale. The report should be seen as a reflection of the clear and consistent message that the committee received about the significant problems that our local government finance system faces.

It is also worth noting that, with the exception of Keith Harding, there was consensus in the committee on all the key recommendations in the report, including those on revaluation and rebanding of council tax, local income tax and returning non-domestic rates to local control. Let me tell Keith Harding and the Conservatives that a revaluation and rebanding exercise would not increase the burden of council tax—it would change how council tax is collected but it would not increase the global sum collected. That is an important point. I think that the press got rather overexcited about council tax revaluation and rebanding processes, as they picked up one table from an academic report that illustrated the effect of various proposals—it was not a table on which one should base decisions. The committee made no recommendations about any of the illustrations. The key point is that if a revaluation and rebanding exercise takes place, its purpose will be to make the system fairer without increasing the global sum that is collected from council tax.

The inquiry into local government finance was set up in response to the long-standing demand, which was supported by the McIntosh commission, for an independent inquiry into local government finance in Scotland. The calls for an independent inquiry were the result of two decades of attacks on local government by central Government, most of which took place during the days of the Conservative Government. From guidelines to clawbacks, capping, the removal of non-domestic rates, ring fencing and the poll tax, local government has been under siege. Its autonomy has been emasculated and its ability to respond to local needs has been destroyed.

Local government has been required to do more and more with less and less. In the five years following local government reorganisation, there were significant real cuts in funding to local councils, which resulted in real cuts in local services. Years of underinvestment in capital have also resulted in a huge backlog of repairs to our schools, roads and community facilities. Thankfully, the Liberal Democrat and Labour partnership Executive has begun to address that fundamental underfunding problem with real increases in both revenue and capital funding to every council in Scotland.

Nonetheless, some of the underlying structural defects in the local government finance system remain, and it is those that the committee has tried to address in its report. At the heart of the report is the need to establish a robust system of local government finance that can help to support strong local government and enhance local democracy and accountability. That is why the first recommendation of the committee is to change the balance between central and local funding from 80:20 to as near to 50:50 as possible. As a Liberal Democrat, I believe that, as a democratic principle, we should be striving to achieve, over time, a system where each tier of government is responsible for raising the revenue that it requires to spend on the services that it provides. Each tier of government should be accountable to its electors for the decisions that it takes on the level and quality of services that it will provide and the costs of those services in taxation.

Phil Gallie: The member is suggesting that an additional income tax should be collected by local authorities. Given the shambles that councils frequently get into with respect to council charge collection—especially when benefits are involved—what system of administration does the member recommend for the implementation of an additional layer of income tax? How will it benefit the council tax payer?

Iain Smith: I will come to the income tax proposal in more detail later. There would not be an additional layer of income tax, but a transfer of

income tax from national income tax to local income tax. The proposed tax would be collected through the income tax collection system, as happens in other countries that use the system. It is much less complicated to administer than systems that require benefits to solve the problems.

Phil Gallie: Will the member take a supplementary?

Iain Smith: It is not supplementary—it is a change to the taxation system. It does not affect the global sum of income that is raised; it just changes the way in which that income is raised. It is important to remember that.

Phil Gallie: On a point of clarification, if that is the case, which body will be responsible for splitting off that income tax? Will it be the local authority or the national revenue-gathering bodies?

Iain Smith: I am not going to go into the details of the income tax collection system. There are various ways in which it could be done. One suggestion is to have a system in which national, fixed rates are collected by the Inland Revenue after which, at the end of the year, an assessment is carried out. If the local income tax was less than the national rate, the taxpayer would get a rebate from the Inland Revenue; if the local income tax was higher than the national rate, the taxpayer would have to pay a supplementary sum to the Inland Revenue. That is clear and specific. People would see clearly what was happening. That would be one solution, but there are others and that is why we have asked for a feasibility study. I will address income tax in more detail later, but I want to talk a little more about accountability.

The role of central funding in a system in which the taxation is collected at each layer would be redistributive and to ensure that, broadly speaking, the same level of services could be provided for the same level of tax. The problem for local government is that, increasingly, the decisions on how much it spends on services are made not on the basis of local needs or desires, but on the amount of money that central Government allows it.

When I first entered local government in 1982, setting the council budget and the rates was one of the key debates of the year. There were real choices on the level of service and the level of local taxation. However, by the time I left local government to become an MSP in 1999, the total of a council's spending and the level of local taxation were effectively determined by central Government. Local decisions were at the margins, within the limits set by central Government. There was no debate, no choice and no local accountability on the level of council tax.

John Young (West of Scotland) (Con): That was not the fault of the Conservative Government.

Iain Smith: It was the Government in 1997 that put the present system in place.

Public interest in what the councils did was diminished as a result and that has contributed to the decline in turnout for local elections. Fortunately, council tax capping has now been removed and councils again have flexibility at the margins on the level of council tax and local services that they provide.

Nevertheless, the imbalance between central and local funding means that decisions of central Government still have more impact than the decisions of the councils. The gearing effect, which Trish Godman mentioned, means that, if a council wishes to increase local spending by 1 per cent, it must increase the council tax by 5 per cent. It also means that changes in central Government funding can have more impact on council tax levels than local decisions do. For example, a 1 per cent cut in central Government funding to a council will require that council, through no decision of its own, to cut services by about 1 per cent or increase its council tax by 4 per cent to cover the loss of revenue. That is neither democratic nor accountable, which is why we must redress the balance.

Local government must be responsible for raising more of its own revenue, so that it can be held properly accountable for the decisions that it takes.

Alasdair Morgan: I follow the logic of Iain Smith's argument and I heard what he said about every tier of government being able to raise the revenue that it needs. I take it that he accepts that all his arguments on the relationship between local government and the Scottish Parliament apply in spades to the relationship between the Scottish Parliament and the Westminster Parliament.

Iain Smith: I have already made that point. Each tier should, over time, become more responsible for raising its revenue. That is clear Liberal Democrat policy.

Dealing with the balance between central and local funding is an essential part of restoring the democratic link between councils and their electors, which has declined so dramatically in recent years.

The committee recommended that a 50:50 split of funding should be achieved by returning the non-domestic rate to local government control, subject to certain safeguards. From the Liberal Democrat point of view, one of those safeguards should be the introduction of proportional representation for local government. I ask the minister to reconsider the Scottish Executive's

rejection of that recommendation. The case was never made for removing business rates from local councils when the Conservatives did it and the case has not been made for retaining centralised control now. The argument that centralised control should be retained because local businesses do not have a vote is absurd, because they do not have a vote in national elections either.

It is interesting—but not surprising—that the SNP, which supported the recommendation in the committee, is now distancing itself from it. If Fergus Ewing's website is to be believed, the SNP is responsible for removing tax powers from councils—he claims credit for the uniform business rate. The SNP wants to go further: it wants the UBR to be set by Westminster, not in Scotland. That exposes the inherent hypocrisy of the SNP. It wants a 50:50 split or more powers for local government but will not tell us how it would achieve that.

The Tories, on the other hand, are at least honest and tell us how they would restore the balance. They would remove major services such as social services and education from local councils and hand them to quangos. For the Conservatives, decisions on whether to close a rural primary school or build a new secondary school should be taken not locally by locally elected councillors but by civil servants in the Scottish Executive.

The Liberal Democrats are committed to strong, autonomous local government. The recommendations in the report are a step in the right direction. Taken with the other reforms of local government—including those in the Local Government in Scotland Bill relating to best value, community planning and the power of well-being—the recommendations will help to bring about the oft-mentioned parity of esteem between central and local government.

In the longer term, the Liberal Democrats would go further by introducing local income tax. I welcome the committee's support for a feasibility study on local income tax. I hope that the Executive will reconsider that too, as it has misunderstood that recommendation. The purpose of a feasibility study is to examine the feasibility of a proposal. Many issues—including the costs of collection, the implications for national income tax and the relationship between local income tax and existing local taxation, such as the council tax—need to be examined more fully before policy decisions can be made.

The introduction of local income tax is not about increasing the overall burden of taxation—neither are revaluation and rebanding of the council tax—but about shifting the burden from one form of taxation to another. It is about shifting the burden from national taxation to local taxation, perhaps by

replacing council tax in whole or part or by transferring national income tax to local taxation with a consequential reduction in revenue support grant and national income tax.

I welcome the Scottish Executive's support for the majority of the recommendations in the report. I hope that the Executive will not close its mind to the other recommendations but will listen to the debate in the chamber and beyond. Local government in Scotland needs a reformed and robust system of local government finance. Effective local democracy requires it.

15:39

Mr Andrew Welsh (Angus) (SNP): I congratulate the Local Government Committee on its report on a subject that affects the daily essential services to every man, woman and child in Scotland. The end product of the debate will determine the quality of life in communities throughout the nation. For the past 25 years, I have listened to the same debate and the same plea for adequate funding and financing of local government. Past and present settlements have simply been an exercise in juggling funds between one budget heading and another—robbing Peter to pay Paul. The truth is that the total sum available is not adequate to fund the services that local government has been asked to deliver.

In many ways we now simply have local administration—we no longer have local government per se—and I find that deeply regrettable. Central Government has a stranglehold over local authorities. It controls capital and revenue expenditure and leaves local authorities with a limited ability to raise local finance. The imposition of new burden after new burden, without the provision of the necessary resources, continues.

I have observed that process for decades. I was in local government as was the Minister for Finance and Public Services, who I see wishes to intervene. His current message is very different from the one that he used to deliver when the Conservatives were in power. He may have loosened the corsets a little, but he has not solved the problem.

Mr Kerr: When I was in local government, I looked forward to the power to advance well-being, to best value, to the end of compulsory competitive tendering and to stable financing through three-year settlements, which we now have.

Could Mr Welsh please provide for me the figure that he thinks represents the real value of local government and tell me how he will pay for it? Knowing that figure would be of interest to the Parliament. SNP members are always coming to

the chamber and making spending commitments. There is never a number behind them, but the SNP says that it will do more. Where will the SNP get the money and how much will it be?

Mr Welsh: It is quite clear that if we want local government to provide the services, they have to be adequately funded. What I can tell the minister is that the Executive has not funded them adequately so far.

Mr Kerr: How much?

Mr Welsh: Quite simply, we know what the minister is offering and we know that it is not enough. That is the point from which we would start to consider how we would properly fund local government. The current Administration has just continued a very long tradition. The Conservatives were at it and Labour has been at it. Mr Peacock said some very different things when he represented COSLA compared with what he is saying now, and it has not been stated what we want local government to do.

There were two major periods of local government service expansion. The first period, from 1880 to 1900, was financed from within local authorities and brought true civic pride in Scotland. People provided services locally and communities competed to ensure that their areas had the proper services of which they could be proud. The second period of expansion came after 1945 and was funded by central Government. Therein lies the key to the problem: central Government's stranglehold on expenditure and its demands on what local authorities should do have turned our local government system into a local administration system.

I look to models elsewhere in the world, which, if adopted here, would allow local governments the freedom democratically to follow through policies and meet the needs of their local communities. That has not happened yet. As I said, the Executive is simply following a long tradition. The minister can try his debating tricks, but the reality is that local government is underfunded for the task that the Government has given to it—that is the real problem.

More than two years ago, the Local Government Committee took it upon itself to address that issue, and I commend it for so doing. The committee has produced a first-class report, the recommendations of which, if implemented, would go a long way to meeting the needs of local government. I notice that the Executive is not implementing the committee's proposals in full. Today's debate is not so much about the good work of the Local Government Committee as it is about the Government's failure to grasp this opportunity and implement real changes in local government finance.

There are measures that I welcome, such as the Executive's agreement to consult on the committee's recommendation that a business improvement district system be developed in Scotland. The Executive's decisions to undertake a review of the grant distribution system, to relax ring fencing and to introduce a new prudential capital finance system should be welcomed in local government circles. However, the minister has ducked the real issues that would help local government. The Government's rejection of the proposal to move the central-local funding balance from the current 80:20 ratio to 50:50 marks a failure to recognise the major problem with local government finance.

Iain Smith: Will Mr Welsh give way?

Mr Welsh: I would like to continue, if Iain Smith does not mind.

If local government is to be truly accountable and responsive to the local electorate, a higher proportion of council income requires to be generated locally. At the minute, authorities have a very limited scope for that because of the current system. The local taxation base is too low. At issue is how it should be expanded, not whether that should happen. The Government has rejected any possibility of introducing a local income tax, which would adjust the balance in funding between central Government and local government. Even suggestions to improve the current council tax system have been rejected.

The use of top-slicing and hold-back arrangements is pernicious and unfair to councils. Such arrangements encourage disputes, dissension and unfairness, as councils scramble in competition for ever scarcer resources. Policy on housing receipt set-aside blatantly discriminates against prudent councils with low historic debt. Set-aside for receipts was abolished some time ago for projects other than housing. That measure should be extended to housing, so that council house sales receipts can be put to the service of improving council stock and conditions for council tenants.

I am disappointed with the answer that the minister gave on that issue. There was an opportunity to give local authorities a better deal. Instead, the Government has sanctioned the continuation of a system that underfunds and undervalues local government. The real losers are the people of Scotland, who will face the worst of all possible worlds: higher council taxes and cuts in essential daily services. That is the reality of what the Government is delivering.

15:46

Bill Aitken (Glasgow) (Con): In her opening speech, Trish Godman referred to the long and

winding road of the Local Government Committee's deliberations. However, to make the debate sparkle we require the services of the man at the end of the yellow brick road—the wizard of Oz. To hope to make local government finance interesting is to dream the impossible dream. The Local Government Committee is to be praised for its efforts, as it is obvious that it has taken a great deal of time and effort to arrive at its conclusions, much as we disagree with them.

I congratulate the committee on giving us much food for thought. Unfortunately—as Mr Harding has made clear—we find that food particularly indigestible. Many of the committee's proposals are simply unworkable. Others are a regurgitation of the socialist thinking that most of us thought went out of fashion in the 1970s. As Keith Harding said, we are all Thatcherites now.

In his efforts to guide the Local Government Committee along the straight and narrow path of financial rectitude, Keith Harding made a number of very valid points. I am sure that he felt vindicated by the minister's speech. It is clear that Keith and the minister are more ad idem than Keith and the committee. That demonstrates something, although I am not sure what. It certainly demonstrates that Keith Harding has managed to persuade Andy Kerr to support him, at least for the time being. Unfortunately, Mr Kerr seems unable to persuade many of his colleagues to do the same.

I will now deal with the issues that the report raises. Throughout his speech and in his contributions to the committee's deliberations, Keith Harding highlighted the very important principles of local government. Local government is about accountability and the provision of local services. Keith Harding was right to point out that recently the distinction between central Government and local government has become blurred. To a great extent, the Executive is responsible for that, as it has devalued local government in every possible respect. First, it has sought to fiddle the electoral system so that the local government and Scottish Parliament elections take place on the same day. Secondly, by ring fencing council expenditure it has sought to impose the Executive's views on local authorities. It disregards completely the views that Labour-controlled councils put forward through COSLA.

Quite properly, Keith Harding described how that process can be reversed. It can be done by reducing the ratio of central Government grant to local government tax raising to approximately 50:50, although it is a little optimistic to suggest that that can be done within five years.

Iain Smith: Will the member give us just one example of something that the Conservatives did in 17 years in government—and one example of a

policy that they have now—to enhance the value of local government in Scotland?

Bill Aitken: During the years that the Conservatives were in government, we controlled a number of authorities. I recall that Stirling Council was one of them. The control of those authorities was conducted in an exemplary manner and all the authorities carried out their business in a manner of which the local populations were extremely proud. That is an obvious manifestation—

John Young: Does Bill Aitken agree that one of the most substantive moves forward was the sale of council houses that the Conservatives introduced?

Bill Aitken: As ever, Mr Young speaks profound common sense on this matter in stark contrast to the contribution that Iain Smith made.

Other aspects of the report concern me deeply. First, despite acknowledging the fact that the Conservative Government got banding about right, the report talks of revaluation. That comes simultaneously with the threat to increase the number of council tax bands. I want to be serious about this. Let us consider the effect that that would have on Glasgow. Glasgow is a city in which fewer and fewer people have to supply the finance for council services. The few are now subsidising the many. There might be arguments about how that has come to be, but the situation is highly unsatisfactory, with a large-scale haemorrhage of the population to the suburbs. If the revaluation were to happen, that haemorrhage would increase and the situation would be serious.

On another occasion we might spend more time debating the local income tax argument, which the Liberal Democrats have long advanced. However, introducing local income tax, on top of council tax, is the economics of the madhouse. It is ludicrous for the committee to suggest that it be considered. Other points might be worthy of more consideration. The business improvement districts concept might be advanced further, but it has to be viewed against the background of a low-tax economy, which is not what we have. If we had a low-tax economy, the concept could catch on and could be effective and positive, but we have to consider the situation that we have.

In conclusion, I congratulate the committee on the long, hard and committed efforts that it has made. It is just a pity that, at the end of the day, it could not have made a few more sensible proposals. We should be grateful to Keith Harding for his attempting to mitigate the damage that the committee might have caused.

15:53

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Liberal Democrat MSPs were elected to the Parliament on a manifesto that committed us to proposing a new system of council finance to ensure that more council revenue is raised locally and that taxes relate more closely to people's ability to pay them. In the short term, we wanted council tax to be reviewed to make it fairer.

I was disappointed when our radical proposals for a local income tax to replace the council tax were not incorporated in the programme for government—you win some, you lose some. It was disappointing that Executive ministers were unwilling to be radical, so I was delighted when the Local Government Committee decided to embark on its investigation.

Local government is reeling from many years of underinvestment, especially in the 18 Tory years. I need not remind colleagues that Aberdeenshire, which is a large rural authority, has huge extra costs that are associated with delivering services in small rural settlements. It receives 11 per cent less funding per head of population than the average council. In real terms, Aberdeenshire is losing more than £30 million of central funding every year.

Phil Gallie: Does the member acknowledge that that is not the responsibility of the Government, as COSLA allocates the funds in agreement with all local authorities?

Mr Rumbles: I disagree entirely with that statement. The responsibility for the allocation of funds lies with the Minister for Finance and Public Services and the Parliament.

Although the Local Government Committee has examined revenue grant distribution and recommends that the Executive should review the issue as a matter of urgency, its report seems to concentrate more on ring fencing and the impact on deprivation of the delivery of services than on the main issue of ensuring that councils have sufficient resources to deliver basic services, especially in rural Scotland. In my view, that is the main issue. The report represents a huge missed opportunity for highlighting the fundamental issue of equity in service delivery. The Executive does not wish to address the issue, nor, it appears, does the Local Government Committee.

It is all very well to argue that a new grant distribution system should be formula based, but we have such a system now and it does not work. The evidence from Angus Council indicated that 89 different assessments are used in the process. No one seems to be able to identify all the assessments, although Peter Peacock is nodding his head, so perhaps he can. The assessments

are as cloudy as the witches' brew in "Macbeth".

I cannot accept the committee's conclusion that the council tax is a sound tax. It is clear that it is not. Property values bear little relation to people's ability to pay. Retired people, whose pensions often fall short of the salaries that they were earning when they purchased their home, are the hardest hit.

The Scottish Executive's rejection of the committee's proposal to introduce an additional tax as well as to keep a property tax is one of the few comments in the Executive's response to the report with which I agree. The committee recommends that the Executive should examine the feasibility of introducing a local income tax in Scotland and reducing the councils' dependence on Government grants or the amount that is raised by the council tax. There is little merit in being radical and introducing a fair tax, such as local income tax, while keeping an unjust tax on property. I could not disagree more with the committee on that.

Everyone seems to agree on the proposal to levy the full council tax on second homes, but let us not pretend that that will have any great effect on freeing up more homes in rural areas. There is no evidence to show that that would be the case—it would not be the case. Council tax from second homes is another funding stream for our hard-pressed councils to access and we should be up front about it.

I am disappointed that the two-year inquiry into council finance has not come out in favour of a radical shift to a fair form of local taxation. A tax on income is the fairest form of taxation and it must be the way forward. I am also disappointed that the real issue of obtaining a fair distribution formula for our local authorities has been missed and that, yet again, we have become hung up on single issues such as deprivation indexes. Local taxes should be for local services. It is the job of central Government to address the important issues of deprivation. We should not let the Executive or the United Kingdom Government off the hook on that.

15:58

Brian Adam (North-East Scotland) (SNP): The report is most interesting. It is difficult to agree with all the recommendations, as the Executive has found. I do not agree with all the recommendations, but I commend the considerable amount of hard work that has gone into producing the report.

I want to highlight one or two areas. I agree that the current balance between central and local funding is inappropriate and I do not accept what the Minister for Finance and Public Services—he

is not the First Minister yet, but I can see from the look on his face that he is hopeful—said about gearing. He tried to dismiss gearing by indicating that central Government funds all the things that it wants, at a rate of 80 per cent, and that local choice comes thereafter. However, there is a gearing effect.

Local government is about delivering local services. If the cost will be five times as much as a consequence of gearing, where is the local choice? I do not accept the point that the minister makes. The imbalance between central and local government means that local choice is severely restricted. The only choice available is either a disproportionate rise in council taxes or no development of services to reflect local wishes. It is time that we put the local back into local government instead of merely using it as an agency of central Government. That is what local government has become over the past few years.

I was interested in the committee's ideas on local government finance. For a change, I find almost nothing to disagree with in what Mr Rumbles said about the merits of local income tax. Local income tax is the route that we should go down. That has been a long-standing policy of the Scottish National Party, so we welcome all who agree with us. Among other proposals, the Local Government Committee considered tinkering around the edges of the council tax. As we do not have a local income tax at the moment—although the recommendation is that it should be considered—I would be more than happy if the banding structure were re-examined.

In particular, I want to make a plea to the minister to consider introducing a lower band, especially for non-permanent accommodation. Many mobile homes, which are certainly not permanent, do not have anything like the capital value of band A. Those who live in such homes, through choice or otherwise, do not receive the level of service that others in the same band receive. Often the parks are remote from most council services, even things such as lighting and roads. There is a reasonable case for an extension of the lower band to include non-permanent accommodation. I look forward to the minister's reply on that.

Like Mr Rumbles—it is terrible that we share so much today—I am concerned about the range of indicators that are used to determine the distribution of grant. No one suggests for one minute that deprivation is not important, but I agree with Mr Rumbles that deprivation is primarily a national issue. The problems of deprivation will not be solved by passing the responsibility for them solely to local government by providing money that is ring fenced and time limited.

I am not convinced by the minister's earlier

argument that changes have taken place. The reviews that have taken place have produced only minor shifts. That is because there are so many interest groups. If we use COSLA to arrive at a solution, we will get only the lowest common denominator. We require some external and independent advice to reach a solution.

When growth in population occurs, I do not believe that the finance that is needed to service such success stories follows through as quickly as it should. Because 80 per cent of the money comes from central Government, if a significant change in population occurs—which has happened in places such as Aberdeenshire—the time lag between the increase in the population and the increase in funding means that services are poorer as a result. That issue needs to be looked at.

I welcome the proposals for prudential capital financing for local government, but I hope that that will apply to housing as well as to general services. That may run contrary to the views of the Government, which is desperate in its desire to see large-scale voluntary transfer of council houses. However, if capital controls were removed, there would be no need for large-scale transfers. The extent to which they are voluntary may also be questionable.

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab): Will the member give way?

The Deputy Presiding Officer: No. Mr Adam is in his last minute.

Brian Adam: Sorry about that.

Such large-scale transfers are politically driven. I hope that the Executive's delay in announcing an intention to provide local authorities with that kind of funding for housing is not driven by the political imperative to shift council housing into either the private sector or housing associations.

16:05

John Young (West of Scotland) (Con): One must acknowledge the time and effort that has been put in by the Local Government Committee and its staff; they deserve all praise.

I noticed that Mike Rumbles used the phrase "as cloudy as the witches' brew in 'Macbeth'".

I took that as an implied criticism of his party's coalition partners—Labour. Presiding Officer, have you ever noticed—perhaps you should take this up with Sir David Steel—that whenever Liberals such as Iain Smith stand up, they refer to "the Liberal Democrat-Labour coalition," but when Labour members stand up they refer to "the Labour-Liberal Democrat coalition"? I wonder whether, for future records, we should ask for uniformity.

I understand that, earlier this month, council leaders from Glasgow, Edinburgh, Aberdeen, Dundee and Inverness met Margaret Curran to discuss the prospect of retaining a higher percentage of the business rates. It would appear that such a move would be conditional on the money being spent on projects to improve the business environment of those cities. That would mean spending to achieve such things as better roads, traffic control and improved services for tourists. It is interesting to note that, in the past five years, Glasgow has lost something like £300 million that the council considers should have been its to keep from the business rates. In the past year, Edinburgh has lost £95 million that would have been its own had it been allowed to keep all its business rates.

We are told that of the people of the major developed countries of Europe, it is the great mass of our people who work longer hours for less pay. Under Labour, more and more taxes are levied. We learn that here in Edinburgh the council wants to bring in a £2 charge on motorists, yet in virtually every city public transport services are even less reliable than they were during the second world war.

In Andy Kerr's letter of 13 June, in response to the Local Government Committee's report on its inquiry into local government finance, we read that the Local Government in Scotland Bill proposes that councils be given new powers to increase the well-being of their areas and more flexibility to raise income through fees and charges. As has been said, Peter Mandelson has been quoted as saying, "We are all Thatcherites now." What a misquotation: he would have been nearer the mark if he had equated the Labour party to the robber barons of old.

The Labour party may not say so, but it wants to increase the number of tax bands—to hit those in the bigger, more attractive houses, despite the fact that many younger people are struggling with large mortgages and a lack of job security. Allied to that, it wants to have a revaluation and, to top it all, to bring in a local income tax. Its demands are ever increasing—the party wants more and more money.

Glasgow wants to go a stage further and expand its council boundaries at the expense of East Renfrewshire, Strathkelvin, Bearsden and Milngavie.

Brian Fitzpatrick: John Young seems unduly worried about my constituency boundaries. I inform him that I am reassured by the undertakings given by Scottish ministers that the cities review will not encompass any revisiting of discussions on local government boundaries. I am supported in that by Councillor Charles Gordon, no less—the leader of Glasgow City Council. He

has made the position of the city fathers—and, indeed, mothers—obvious. They do not want to put their tanks on the lawns of my constituents. If Councillor Gordon does not seek to do that, I ask Mr Young not to seek to do it either.

John Young: That is what the Russians told the Hungarians about tanks in 1956. I was a councillor in Glasgow for 35 years. I am also a former leader of that council. I will tell Mr Fitzpatrick that Labour leader after Labour leader—the whole lot of them—said the same thing: they wanted to expand the boundary to create a greater Glasgow. Brian Fitzpatrick is being sold a fairy tale from certain quarters. Trish Godman may agree with me on that as regards Charlie Gordon, I do not know. Glasgow wants to expand its boundaries—trust me, Brian: I am a Tory, not a Labour councillor in Glasgow.

The Labour-controlled Local Government Committee has the job of dishing out the castor oil. The committee is led by two clever and charming women, in the shape of Trish Godman and Sylvia Jackson. One would hardly equate them to Queen Boadicea—although, after the shambles of the Braehead and Glasgow City Council boundary dispute, Trish Godman might indeed be equated to Queen Boadicea.

However, make no mistake—charming and clever though they may be, they are two determined women who will push through all those measures at the behest of the Executive. Nowadays, Trish Godman needs a bulletproof vest whenever she goes near Glasgow City Chambers due to the debacle of Braehead. Perhaps in the future, both ladies will need bulletproof vests if they go near council tax payers in Renfrew or Stirling. I am just giving the ladies kindly advice on the matter.

All local authorities face difficulties. Sometimes there is a common denominator and at other times the difficulties are localised. Glasgow is the largest local authority, but some of its initial problems come from decisions that were taken 50-odd years ago. Those decisions had all-party support in the council of that time and were well meant. When I first entered Glasgow Corporation I met old councillors who said that overspill was a good idea and necessary, but on reflection they felt that Glasgow would suffer as a result. Indeed, the Glasgow population, which in 1938 was 1.6 million and is now just over 500,000, is at its lowest since 1891. That has caused a decline in the council tax base.

In the election campaign, neither Labour nor the Liberal Democrats will mention local income tax but, by heavens, plenty of the rest of us will mention it. I would not be surprised—this does not include me because I am standing down next year—to see a Tory Government in the Scottish

Parliament if the Executive goes ahead with local income tax.

16:11

Ms Sandra White (Glasgow) (SNP): I would like to pay tribute to the clerks and staff of the Local Government Committee for the long hours that they have put in to create the report and so on. They have done a good job and I am sure that all the committee is very thankful. I also pay tribute to Trish Godman and Sylvia Jackson for all their hard work and for the fairness and integrity that they showed to committee members from other parties.

It is a pity that there are no other Labour members here to speak on behalf of the Local Government Committee. As far as I can see, we have only Trish Godman who opened the debate and Sylvia Jackson who will close it. Given that local government finance is important to everyone, not just to councillors or to local members of Parliament, I find it disgraceful that no Labour members will speak on the subject. The contempt that Labour has shown for local government is shocking, given the amount of work that Trish Godman, members of other parties and the committee staff have put into the report. I hope that the Executive will take that on board and ask its party members why they were not here to speak in a debate that is so important to COSLA and others. I am sure that COSLA and others will not forget their absence.

As a Glasgow MSP, I am acutely aware of the problems all councils face, but I would argue that such problems are particularly acute in the Glasgow area. Like other cities, Glasgow is facing the loss of economic functions, poverty, area abandonment and the steady shift of the economically able and mobile population, which has a major impact on services such as health and education and on the remaining residents. As the base declines, social problems are concentrated while the fixed costs of service delivery remain constant. In cities such as Glasgow, where 60 per cent of residents live in regeneration areas, regeneration policies are crucial.

It is important that we address the problem of decline. Returning the right to retain the revenue that the city generates has been identified in the cities review as a key measure to aid regeneration. I am pleased that the cities review team recognised the problem and recommended that Glasgow retain a higher share of the business rates raised in the city. That would go some way to rectify the appalling situation that has led to the estimate that, over the past five years, Glasgow has lost some £300 million.

Iain Smith: Does the member recognise that, under the current system, Glasgow receives more

support—aggregate external finance support includes its part of the rates—than any other mainland council in Scotland and significantly more than average? Glasgow does not lose money because of the present system.

Ms White: I disagree with Iain Smith. The problems in Glasgow are so acute that the amount of money it receives is not fair. He could argue with Charlie Gordon of Glasgow City Council until the cows come home—

Iain Smith: May I ask another question?

Ms White: I will finish my speech. I disagree completely with Iain Smith. He should examine the figures for Glasgow. If he does, he will see that the city needs more money, not less. I am surprised that the views he expresses come from a Liberal Democrat. Of course, I do not expect anything less of someone who voted against the retention of Braehead shopping centre within Glasgow's boundaries.

Glasgow relies increasingly on a poor council tax base due to a higher than average level of low-band council tax payers. Those who are on low incomes are effectively subsidising services that are used by wealthier people from outwith the city.

I will address some of the points that were raised by the Executive and the Local Government Committee. Local income tax has been touched on. I do not agree with the comments of the Tories, and I disagree slightly with those of the Executive. I am pleased that the Local Government Committee took on board the recommendation that the introduction of a local income tax should be examined. Unfortunately, it calls for it to be examined in the longer term, rather than the shorter term.

I was going to say that I am being flashed at, but that carries the wrong connotation. Am I being told to stop, Presiding Officer?

The Deputy Presiding Officer: No.

Ms White: The light on my microphone was flashing.

I am disappointed that the minister and the Executive have said bluntly that they will not consider a local income tax. The report is supposed to be looking at local government finance for the future. We are supposed to be taking an ambitious look at local government finance. We should not be afraid to embrace new ideas. The problem with the Executive is that it is afraid to embrace new ideas. I congratulate the Local Government Committee on proposing a local income tax.

Ring fencing has been mentioned. It is a contentious issue, not only for councils but for the electorate. We spent many hours arguing about it.

Two issues that were raised constantly by COSLA and others were the requirement to match fund and the fact that the national priorities of the Executive and the Westminster Government take precedence over local priorities. Those issues must be treated seriously. We should have proper consultation with local government, so that services can be provided properly.

In conclusion, I have a question for the minister, which I would like him to answer with a yes or no in his summing up. It relates to the leak from the cities review team. The team announced that Glasgow would be allowed to keep some of its business rates. Will that be additional money, or will it be taken out of the grant, as I have been told on many occasions?

The Deputy Presiding Officer: My regrets to one member who had hoped to speak in the open round, but I must now go to closing speeches.

16:17

Donald Gorrie (Central Scotland) (LD): As the cast list shows, I was an actor in the first act of the drama of this long inquiry, so I am here to take a bow along with everyone else, but I did not keep fully in touch with the plot in the second and third acts.

The Local Government Committee has worked hard and has produced some useful ideas. It is a pity that Keith Harding was absent when 12 particular items were discussed, because I am sure that his advice would have been helpful to the committee. He might have converted them to more brilliant ideas. He felt that he had to write in posthumously, as it were, to say that he disagreed with what had been agreed in his absence. It always helps to be present if one wants to persuade people.

The fundamental position that my party and I take is that council services need more funding. For many years, the Conservative party systematically destroyed local government and, regrettably, the London Labour Government did not adequately fund local government in its first two years. We are still trying to catch up.

The two main reasons why I kept trying to get into Westminster past my sell-by date were to get a Scottish Parliament and to stop the destruction of local government. We have a Scottish Parliament. I think that we have stopped the destruction of local government, but we have not started to build it up enough. A lot more remains to be done. This Parliament has the great opportunity to do that.

As Iain Smith said, the Liberal Democrat approach is that there should be a package, which would include proportional representation, so that

councils are truly representative of their communities. Councils could then be given more control over their local resources. That should be done through a local income tax, but other resources could be used as well. There must be a package.

I agree with those who said that it is a pity the committee suggested adding local income tax to existing taxes. A long way back, the Layfield committee, which did good work, suggested introducing a local income tax and keeping rates. That meant that its recommendations went in the bucket. If it had recommended scrubbing rates and introducing a local income tax, it might have got somewhere. I know that our devolved status causes problems with this suggestion, but the long-term aim should be to replace council tax by a local income tax. That is fairer and buoyant and would produce more revenue.

In the meantime, I fully support revaluing properties and rebanding council tax. If property is much more valuable in Edinburgh and its value has declined in Glasgow—other examples were given—it is unfair not to recognise that in the relevant tax bases. At the top end, silly money has been paid for some houses. That should be reflected in the tax on those houses, while the tax on poorer houses could be reduced.

Phil Gallie: In accepting Mr Rumbles's comments about property tax to a degree, will Mr Gorrie expand on the matter? If someone owned multiple houses in Scotland, would they simply pay local income tax once and escape taxation on the three or four properties that they owned and left vacant?

Donald Gorrie: No. As Mike Rumbles and Iain Smith said, much work must be done on the form of local income tax that, in due course, the Scottish Parliament should adopt. In the case that Phil Gallie described, the owner would be registered as a resident in the places where they owned properties and would pay local income tax in each place.

We should proceed with taxing second homes at the correct level. It is a bit timid that the Executive will merely hold another review. God knows how many reviews have been undertaken on the issue, which is fairly simple. We should just get on with it and do it.

I declare a personal enthusiasm for land value tax. Despite its difficulties, it should be pursued to the extent of some trials into how it might work. The idea is valuable and needs working up.

As for PPP, I think that we should support not-for-profit trust ideas. Local authorities should have more borrowing powers. The Executive's response goes a little further, but all Executives and all central Governments want to centralise. As

members of Parliament, we must fight that and try to put more power in the hands of local communities and take it away from the centre. A few good steps have been taken in that direction, but we should take many more.

16:23

Mr David Davidson (North-East Scotland) (Con): We saw a new vision—or should I say spectre—when the Liberal Democrats, who are looking for new partners, cuddled up to the SNP, albeit on one issue that they have still to thrash out.

The debate was interesting, but Labour—the so-called champion of local government—appears to have deserted the chamber. We heard two Labour speakers, who are members of the Local Government Committee, but Labour back benchers did not rush to support the debate. That raises questions about the minister's approach or the committee's approach and about back benchers' opinions. I would like Peter Peacock to explain that when he winds up.

Much of the debate has been about accountability. Nobody argues that we should not seek to obtain it; the question is over the method of achieving it. The Conservatives are often accused of putting down local government. On behalf of my party, I gave a presentation to the McIntosh commission, before the Scottish Parliament elections. I disagreed with McIntosh. I said that there is no point in undertaking a review of local government finance, because if the aim is to look for accountability we need to decide—the Parliament has singularly failed to tackle the matter—what we want local government to deliver and therefore what it should be accountable for.

Once again, we are putting the cart before the horse. It is as if the Executive does not know that something is going on out there in local government. The minister has to get a grip on the issue. If he wants people to have confidence in local government and to understand accountability, they need to know what councils are trying to deliver. Even councillors are confused. Mr Kerr may shake his head, but that is the case, especially when it seems that we do not have ring fencing any more. Instead, we are told that we have local service agreements, which are another euphemism for, "Do as we tell you or you will not get the money." That is not accountability.

Mr Kerr: If my colleagues in COSLA are looking to develop the principle of local outcome agreements, that cannot be an Executive plot; it is a better way of delivering local services. Does Mr Davidson agree?

Mr Davidson: I have had a discussion on the subject with COSLA and I cannot say that its

leaders were particularly amused by the discussion about whether there is to be a review of COSLA's responsibilities.

Surely, in this modern day and age, councils need to know what they are responsible for. The Executive should get off the back of councils. It is committed to saying, "You will do only what we tell you to do—you will fulfil our ambition," but that takes away from local democracy. Labour members may say, "Tut, tut," but we have had five years of a Labour Government and the situation is getting worse.

Mike Rumbles talked about my local council area. It is true that it has had difficulties because it has a low tax base, but is it accountable for failing to look after the roads, school investment and so on? That is the fundamental issue on which the debate should be focused.

Many good speeches have been made, but the arguments about council tax banding are nonsensical. If we mess about with the banding, we are at risk of councils losing local council tax reliefs, which is of no benefit to anybody—especially local councils.

Many members have talked about finance for local service delivery. The common theme in that argument is what we want local authorities to deliver and saying that they should be given the tools and the freedom to deliver in a way that is not necessarily prescribed by the centre, but is chosen by the local electorate when they elect councillors to manage their local affairs. That is a fundamental principle and it is unfortunate that it is not what the Local Government Committee report is about.

Mr Rumbles: Will the member give way?

The Deputy Presiding Officer: No. Mr Davidson is in his last minute.

Mr Davidson: I am sorry, Mr Rumbles.

One or two interesting comments have been made. It appears that half of the Parliament and the Local Government Committee want local income tax as an add-on tax. We have now heard from the Liberal Democrats about an "instead of" version, which sounds extremely complicated and bureaucratic. We even heard a hint that local income tax should be settled nationally. Would we simply re-label what we get from the chancellor each year, or is the tax to evolve in Scotland? There is confusion. I hope that when the parties come to publish their manifestos, we will get clarity on where they are all coming from.

The worst thing we could do is agree that business rates should return to local government control. The essence of the uniform business rate was to give confidence to local businesses. We do not want to see migration between council areas.

Tricia Marwick said that she is prepared to cherry pick; she said that the four main cities should get extra money. If that were to happen next week, I imagine that there would be a war in COSLA.

16:29

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): It is clear that the next fortnight is going to be fun—it looks as though we are to have three finance debates over the piece. Finance debates are becoming a bit like corporation buses—one waits for ages and they all turn up at once.

Brian Fitzpatrick: Corporation?

Alasdair Morgan: The joke could have been worse; it could have been about corporation trams.

Trish Godman talked about the long and winding road that we are on in respect of local government finance. The history of discussing and agonising over local government tax and expenditure is a long one. I happened to look at my bookshelf and found a report of the Scottish Valuation and Rating Committee of 1954. That was not the beginning of the debate, however: the report refers to the Royal Commission on Local Taxation of 1896. We are still agonising about the issue. The appearance of the 1954 report is interesting—obviously the trend towards glossy documents had not quite started then. Much has changed in the interim. For example, the scope of local government has substantially increased and the amount of direction of local government by central Government has also changed.

The Local Government Committee's report is certainly comprehensive and the evidence is certainly voluminous. I turn first to the argument that the balance of funding between local and national sources should be more 50:50 than 20:80. The one very real problem that underpins that stance is gearing, although I suspect that that is more to do with the level of grant settlement than the mechanism itself.

The committee argued that the 20:80 settlement blurs local accountability. I am not sure that that is exactly true, although it certainly reduces the councils' scope for manoeuvre. I suspect that the problem of accountability owes much more to local government boundaries and the fairly arbitrary way in which areas were carved up by the Conservative party in order—it hoped—to create one or two safe Tory fiefdoms. I thought that Bill Aitken had a cheek to refer to the Labour party fiddling local government. The other problem with accountability is the unfair and undemocratic electoral system. Until we change that, there is no way that fiddling about with the tax system will ever deliver accountability to local authorities.

Although in the best of all possible worlds it would be good to change the balance, we need an acceptable and credible mechanism to do so. Of course, the Tories have told us that they will move towards such a mechanism by introducing school privatisation.

Mr Davidson: Will the member give way?

Alasdair Morgan: No. I am in my second-last minute and I have a lot more to say.

It is not clear whether we have such a mechanism at the moment, which is why we need to consider local income tax. I am disappointed with the Executive's response, particularly given the views expressed in the 1954 Sorn report. On local income tax, the report said:

"This suggestion has been put to us from one quarter only, namely, the Scottish Council of the Labour Party."

We need a local taxation system that is linked to the ability to pay. The council tax system is clearly not, except in the most tenuous way, nor is it related to the services that are consumed. Furthermore, for a significant number of people, house values relate to previous rather than present income, which means that, for them, the tax is often regressive. Although I acknowledge that mechanisms such as rebates have been introduced to counteract the problem at the bottom end, they only increase the complexity and cost of what should be a relatively simple system. One can sympathise with the suggestion that we could improve the sensitivity of the system by increasing the number of bands. However, the problem is that such a step would increase the complexity of the system and the costs of administration.

It was interesting to hear Tory members claim that the council tax system was an improvement on the rates system, as though we had moved straight from one system to the other. They have obviously forgotten about the little interlude that came in between. Other members have longer memories.

As has been said, the SNP sees the attractions of a local income tax. Although we are not blind to its complexities or disadvantages, we believe that it merits far more investigation. As a result, I am disappointed with the Executive's response on the issue.

I welcome the committee's contribution to a long debate, which I suspect is not yet over.

16:34

The Deputy Minister for Finance and Public Services (Peter Peacock): Many good points have been made in the debate, but there have also been many bad ones. I will try to respond to as many of each as I can.

First, we should welcome the committee's attempts to open up the subject to debate. Local government has long been frustrated by the fact that how it is financed and all the attributes of its finance have not been subjected to adequate debate. Trish Godman and her committee are to be commended for undertaking that work.

The committee should also be commended for confirming that the Executive's broad direction of travel on local government finance is the correct one. The debate that the committee has had and the points that it has drawn to the Executive's attention, re-emphasised and resupported help to take that agenda forward.

The debate has added to measures that the Executive has tried to take early in its life without the need for an independent review. When the First Minister was the Minister for Finance, he made the point that we could seek to do a lot without an independent review. That is what the Executive has been trying to do. We wanted to make progress on, for example, three-year revenue budgets, three-year capital budgets and scrapping the guideline system that the Tories introduced, which hemmed in local government. Capping should be pushed right into the background—again, the Tories introduced that measure to prevent local authorities from expressing themselves at a local level. We wanted to abolish the need to converge budgets with grant-aided expenditure totals—another Tory objective.

As everyone has argued over many years, there should be stability in the framework of local government finance. Part of that stability lies in guaranteeing minimum increases in the grant system. Councils with a rising population should be protected, by updated formulae for taking account of increases in population. Councils with a falling population whose grant has consequently fallen should also be protected, by the introduction of new floor mechanisms of payment and minimum increases.

For the first time in many years, it has been recognised that pay and price inflation have an effect on local authority budgets. We have put money into the system for that. There have also been fully funded Executive initiatives on expanding the number of nursery schools, free personal care and concessionary fares. I say to Andrew Welsh that I argued for such things in all my years in local government; many others in the Labour party and the Liberal Democrats argued for them, too. The Executive is delivering such initiatives without the need for an independent review. Nonetheless, the committee picked up on those general themes, added to them and progressed them.

Another point that has not come out of the debate as strongly as it should have done is the committee's central recommendation on finance—to retain the council tax, which is a property tax. That system is common across the world. Whenever people have looked across the world at how local authorities are financed, they have seen that a property tax is one of the main vehicles for adequate finance.

The council tax has the virtue of being a stable form of taxation that is highly predictable year on year. Relative to other systems, it is comparatively simple and therefore comparatively easy to administer and collect. We have relatively high collection rates. With the benefit system that can be put in place alongside the council tax, it can be made much more progressive than it first appears to be. There can be a link with ability to pay.

Mr Rumbles: Does the minister accept that the tax is not fair? The fairest form of taxation must be related to people's ability to pay. Those who earn enough money to be just above the benefit system—old age pensioners and young people, for example—are hit hardest by that property tax. The fairest form of tax is a local income tax.

Peter Peacock: I will deal with local income tax shortly. In any taxation system, ease of administration, predictability of tax yield and how that yield can be protected from the fluctuations in the economy—a property tax is largely protective—should be considered. It could be argued that those factors make any system less attuned to the ability to pay. Nonetheless, they are important attributes in any tax system.

I was the finance chair of a regional council and have experience of scrapping the rating system, setting up the poll tax, scrapping the poll tax within two years—as I predicted would have to happen—and moving back to a property tax. Like many, I recognise that one should never change a tax system unless one is absolutely certain that it will yield what one wants in the future. The committee has shown great maturity in maintaining that position and in rejecting the idea of a Scottish service tax in particular, which would have been the most damaging of all the proposals that were before it.

Mike Rumbles, Iain Smith, Trish Godman, Keith Harding and other members have raised the issue of a local income tax. I want to make the Executive's position clear. We have not considered the merits of an income tax per se as part of our response to the report. We do not rule out considering it at a future point, but we do not rule it in, either—we have simply not considered the merits of such a tax at this stage.

We have considered what the report says about the local income tax proposals. Any second tax—

any local second tax—would need to have a very clear purpose. The main argument for taking the proposal forward is to increase the burden on local tax payers. That is to do with accountability. The committee is trying to shift the balance from the current 80:20 balance to something closer to the 50:50 balance that some people have argued for. The committee felt that the council tax could not carry that additional burden, although it did not argue that through terribly clearly in the report and it did not state specifically why that was the case.

The committee proposes an additional local tax. The new taxation system would have to carry a very heavy burden of taxation if it were to be successful in meeting the objective of moving closer to a 50:50 balance. It would have to carry almost as much as the council tax yields, if not more in some circumstances. That is a major proposition. We are not talking about a small top-up tax. What is proposed is potentially bigger than the council tax in terms of the load that it may have to carry.

Iain Smith: Will Mr Peacock give way?

The Deputy Presiding Officer: No. The minister is in his last minute; in fact, he has almost finished.

Peter Peacock: In that case, I will finish my argument.

For those reasons, we are not convinced that a case has been made for shifting away from the council tax and the benefits that it brings.

As the Presiding Officer is rushing me to a conclusion, I will rush to a conclusion. The committee report is not helpful only on those matters; it is helpful on a range of other matters. It has moved the agenda forward on business improvement districts. We are sympathetic to that proposal and will consult on it. The committee has also moved the argument forward on taxation on second homes. Again, we are sympathetic and want to consult on that. We have listened to the arguments about ring fencing; we want to take action on a case-by-case basis to reduce ring fencing. Many positive ideas have come out of the report. We have tried to respond as positively as we can to its recommendations. We look forward to taking more action over time to support local government in the important job that it does throughout Scotland.

16:42

Dr Sylvia Jackson (Stirling) (Lab): First, I will reflect on Trish Godman's comments about "The Long and Winding Road" and on Bill Aitken's comments about the yellow brick road. As I remember it, there was the Tin Man, the Straw Man and the Lion. Which one does Bill Aitken

think that he resembles?

Bill Aitken: The Lion.

Dr Jackson: There was also some discussion of certain parties cuddling up together. At that point, I decided that I would stop listening to such comments.

It was rather unfortunate, but predictable, that Conservative members largely restricted their comments to two issues. One was business rates and the other was the balance between central and local funding. I understand why the business community has some reservations about the committee's proposals, but under the committee's recommendations it would not be possible to use the business rates to subsidise the council tax, as the two taxes would be linked. Paragraph 78 of the committee's report explains that technical work should be undertaken to establish such a safeguard.

As members know, the Executive has ruled out the proposal on business rates. However, I challenge its response, which states that control over business rates would not make local authorities more accountable. As Iain Smith stated, the issue is not whether businesses have a vote; it is that, if business rates were returned to council control, the local electorate would see a more direct link between the policies of the council and the levels of taxation across the business and domestic sectors. Hence, the electorate would be able to make a perhaps more meaningful choice at election time. In addition, the proposal would be an opportunity for the business community, local council representatives and other community representatives to work much more closely together.

The committee's report asks the Executive to explore the potential for councils and businesses to work closely together in the development of business improvement districts. I thought that Iain Smith might have said a little more about those, given that he was so enthusiastic about the issue in committee. The committee also asked the Executive to examine how the BIDs concept could be modified in areas with no significant business base and to fund community development schemes that are supported by the local electorate. We welcome the Executive's commitment to consulting on that proposal. We see huge potential for that kind of work as community planning comes on stream.

The second issue that Keith Harding raised was the central-local balance of funding. We should be clear about the Conservative party's stance: it wants to weaken local authorities—it always has—to such an extent that they become non-viable and no longer exist. As Andy Kerr said, the Executive is committed to allowing as much local control as

possible, in order to allow local authorities to reflect local needs—in other words, subsidiarity.

Mr Harding: Does Sylvia Jackson consider that school boards that are made up of parents are not local?

Dr Jackson: No—I am not saying that at all. *[Interruption.]* I will move on—Keith Harding and I can discuss that issue after the debate.

My next general point is about the comments that were made by certain sections of the media after the committee published the report of its inquiry. Some reporters took delight in scaremongering, particularly by presenting the worst-case scenario for future council tax increases. Unfortunately, Keith Harding added to that scaremongering today. Let me be clear that almost five of every 10 homes in Scotland are in the two lowest council tax bands—band A and band B. The rest are spread out across the remaining six bands, with only one in 10 homes falling into the top three council tax bands. The end result is that, in each council area, people whose homes were worth £10,000 in 1991 pay the same council tax as people whose homes were worth £25,000 in 1991, and people whose homes were worth £250,000 or more in 1991 pay only three times as much as those who live in the lowest-value properties.

Most of the witnesses who spoke to the committee about the council tax said that it would make more sense to introduce another council tax band at the bottom end of the range and to set a lower rate of council tax for the properties that fall into that band and higher rates of council tax for properties that fall into the higher-value council tax bands.

Phil Gallie: I take Sylvia Jackson back to her comment about scaremongering. The last time that the Tories were accused of scaremongering was when we said that the new Scottish Parliament building would cost more than £40 million. Would she care to reflect on that?

Dr Jackson: I will move on.

Many witnesses told us that, as well as looking at council tax bands, we should look at council tax valuations. Council tax bills are based on property values in 1991, so they are more than 10 years out of date. It is important to remember that revaluing properties would not mean an increase in the total council tax bill for Scotland. People whose homes have increased in value since 1991 more slowly than the average for Scotland as a whole could face lower bills. As Donald Gorrie suggested, people whose homes have increased in value more quickly than the average for the rest of Scotland could face higher bills. Bills for people on low incomes would be wholly or partly met by benefits, which is what happens at present.

Mr Rumbles: I simply cannot understand how the committee found that the council tax was and has remained “sound”. Sylvia Jackson knows that council tax charges bear no relation to people’s ability to pay. That is particularly the case for those owners to whom she just referred, whose houses have risen in value but who do not have the income to pay higher charges.

Dr Jackson: Most of the evidence related to council tax collection and we found that, administratively, the council tax was fairly easy to collect.

What other points from the report could the press and Conservative members have highlighted? The first, and most important, point that they could have highlighted was the fact that the evidence collected led to a number of recommendations. Unfortunately, they concentrated on only a few recommendations. The important issues about which the committee collected evidence included the revenue grant distribution system and local authority capital finance.

As we collected evidence on those important topics, another issue became increasingly important—Iain Smith touched on it earlier. How can we make local government finance more easily understood, not just by members of the committee—we found the system quite difficult to understand—but by the man and woman in the street? They need to be able to understand how money is being spent and, more important, how their views are taken on board when funding decisions are made.

There is no doubt that, due to the gearing effect on council tax levels, the public are justifiably confused when they see council tax increasing but the level of service provision not increasing at the same time. If a greater proportion of the money that local government spends were raised locally, and if the balance of central and local funding were changed from the 80:20 split, the gearing effect would be reduced and, with it, the confusion that the public feel.

The committee found the issue of revenue grant distribution especially complex. We believe that the distribution system is in need of review. We accept that the Executive has moved to reduce the number of ring-fenced grants and we welcome its agreement to consider, with COSLA, the potential to relax the ring fencing of grants on a case-by-case basis alongside the development of local outcome agreements. Contrary to what the Conservatives say, those agreements appear to be popular among people to whom we have spoken about the moves. The committee also believes that, although no system is perfect, improvements and simplifications can be made. We therefore welcome the commitment to keep

the current system under review.

Many other points have been made today, one of which concerned capital finance. The committee recommended that the Executive, with COSLA, should develop a prudential capital finance system in place of the existing section 94 consents. We are pleased that the Executive plans to replace the existing system of capital consents through the Local Government in Scotland Bill, which is currently before the Parliament.

Over the past couple of years, the committee has received several submissions on the 50 per cent council tax discount that is given to owners of second homes. Although we recognise that there can be different reasons for owning second homes, in general we are sympathetic to the local authorities that are potentially disadvantaged by having a higher proportion of second homes in their areas. We are pleased that the Executive has given a commitment to look into and consult on the matter.

There has also been much discussion about local income tax. Iain Smith dealt with that subject adequately. One disadvantage of the current system—Mike Rumbles may have touched on this—is that people may have low incomes and be ineligible for benefit yet still have liability for council tax, which would take up an enormous proportion of their income. A local income tax that could take into account such circumstances would be fairer. It is disappointing that the Executive seems to have thrown out that idea, although we now hear that there is a chink of light.

John Young: Will Sylvia Jackson give way?

The Presiding Officer (Sir David Steel): No, she is in her last minute. In fact, she has gone beyond her last minute.

Dr Jackson: The committee also recommended that the Executive should develop alternatives to PFI and PPP. As usual, the SNP has not reflected on the alternative developments that are taking place. I am thinking of the not-for-profit developments about which people are becoming more enthusiastic.

The Presiding Officer: I must ask the member to wind up.

Dr Jackson: The committee also recommended that the power of local authorities to set fees and charges should be extended. I am pleased to note that that recommendation has been accepted. Finally, the committee asked the Executive to reconsider the overall size of the cake. I could not finish without saying that there is a real need for extra money for local authority infrastructure such as non-trunk roads and bridges.

This has been a major, robust inquiry and we have travelled a long road. The report runs to four

volumes and 1,000 pages, including a commissioned report by Heriot-Watt University. There were 29 oral evidence sessions, 13 meetings and 61 witnesses. More than 50 hours of committee time were spent in taking evidence and our thanks go to the committee staff and members for their patience. I also thank Trish Godman for the firm and fair way in which she chairs the committee.

The Presiding Officer: I am sorry that I had to hustle the member, but we have a short debate before we come to decision time.

Private Hire Vehicles (Carriage of Guide Dogs etc) Bill

The Presiding Officer (Sir David Steel): The next item is a debate on motion S1M-3211, in the name of Andy Kerr, on the Private Hire Vehicles (Carriage of Guide Dogs etc) Bill, which is UK legislation.

16:54

The Deputy Minister for Finance and Public Services (Peter Peacock): I shall explain briefly why we are recommending agreement to a Sewel motion in relation to the Private Hire Vehicles (Carriage of Guide Dogs etc) Bill, which is a private member's bill that is currently before the UK Parliament; why we have given the UK Government our full support for the bill; and why we think that its provisions should extend to Scotland, conferring a new regulation-making power on Scottish ministers.

The motion represents a sensible use of the Sewel convention. The relevant provisions in the bill could not be legislated for by the Scottish Parliament, because the subject matter is reserved. The bill will confer directly on Scottish ministers a power to make regulations that will govern the carriage of guide dogs and other assistance dogs in private hire cars, therefore there is a need to obtain Parliament's approval.

Neil Gerrard MP has tabled a private member's bill in the United Kingdom Parliament. The bill proposes that the provisions in the Disability Discrimination Act 1995 in relation to the requirement for taxi drivers to carry at no additional charge guide dogs and other assistance dogs that accompany people with disabilities be extended to private hire cars.

The UK Government supports the bill because of the benefits that it would bring to people who have disabilities, who have assistance dogs and who prefer to use private hire cars, rather than taxis. We share those views. We welcome the opportunity for the bill to apply to Scotland and we fully endorse its aims.

We propose, therefore, that through the Westminster bill a new regulation-making power be conferred on Scottish ministers in relation to private hire cars. As well as being consistent in approach with the taxi provisions, that will allow the Scottish Parliament to scrutinise the proposed regulations to ensure that they are appropriate to Scottish needs and circumstances. I assure members that proactive consultation will take place with all interested parties on the content of any regulations before they are laid before the Parliament.

I move,

That the Parliament endorses the principle of including in the Private Hire Vehicles (Carriage of Guide Dogs etc.) Bill a power for Scottish Ministers to regulate for the carriage of guide and other assistance dogs in private hire cars in Scotland and agrees that the relevant provisions to achieve this end in the Bill should be considered by the UK Parliament.

16:56

Tricia Marwick (Mid Scotland and Fife) (SNP):

The Parliament is asked yet again to support a Sewel motion on a bill that will amend Scottish legislation. The motion that is before us seeks to amend the Civic Government (Scotland) Act 1982 to allow Scottish ministers to make regulations to aid the mobility of persons who have guide dogs and who use private hire vehicles.

That is a welcome outcome with which no one will disagree, but it is unacceptable that, yet again, the UK Parliament will legislate on behalf of the Scottish Parliament. Yet again, we see the Executive's inability to legislate for the people of Scotland, reliant as it is on Sewel motions to bail it out when its own legislative programme is found wanting.

The motion also concerns another piece of legislation that relates to local government matters in Scotland. In recent months, four members have suggested measures that could easily be incorporated into a new civic government bill. Those measures concern litter, dog fouling, fireworks and hedges. Those are obviously matters of public concern. Individual members have undertaken the work that is involved and have had the foresight to see in which areas current legislation needs to be addressed. Meanwhile, the Executive has waited for Sewel motions to appear, as it has done on so many occasions.

The SNP wants the needs and concerns of persons who have disabilities to be addressed properly, not as a mere add-on to English legislation through Sewel motions. It is time for the Executive to act like an Executive and to stop hiding behind Sewel motions and the work of others. We need an overhaul of the Civic Government (Scotland) Act 1982. That is overdue and would take care of the measure that is proposed and many others.

16:58

Lord James Douglas-Hamilton (Lothians)

(Con): The Conservatives welcome the motion warmly. We appreciate that Neil Gerrard's private member's bill in the House of Commons will complement the Disability Discrimination Act 1995. That act properly requires taxi drivers to carry persons who have disabilities and their guide

dogs, hearing dogs or assistance dogs. That is of great help to those who have a disability of their hearing or sight and the bill will extend that provision to private hire cars. If the motion is passed, Neil Gerrard's bill will be extended to Scotland. I congratulate Mr Peacock warmly on his decision, precision and concision.

The Presiding Officer: Does Mr Peacock want any more concision?

16:59

Peter Peacock: I am sure that Parliament will support the motion. It is sad and pathetic that the SNP cannot ditch its constitutional obsessions—not even for the disabled in Scotland.

Parliamentary Bureau Motion

16:59

The Presiding Officer (Sir David Steel): The next item of business is consideration of Parliamentary Bureau motion S1M-3232, on the designation of lead committees.

Motion moved,

That the Parliament agrees the following designation of Lead Committees—

the Justice 2 Committee to consider the Sheriff Court Fees Amendment Order 2002 (SSI 2002/269);

the Justice 2 Committee to consider the Court of Session etc. Fees Amendment Order 2002 (SSI 2002/270);

the Justice 2 Committee to consider Act of Sederunt (Fees of Solicitors in the Sheriff Court) (Amendment No.2) 2002 (SSI 2002/274);

the Justice 2 Committee to consider Act of Sederunt (Fees of Witnesses and Shorthand Writers in the Sheriff Court) (Amendment) 2002 (SSI 2002/280); and

the Justice 2 Committee to consider the Gaming Act (Variation of Fees) (Scotland) Order 2002 (SSI 2002/281).—[*Euan Robson.*]

Presiding Officer's Ruling

17:00

The Presiding Officer (Sir David Steel): Before we come to decision time, I refer back—

Bruce Crawford (Mid Scotland and Fife) (SNP): On a point of order, Presiding Officer.

The Presiding Officer: I was just going to deal with two points of order that I heard earlier. Do you think that I could do that first?

Bruce Crawford: If we could hear you, we might be able to understand what the points of order are, Presiding Officer. We cannot hear a word back here. There must be something wrong with your microphone.

The Presiding Officer: I am sorry about that. I will speak loudly and, if everybody keeps quiet, I will rule on the two points of order that were raised this afternoon.

Mr Sheridan raised a point of order concerning a Labour party briefing that he said was issued in advance of the Executive's release of the interim report of the expert panel on school meals. I have had the opportunity to look into the matter as I promised I would, and I have been assured that the Labour party resource centre briefing was released at 12 noon today, which was 18 hours after the Minister for Education and Young People issued the report to all members at 6.30 last night. That is the answer.

Tommy Sheridan (Glasgow) (SSP): Further to my earlier point of order, Presiding Officer. Can you investigate why the briefing was dated 18 June, not 19 June?

The Presiding Officer: I have no knowledge of that. What is more, I understand that Mr Sheridan is invited to go and look at the documents if he wants.

Tommy Sheridan: I will do that.

The Presiding Officer: Very good.

I turn to Mr Neil's point of order about the time for tomorrow's stage 1 debate on the School Meals (Scotland) Bill. The opportunity to raise that point came when business motion S1M-3202 was put to the Parliament last week. You all agreed it. There is nothing more that I can do about it.

Alex Neil (Central Scotland) (SNP): On a point of order.

The Presiding Officer: May I finish? You all agreed to the time for the debate. You have asked me, Mr Neil, whether I could set aside some of the time for front benchers and increase the time for back benchers. The arrangements for that are the subject of an agreement among all the parties.

Although the Presiding Officer is used to being unpopular with one party at any time, to be unpopular with all four at the same time would be a bit foolish. Therefore, I do not propose to upset the arrangement that has been made between the business managers.

Decision Time

17:01

The Presiding Officer (Sir David Steel): There are three questions to be put today. The first question is, that motion S1M-3206, in the name of Trish Godman, on behalf of the Local Government Committee, on the inquiry into local government finance, be agreed to.

Motion agreed to.

That the Parliament notes the 6th Report 2002 of the Local Government Committee, *Inquiry into Local Government Finance* (SP Paper 551) and calls upon the Scottish Executive to consider the report's recommendations.

The Presiding Officer: The second question is, that motion S1M-3211, in the name of Andy Kerr, on the Private Hire Vehicles (Carriage of Guide Dogs etc) Bill, which is UK legislation, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Fitzpatrick, Brian (Strathkelvin and Bearsden) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harper, Robin (Lothians) (Grn)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Johnstone, Alex (North-East Scotland) (Con)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 MacKay, Angus (Edinburgh South) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)

McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McMahan, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Sheridan, Tommy (Glasgow) (SSP)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Young, John (West of Scotland) (Con)

AGAINST

Quinan, Mr Lloyd (West of Scotland) (SNP)

ABSTENTIONS

Adam, Brian (North-East Scotland) (SNP)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Ewing, Dr Winnie (Highlands and Islands) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Ullrich, Kay (West of Scotland) (SNP)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)

The Presiding Officer: The result of the division is: For 72, Against 1, Abstentions 28.

Motion agreed to.

That the Parliament endorses the principle of including in the Private Hire Vehicles (Carriage of Guide Dogs etc.) Bill a power for Scottish Ministers to regulate for the carriage of guide and other assistance dogs in private hire cars in Scotland and agrees that the relevant provisions to achieve this end in the Bill should be considered by the UK Parliament.

The Presiding Officer: The third question is, that motion S1M-3232, in the name of Patricia Ferguson, on behalf of the Parliamentary Bureau, on the designation of lead committees, be agreed to. Are we agreed?

Motion agreed to.

That the Parliament agrees the following designation of Lead Committees—

the Justice 2 Committee to consider the Sheriff Court Fees Amendment Order 2002 (SSI 2002/269);

the Justice 2 Committee to consider the Court of Session etc. Fees Amendment Order 2002 (SSI 2002/270);

the Justice 2 Committee to consider Act of Sederunt (Fees of Solicitors in the Sheriff Court) (Amendment No.2) 2002 (SSI 2002/274);

the Justice 2 Committee to consider Act of Sederunt (Fees of Witnesses and Shorthand Writers in the Sheriff Court) (Amendment) 2002 (SSI 2002/280); and

the Justice 2 Committee to consider the Gaming Act (Variation of Fees) (Scotland) Order 2002 (SSI 2002/281).

The Presiding Officer: That concludes decision time. Thank you all very much.

Glasgow Airport (Rail Link)

The Deputy Presiding Officer (Mr Murray Tosh): The final item of business today is a members' business debate on motion S1M-3062, in the name of Robert Brown, on the Glasgow airport rail link.

Motion debated,

That the Parliament notes the importance of Glasgow Airport to the economy of west central Scotland, growing congestion on the M8, M74 and M77, the economic and employment opportunities that would be opened up by establishing a rail link to Glasgow Airport and the urgent need to enhance public transport facilities serving the airport; is concerned at the lack of progress on agreeing and proceeding with this key project, and believes that the Minister for Enterprise, Transport and Lifelong Learning should convene an urgent meeting of Strathclyde Passenger Transport Authority, British Airports Authority, Railtrack, Glasgow City Council, Renfrewshire Council, Glasgow Chamber of Commerce and other interested parties in order to agree a timetabled action plan for delivery of the Glasgow Airport rail link at the earliest possible date.

17:04

Robert Brown (Glasgow) (LD): I thought that I would look important with the lectern in front of me for today's debate on this extremely important issue.

The Parliament's business bulletin of Monday of this week contained a five-page item entitled "Private Bill Procedure: Determinations by the Presiding Officer". That might be a somewhat obscure item to most of us and to the general public, but it is crucial to the debate, because it lays down procedures for private legislation to go through the Scottish Parliament, authorising—among other things—the construction of new railway lines and tramways, which is a power that we acquired from Westminster just a few weeks ago.

It is my fervent wish—and, I hope, the fervent wish of many in the chamber—

The Deputy Presiding Officer: I invite those members who have yet to leave the chamber to do so now. I am sorry, Mr Brown. I thought that when I called you we were well ahead in that operation. It seems to get more complicated by the week.

Robert Brown: I have spoken about the private legislation powers that are available to the Parliament. It is my fervent wish, and the wish of members who have stayed to hear tonight's debate, that those new powers should be exercised—before the end of the first session of the Scottish Parliament, if possible—in the construction of a rail link to Glasgow airport. That is also the wish of the Strathclyde Passenger Transport Authority, Glasgow City Council, the British Airports Authority, Glasgow and

Renfrewshire Chambers of Commerce, the Confederation of British Industry Scotland and most other such bodies in the west of Scotland. They believe that there are strong economic, social and employment cases for the project.

The cost of the project is said to be about £60 million, which compares with nearly £300 million for the short stretch of the M74 extension. The rail link would take traffic off the M8, the M74 and the M77. According to Strathclyde Passenger Transport Executive's study, the rail link alone should have a positive net present value of between £5 million and £10 million. That indicates that the project is economically worth while.

Rail links normally lead to an increase in use of the airport concerned. It is quite obvious that a rail link to Glasgow airport would improve the image of the airport and be an attractive feature for overseas visitors, as well as domestic travellers who are going abroad.

The airport rail link would also be likely to connect to Paisley Gilmour Street, the third-busiest railway station in Scotland, which operates as a junction for rail traffic to Inverclyde and the Ayrshire coast. When the costs of the airport rail link are shared with the costs of improving the lines that feed into the system—the Paisley to Glasgow track and the potential Glasgow crossrail link—the project's positive economic rating rises even more.

Glasgow airport is Scotland's premier airport. In the year to May 2002, it handled 7.42 million passengers, as compared with 6.42 million at Edinburgh airport. However, fuelled by the presence of the Parliament in Edinburgh and by the most buoyant local economy in Scotland, Edinburgh airport is catching up fast. We need rail links to both city airports and a partnership in selling Scotland to the world, but Glasgow and the west of Scotland increasingly need a rail link. Airports exist in a highly competitive market, particularly after 11 September last year. We need to enable business people from the crucial Glasgow and Renfrewshire areas to get to European destinations more easily, and to continue to support Glasgow as a highly attractive city destination for visitors.

Stagnation has descended on this and other key railway projects. Even though the west of Scotland has the only passenger transport executive in Scotland, there is no proposal for a Glasgow airport rail link on the tables of the Scottish Executive or the Strategic Rail Authority. Although the project has the support of all the key local bodies to which I referred, the strategic rail plan suggests that it might get the go-ahead by 2010.

The SPTA is currently engaged in yet another study of the proposal, following the BAA study of

UK airport issues and innumerable other studies over the years. The Glasgow airport rail link is suffering death on the Clyde—death by a thousand studies. It is high time that the stagnation ended.

I can almost write the minister's response to today's debate. He will say that we "have to await the outcome of the current study", which is "expected in the autumn", and that he "cannot commit the Executive until we see the detailed position". He might also say, "The Executive hopes, depending on the outcome of the studies, that the relevant local authorities will be keen to progress the requirement for parliamentary powers."

My criticism is not directed particularly at Lewis Macdonald or at the former transport ministers to whom I, along with others, have written on the issue of the Glasgow airport rail link since the Parliament's inception. One of those former ministers is sitting next to Lewis Macdonald. I am sure that all ministers would prefer to announce goodies to the Parliament, but we still do not have a Glasgow airport link under construction. There is no agreed route and we have no parliamentary powers to proceed. Despite sympathetic noises, the Executive has not even made a clear political commitment to proceed urgently with the project.

One of the main problems is that responsibilities in the matter are divided. The local councils, the SPT, Glasgow airport and Railtrack cannot do the job by themselves. SPT has committed £500,000 to a feasibility study to prepare it. Glasgow airport rail link is a project of national importance for Scotland; the Scottish Executive should lead it, because only the Executive can bring the key players together, provide the parliamentary powers, clear the bureaucratic obstacles and access the funding. Decisions must be made on the route, the ancillary arrangements for tracks, station capacity and rolling stock, powers and funding methods, recruitment and training of railway engineers and a host of other issues.

I call on the minister to tell members specifically that the Executive is committed irrevocably to the project, that it is prepared to insist on an urgent timetable and that it is prepared to give us a target date for the project to start. Will the minister consider paying a deposit on the project as earnest of commitment, by supporting the immediate upgrading of the Glasgow railway line and increasing line capacity? That is one of a number of necessary preliminaries for an effective and reliable Glasgow airport rail link.

Will the minister ensure that consideration is given to the potential to link the project to Braehead, in respect of which a major mistake was made in allowing such a facility to go ahead

without a rail connection? Will he take on board the possibility of a freight link?

I began by mentioning the economic case, but commitment to the Glasgow airport rail link is more important and pivotal than that. It would be a symbol of the vision that the Scottish Executive and the Scottish Parliament have for Glasgow and Scotland, with our largest city as a European centre that is connected to Europe and with modern transport facilities to match European standards. That is not to be determined only by the constrained and rather constipated doodlings of the railway cost accountants. Like the Glasgow underground and the Scottish railway system, the rail link should be built on the belief of our political leaders that it represents the way forward.

The Glasgow airport rail link should be decided on value, not just on cost, and that value should be measured in economic, social and environmental terms, not least as a lever to rejuvenate what was once the second city of the empire.

The Deputy Presiding Officer: I have an unusually long list of members who wish to speak, so I would be grateful if members would restrict their comments to four minutes.

17:12

Ms Sandra White (Glasgow) (SNP): I thank Robert Brown for the opportunity to debate this subject once again. I have a sense of déjà vu. I think that we have debated this subject in members' business four times. That is why I proposed an amendment to Robert Brown's motion. I hope that he accepts the amendment in the spirit in which it was intended—to try to hurry the project along. We are concerned and I am angry that we have debated the rail link so many times, yet nothing has come to fruition. I could go on and on about all the debates that we have had and reiterate the information, but I hope that the minister will take on board the new information about legislation that Robert Brown mentioned.

I said that I was angry. My reason for being so is that, although other airports are coming up, Glasgow airport is coming down. Flights are losing passengers because of the inaction of this Government and past Governments. Stansted airport was opened in 1991. Let us not forget that the Glasgow rail link was first mooted in the early 1990s. We are nearly in 2003 and there has been no movement whatsoever. In the early 1990s Stansted had 1,127,000 passengers and Glasgow had 4 million passengers, but Stansted got a rail link and we did not. Stansted's passenger numbers have risen by 17 per cent, but Glasgow's passenger numbers have risen by only 2.2 per cent.

Robert Brown mentioned regeneration, which was mentioned in the debate on local government earlier. If we want regeneration in not only the west of Scotland but the whole of Scotland, we have to push forward with the rail link. I would like the minister to clarify in his summing-up the statement that he made on 28 February. He said:

"I know that recent press reports have suggested that the Executive has already decided to express a preference for the construction of a link to Edinburgh airport rather than to Glasgow airport. I will take the opportunity that this debate offers me to say that that is not the case."—[*Official Report*, 28 February 2002; c 9898.]

A leaked report on the cities review states that

"there is no commitment in the review to either the vital cross-rail link or Glasgow airport links."

I would like that to be clarified. Although the cities review might contain some good news, if that is true, it is bad news. As the story has already been leaked to the press, I am sure that the minister will be able to give us an honest answer about whether the airport link will go ahead.

Many members want to speak in the debate, so I will not take long. The lack of action by the Executive and by previous Governments will eventually result in the demise of Glasgow airport and the demise of the west of Scotland. The SNP and, indeed, the Government cannot let that happen. The Scottish Parliament was elected by the Scottish people to represent the Scottish people and to show that we care for them. We must show that we care about all our cities.

As a Glasgow MSP, I am pushing Glasgow's case. I ask the minister to take on board our arguments and to act as quickly as possible—by the end of the Parliament's first session, as Robert Brown indicated—to ensure that the airport link will be implemented and that Glasgow will be able to look forward to the regeneration that it rightly deserves.

I have a small aside. We know that the BAA is spending £38 billion on terminal 5 at Heathrow airport. What did Glasgow airport get? A car park. I rest my case.

17:16

Bill Butler (Glasgow Anniesland) (Lab): I warmly congratulate Robert Brown on securing an important members' business debate on an issue that is vital to the prosperity of west central Scotland and to the economic prospects of Scotland as a whole.

There is no doubt that the continuing development of Glasgow airport is an important element of a growing, successful economy. According to my information, Glasgow airport has achieved an average growth rate this year of

between 5 per cent and 7 per cent, in spite of 11 September. Indeed, last month, because of the European Champions League final, the growth rate was 11 per cent. Such growth is to be welcomed.

My figure for the number of passengers using Glasgow airport stands at 7.33 million, which is 1 million above the figure of its nearest Scottish rival. That figure differs slightly from the figure that Robert Brown mentioned, but we will not argue about that, as both figures are good news for business and tourism.

Last week, the *Evening Times* carried good news about the forging of an alliance between Glasgow City Council and airport bosses to market Glasgow in the European cities that they believe would most welcome direct air links to Scotland. That news followed on from news earlier in the month from the BAA that it would offer £60 million-worth of discounts to encourage airlines to develop direct services to its airports over the next five years.

Those facts and developments are all positive and they help to make the case for an early announcement of a timetable for the construction and completion of the Glasgow airport rail link. Such a surface link will not solve the damaging effects of the growing congestion that is mentioned in Robert Brown's motion, but it will greatly alleviate the situation until the completion of the M74.

At question time last week, I indicated to the minister that the early construction of such a rail link has overwhelming support within Glasgow and west central Scotland. In the present debate, we have already heard—and we will no doubt hear again—that the proposal has cross-party support.

I was reasonably happy with the answer that the minister gave on 13 June in which he recognised "the economic arguments for the rail link"

and stated that the Executive has identified such a rail link

"as a priority in our transport policy."

I was also glad that he acknowledged that the construction of such a rail link would not

"have a negative effect on any other airport in Scotland."—[*Official Report*, 13 June 2002; c 12692.]

The logic of the development of the rail link should receive support not only from Glasgow and west central Scotland members, but from members from all over Scotland. Although members can take comfort from the minister's words, I hope that in his wind-up speech he will be even more encouraging than he was last week.

I hope that a timetable will be drawn up speedily when the minister receives the consultants' final

report in the autumn, so that construction can take place. Glasgow City Council and the BAA stand ready to play their respective roles. Last week, airport management announced their decision to spend up to £5 million to build a state-of-the-art terminal for the link.

The rail link is not a parochial concern. As Robert Brown said, it is of national significance. Positive words are good; positive action is better. Positive action is needed and Glasgow—and Scotland—deserve no less.

17:20

Bill Aitken (Glasgow) (Con): The deputy minister could be forgiven for thinking that today's debate is of the groundhog day type, but the support for the motion is merely a manifestation of the determination of the Glasgow members of all parties to ensure that some movement on the rail link project at last takes place.

Let me say in the strongest possible terms that the project must not be delayed for consultation after consultation and for reconsideration after reconsideration until the issue eventually withers on the vine. The Glasgow members will not accept that. They will not do so for the simple reason that the lack of an airport link would have considerable economic consequences for Glasgow.

I congratulate Robert Brown on securing today's debate on his motion. Robert Brown also highlighted the economic aspects of the rail link, which could provide the economy of the Glasgow area with an input of £10 million and perhaps much more. The rail link would undoubtedly increase the usage of the airport.

We should hardly be surprised that we are falling behind other areas. Sandra White mentioned Stansted, which I passed through a couple of weeks ago. I was amazed at the amount of money that has gone into that airport's construction and into its rail link to London, which has enabled it to become highly competitive.

Airports everywhere now have rail links. Heathrow has the Paddington link and Manchester and Birmingham each have a rail link. Overseas, Charles de Gaulle and Orly have rail links to Paris city centre. Amsterdam's Schiphol airport and the airports in Brussels and Frankfurt have all realised the essential value of such links. Glasgow continues to be the cinderella airport that is disregarded.

One depressing aspect of the debate is that an Edinburgh-Glasgow rivalry comes into play. The issue is far too serious to dwell upon that. When my colleague Lord James Douglas-Hamilton made his powerful case for the Edinburgh rail link, he stated that the need for a Glasgow rail link was

equally compelling. That is the reality of the situation. If we do not increase the usage of Glasgow airport, we will not enjoy the economic benefits, which are entirely predictable.

When we as individuals go on holiday, we do not want hassle. No one coming to Scotland should be expected to take hassle. For people who come here on business, time is money. They cannot afford to sit in a queue of wall-to-wall metal all the way from Abbotsinch to Glasgow city centre. Quite frequently, that journey can take 45 minutes to one hour. People cannot be expected to tolerate that.

We must realise that Glasgow airport could have value as a hub. Scotland is an attractive place to visit. For many people visiting Europe, a two-week stay in Scotland might be too long, but if they were prepared to use Glasgow airport as a hub, they could fly in and stay for three or four days. That kind of situation would be extremely advantageous to our economy.

In conclusion, I tell the deputy minister that we speak more in sorrow than in anger, but the issue has existed for far too long. It is essential that a decision be taken. The matter cannot be allowed to drag on much longer.

17:24

Tommy Sheridan (Glasgow) (SSP): Bill Aitken said that he speaks more in sorrow than in anger. I understand what he is saying, but I do not agree. A lot of anger needs to be reflected today. It is customary to congratulate Robert Brown on securing today's much-needed debate, but the fact is that we still do not have one iota of a commitment to the airport rail link. It is time that the Labour members of the Executive talked a lot tougher. Labour has been in power for five years in London; Labour has been in the driving seat for more than three years in Edinburgh; and Labour is in power in Glasgow. There is no excuse for delay in establishing an airport rail link that has been assessed, reassessed, studied and restudied for a minimum of 20 years. That is how far back the initial studies go.

I have been involved in a number of discussions with aviation and tourism experts and analysts who tell me that if we were to start from scratch and consider where to put Scotland's principal airport, we would probably not put it in Edinburgh or Glasgow, but somewhere in central Scotland. We are not starting from scratch; we are starting from the reality of having two busy airports. What those aviation and tourism experts suggest is that Glasgow airport may not survive if an airport rail link is developed in Edinburgh. Because of the booming Edinburgh economy, Glasgow airport would not be able to compete and would decline even further.

That is why, when questions are raised on airport rail links, I say, "Yes, I would like to see airport rail links in airports across Scotland and, yes, I would like to see an airport rail link in Edinburgh." However, speaking as a Glasgow MSP, I say that this is not a case of seeking equality; it is a case of prioritising, and Glasgow must be the priority. I therefore invite members of new Labour to join me in calling on the Executive not to treat the two cases as equal. They are not equal. Glasgow must have priority because, at this stage of our economic and social development, we need it much more than Edinburgh does.

It is customary for members' business debates to be quite consensual, but this matter has gone beyond consensus. All we have had is talk and talk, but not one new rail line has been laid and not one penny has been committed—despite the fact that the Strathclyde Passenger Transport Executive has now had to commit £500,000 to the programme. It would surely be a symbol of this Parliament's development if, before the end of its first session, it signed the contract that would allow the construction of an airport rail link for Glasgow airport to begin. If we do not sign anything to make that commitment before the end of the session, we will have failed the city of Glasgow. In particular, members of new Labour will have failed the city of Glasgow.

17:28

Nicola Sturgeon (Glasgow) (SNP): Like others, I am grateful to Robert Brown for securing this debate. As Sandra White said, this is the fourth members' business debate that we have had on the topic of a rail link to Glasgow airport. That point, and the point that has been made throughout all our debates on the issue—that we have not made one iota of progress—should not be lost on the minister when he speaks at the end of this debate.

Many of the key points have been made, so I will be brief. We must stress that the lack of a rail link to Glasgow airport is more than just a lost opportunity for the airport—although it is certainly that. Glasgow airport is suffering because it does not have that link. Listening to Bill Butler, I was struck by the fact that, yes, the BAA is bragging about investing £12 million in Glasgow airport over a five-year period, but £38 billion was spent on Heathrow 5. That gives us some indication of the extent to which Glasgow has lost out and continues to lose out.

Robert Brown rightly said that Glasgow is Scotland's premier airport. The city of Glasgow should be proud of that, but, if current trends continue, it will not be the premier airport for much longer. Edinburgh airport's passenger numbers are increasing at a much faster rate than are

Glasgow's—no doubt because Edinburgh has a booming economy, the Parliament is here, the city is home to one of the world's biggest cultural festivals, and the city is a thriving financial centre. All those factors are important. Edinburgh airport now has some 6 million passengers every year, compared with Glasgow's 7 million. The gap is closing and, if action is not taken to remedy the situation, it will not be long before Edinburgh overtakes Glasgow as Scotland's premier airport.

I make that point not to introduce east coast-west coast rivalry—this debate is not the place for that—but because it is a serious issue. The number of passengers that go through an airport every year says a lot about a city's ability to attract tourists, major events and economic investment. We know what the current problems with Glasgow airport are that there are major access problems, the airport is on the wrong side of the city for many people who want to use it and the public transport links are dire. The case for the rail link has been made and is indisputable and overwhelming.

The comparison with Stansted has been made by several members. It is important to emphasise that the Stansted rail link was constructed using public money. Sandra White's point is worth repeating: 10 years ago, Stansted had fewer passengers than either Glasgow or Edinburgh, but since the construction of the rail link it has more passengers than both Scottish airports put together. That is the sort of benefit that a rail link can bring and such a benefit is overdue for Glasgow.

As other members have said, we are awaiting the latest consultants' report, which is due in the autumn. Robert Brown is right to say that there is a growing sense of frustration in Glasgow that all we are getting is study after study and consultants' report after consultants' report, when what we need is action—and quickly. There is also frustration and concern about the continuing rumours that Edinburgh will get priority over Glasgow. I am not against a rail link to Edinburgh airport, but if it gets priority over Glasgow there will be a real sense of anger and injustice in Glasgow. That must not happen.

We do not need more warm words, but we need a clear indication that a decision will be forthcoming soon and a clear timetable for action set down. Glasgow deserves nothing less.

17:32

Pauline McNeill (Glasgow Kelvin) (Lab): I commend Robert Brown, not just for securing the debate, but for the excellent speech that he gave. I can support all that he said.

People want more opportunity to fly out of the west of Scotland from Glasgow airport. That is not

just because of the economic benefit that it would bring to Glasgow, but because of the convenience for members of the public. There is demand for more flights from Glasgow—domestic or international—and we must ensure that the infrastructure is in place to make that possible. Only last week, Glasgow Labour MSPs met the BAA to raise some of their concerns about the growth rates in Glasgow. We were satisfied that the records from May show that 750,000 passengers went through Glasgow and that Air Canada and American Airlines have returned following 11 September. We intend to monitor the situation because all the issues are interlinked. We must attract passengers who will see an easy way of getting from where they live to the airport, by rail or car. That is why the rail link is important to attract growth. The argument is about not just economic benefits, but convenience.

It seems that the opinions on the rail link to Glasgow airport have come to a head. There must be quick action in moving to a feasibility study that will demonstrate the beneficial aspect of a rail link, not just to Glasgow's economy, but to that of Scotland.

I have an interest in the matter, because one of the key proposals is that the crossrail loop would have a railway station at Trongate. That is important, not just as part of the link, but because it will add to the regeneration of Trongate, which is an area of Glasgow's city centre that is in desperate need of regeneration. I can see great advantages in that.

It is important that we recognise that Glasgow airport has gone from strength to strength. We should not talk the airport down—rather we should talk it up, because that is the point of the argument. Glasgow airport is our number 1 airport and we should build on that success by ensuring that people can get there. We should recognise that only last Friday there was a £15 million investment in the car park at Glasgow airport. The issue is all about getting traffic to Glasgow airport, and providing parking is one of the ways to do that. I understand that the BAA is in discussion with three new airline operators—low-cost airlines—to ensure that more flights go out of Glasgow.

It is my understanding—perhaps the minister can clarify this—that the Executive has made air links to Edinburgh and Glasgow the top two priorities in its transport plan, but that needs further clarification. I know that the minister will say that we cannot wish away the planning process, because it is part of the issue.

There is cross-party consensus on this matter. It is sad that Tommy Sheridan is unable to cope with the fact that there is some basis for cross-party consensus among the Glasgow MSPs. It does not

help for him to have a go at new Labour, because the Scottish Socialist Party cannot hold up its head and say that it has argued for the link for the past 20 years.

The time is right to act. I hope that the Executive will confirm that it recognises that Glasgow is a stand-alone case. It makes its own case: the time is right for a rail link, and steps should be taken immediately. We know that a rail link is in the transport plan, but we need the minister to tell us that the realisation of the plan is in sight. Glasgow MSPs need to hear from the minister that Glasgow has made its own case. The case is so overwhelming that the Executive cannot deny that it must act.

The Deputy Presiding Officer: I call Tavish Scott, the member for Glasgow Shetland.

17:36

Tavish Scott (Shetland) (LD): I hope that Glasgow members will allow me a brief word on this subject. Like all members, I am one of the statistics to whom Bill Butler referred. I fly in and out of either Glasgow or Edinburgh every week in pursuit of this extraordinary job that we all do. I will share a couple of thoughts on the importance of the arguments that Glasgow members have made today, which I find extremely compelling. I agree with the points that Bill Butler, Bill Aitken and Robert Brown made on the compelling case for rail links to Edinburgh and Glasgow airports. Lewis Macdonald might share my aspirations with regard to Dyce, because the rail link is on the wrong side of the runway from the terminal.

I will concentrate on the international competitiveness of the airline and airport markets, which a number of members have raised. Transport links are one of the most important factors. As Nicola Sturgeon said, in the United Kingdom there is significant competition with Stansted for the low-cost-carrier market. An important aspect to Stansted is that it is a centre for a number of low-cost carriers. As Nicola Sturgeon said, Glasgow and other Scottish airports aspire to that position. The market is extremely competitive. The BAA must reflect on that in deciding how to make Glasgow airport and others as competitive as possible.

It is important to recognise where traffic goes in terms of passengers coming to and from our cities. I understand that about 30 per cent of the passengers who travel into Edinburgh airport go into the city, whereas the figure for Glasgow is around 13 per cent. That must be borne in mind, as should the points that were made by members who have more knowledge than I have on the importance of an integrated network of rail services in Glasgow that can link to the rest of Scotland.

At lunch time today, at a meeting of the cross-party group in the Scottish Parliament on international trade and investment, we heard from David Field from the BAA and Kathryn Munro from Ryanair. Mr Field was keen to emphasise that the BAA's single and most important objective was to build better air links to Europe. Bill Butler has already mentioned the BAA's £60 million development fund. The speakers were keen to emphasise the importance of all the public sector agencies, including the Government of the day, pulling together the factors that can help air travel and make passengers' lives that little bit easier when they arrive in Scotland. Rail links were mentioned in that context by VisitScotland and Scottish Enterprise to improve the competitiveness of Scottish airports.

The inbound-outbound figures for the new routes to Oslo and Ireland that Ryanair have opened up illustrate the importance of transport links to passengers, which can also be seen from passenger surveys. An important point is that the cheaper the ticket, the more the individual passenger will spend at his or her destination. If Scotland can get the balance right between attracting people here because we offer cheap, good-value services—whether people fly into Glasgow or our other cities—and offering a destination with our country's natural abilities and features, it will be a winning formula that I will endorse and advance.

I hope that the minister can respond positively to the compelling case that the members who represent Glasgow, led by Robert Brown, have made.

17:40

Paul Martin (Glasgow Springburn) (Lab): I thank Tavish Scott for his supportive remarks about Glasgow. I hope that he will join us in Glasgow when the rail link is in place in the near future. That will make his journey more effective and much shorter. It is not often that cross-party support is given to issues that relate to Glasgow, but we have achieved that for this issue. I congratulate Robert Brown on his motion, because it is important to focus on the matter.

I share some of the frustrations that members have amplified. Tommy Sheridan, Sandra White and others raised concerns about the time scale. All Labour members share those frustrations, because we want to improve our constituencies and Glasgow's economy. Let us share those frustrations and ensure that the minister responds to them.

Most issues have been covered, but I will touch on two matters. The rail link would be effective at improving and developing tourism in the Glasgow economy. Tourism is an important part of Glasgow

city's economy and it attacks the chronic unemployment in Glasgow. In my constituency of Glasgow Springburn, the number of people who are unemployed is 140 per cent above the Scottish average. The continued development of tourism in Glasgow city is important in tackling that statistic. The airport rail link would have a positive impact in dealing with that.

As several members said, people have no difficulties with the development of the Edinburgh airport link, but that should not be to the detriment of, or ahead of, the Glasgow airport link. I know of no MSP who represents Glasgow who has said that the Edinburgh rail link should not be developed, but as several members have said, it should not be to the detriment of Glasgow.

The airport link would have an effect on land value in Glasgow. Glasgow faces difficulties in tackling and improving land values and we must examine ways of dealing with that. Airport links have proven to be an effective method of dealing with land values. Edinburgh does not face that issue.

I will finish by making several clear points that I would like the minister to deal with. I would like the minister to clarify that no priority is being given to the Edinburgh railway link. We must make that point. The possibility of exploring further Edinburgh's link, rather than Glasgow's, has been well publicised. I would like to be clear about the process that will be followed for assessing the rail links in Glasgow and Edinburgh. Does the minister accept that a clear economic argument exists for Glasgow's rail link, which is based on its ability to tackle deprivation?

The Deputy Presiding Officer: In view of the time and the fact that I must fit in two members before I call the minister to respond to the debate, I have ascertained that the minister can wait a few minutes longer and I would be happy to entertain a motion without notice to extend the debate to 6 o'clock.

Robert Brown: I am happy to move such a motion.

I move,

That, under Rule 8.14.3, the debate be extended until 6.00 pm.

Motion agreed to.

17:44

John Young (West of Scotland) (Con): Strathclyde Passenger Transport awaits the consultants' report, which is due in the autumn. An airport link was discussed by Strathclyde Passenger Transport Executive as far back as 1995, when I was a member. Tommy Sheridan mentioned studies that go back to the 1980s. In a

moment or two, I will tell him about something that goes back even further.

No matter what is said, I suspect that unless action is taken the consultants' report will be shelved for the next decade. There will always be genuine problems when a rail link is being established. That is understandable when one considers the concerns of the various local authorities involved and the fact that residents, companies and others will want information about the proposed route.

Recent figures show a decline in passenger usage of Glasgow airport, although a good part of the reason for that could be to do with the lack of a rail link and ease of accessibility. It is crucial that the minister gives us an assurance about time scales.

I understand that, in the 1840s, the Westminster Parliament faced not dissimilar problems in respect of the building of railways in England. The Government of the time had to introduce special legislation to overcome difficulties with landowners and others. I have grave doubts that our successors will not be debating the same subject in 10 years' time. I hope that that does not happen, but it is a worry. Glasgow is not the only part of Scotland to be affected by the lack of a rail link; the whole of Scotland is affected. Tavish Scott mentioned that.

One of the problems that Robert Brown mentioned is the lack of a unique, overall controlling body designated to establish a rail link. The lack of such a body is the crux of the matter—too many different bodies are involved. We need one overall body that is given some sort of punch through legislation.

Curiously enough, back in the 1960s, the council was the municipal authority for Glasgow airport. Indeed, I was vice-chair of the committee until the airport was transferred around 1969. At that time, there was a feeling that improvement was needed but there was a genuine excitement about the airport. I clearly remember one elderly member of the council—he was even older than I am—who mentioned that a railway might be needed for the airport. Churchill's phrase from 1940 was "Action This Day" but we cannot act.

I reiterate that not only Glasgow but the west of Scotland is affected by the absence of a rail link. Some people have suggested that Glasgow airport should be renamed the west of Scotland airport. That would be a big mistake. "Glasgow" should remain in the title of the airport. I will close with a version of the city of Glasgow's motto, "Let Glasgow flourish." We should use the motto, "Let Glasgow airport flourish" and get the establishment of a rail link.

17:47

Donald Gorrie (Central Scotland) (LD): I should declare an interest. I used to be the member of Parliament for the constituency that included Edinburgh airport. I also go back far enough to be able to say that I was one of the few people who argued in the early 1970s for a central Scottish airport, possibly at Slamannan, instead of the rebuilding of Turnhouse, which was Edinburgh's airport at that time. However, that is water under the bridge.

A rail link should be built from Glasgow to Glasgow airport and the rail network should be developed so that people from other parts of the country are enabled to travel by train to Glasgow airport. It is difficult to get from Edinburgh to Glasgow airport. That is a serious deterrent for people who want to get to Glasgow airport from Edinburgh, Falkirk, Cumbernauld and Croy station. It is vital that there is a through connection from Queen Street station and that Motherwell and other stations in Lanarkshire are given through connections. That would enable people in a large area of central Scotland to get directly to Glasgow airport.

Unlike many activities, which are less successful than people think, railways are more successful than people think. In a small way I can testify to that. In the old days of Lothian Region, when I briefly had some political muscle, I got a railway station built at South Gyle. I did so against great opposition, but the station has been so successful that it is possible that none of the local citizens ever pays a fare—the trains are so full that fares cannot be collected. On the back of that development, the council revived the railway line from Bathgate to Edinburgh. The line has been such an amazing success that an extension is proposed to Airdrie.

It pays to invest in the railways. Passenger activity is greater than people allow for. It is essential that we make an all-party effort to get a railway line to Glasgow airport. It is also essential that we view the wider picture of people all over central Scotland being able to catch a train at their local station and ending up at Glasgow airport. That would be a huge advance. Many more people would use Glasgow airport if that were possible.

17:50

The Deputy Minister for Enterprise, Transport and Lifelong Learning (Lewis Macdonald): I thank Robert Brown for securing this important debate and providing us with an opportunity further to clarify our position on rail links to Glasgow airport and Edinburgh airport. Although I disagree with one or two points that have been raised, the discussion has been positive in the

main and reflects the fact that the project's importance is accepted across the board.

The Executive is committed to implementing a transport policy that creates a safe and accessible railway system. It forms part of an approach that is focused as much on social, economic and environmental benefits as on direct benefits to the transport network. We recognise that the construction of rail links to Glasgow and Edinburgh airports is an important part of such an approach, which is why, as members have mentioned, we have commissioned a major study to consider what can best be done at each airport and to indicate the best means of taking the project forward.

I want to stress that there is no question of any delay or inaction by the Scottish ministers. Since the study was commissioned, we have always been very clear about the timetable and about the need for a project of such importance to be rigorously tested to ensure that the right link is constructed in the right place to deliver value for money. The study does not focus on the case for rail links, but on identifying the best solution.

It is true that SPT, the BAA and others have carried out previous studies on rail links to Glasgow airport, but those studies have not succeeded in identifying an agreed and preferred option that should be carried forward. Members have claimed that no progress has been made, but the study that we have commissioned will bring together the findings of other studies to achieve what they failed to achieve: identification of a single option that is technically feasible and achievable and commands the broad support of all the actual and potential partners. That is critical if we want to deliver on our objective.

The study is part of a wider process to evaluate the continuing and anticipated growth in the demand for air transport across the UK over the next 30 years, and will contribute to our Scottish air transport consultation paper and to next year's proposed UK white paper on the future of air transport. That white paper will be informed by the need to meet demand for expansion in the aviation sector and for any such expansion to make the best possible contribution to local and national economies. As a result, it will require to recognise the need to reduce surface journeys by road in order to obtain the maximum benefit from the growth in aviation demand.

Robert Brown: Members have made great play of the various studies. Will the minister assure us that the current study on Glasgow airport will not disappear into the other study that he has mentioned and be delayed until the outcome of that?

Lewis Macdonald: I certainly will. We hope that

the two studies will dovetail comfortably together. In any case, we do not intend one study to overtake the other.

Pauline McNeill asked about our strategic priorities. Our transport delivery report clearly identifies the airport rail links as among our most important strategic transport priorities. As Bill Butler pointed out, they could contribute not only to the economy of their respective local areas, but to the economy of Scotland as a whole. We commissioned the study to ensure that we have an objective basis for making decisions on what we do.

The consultants undertaking the study, Sinclair Knight Merz, will examine the economic and engineering costs and benefits of the proposed rail links. They will report not only to us, but to a steering group that includes the BAA, which owns both airports, Scottish Enterprise, the Strategic Rail Authority and the UK Department for Transport. All stakeholders must work together if we are to reach a common understanding of the problems and how they can be overcome.

The final report should be ready in the autumn and will allow us to proceed with detailed development studies and to outline a likely timetable. I assure members that the progress of the study is indeed progress. Although I do not want to detail all the criteria that are being employed, I am keen to ensure that the process that we are undertaking is more fully understood than I suspect it may be. I should therefore point out that phase 2 of the report will be received by ministers during the summer recess and will narrow down the options for each airport to two or three. That will provide the basis for proceeding to the third and final stage in September. That stage will identify a single preferred route, timetable, design and construction option for Edinburgh and Glasgow.

To improve understanding of the process, I will ask the consultants and my civil servants to organise a briefing session between phase 2 and phase 3, perhaps with the cross-party group in the Scottish Parliament on strategic rail services for Scotland, a number of whose members are present. That will provide an opportunity for members to come to terms with the process.

Members will be glad that I do not accept Tommy Sheridan's assertion that Glasgow airport would not survive if Edinburgh airport had the benefit of a rail link. In addition, there is no foundation to the claim that the Executive has decided that there can be only one rail link or the claim that we have a preferred option between Glasgow and Edinburgh. Neither assertion has any foundation. Our objective is to see links to both airports, subject to a comprehensive cost-benefit analysis for each proposal and subject to

satisfying ourselves that the necessary criteria will be met.

The analysis will focus on the benefits of the rail links to the airports, but other benefits will also be considered. Paul Martin mentioned economic benefits and Robert Brown identified other opportunities through linking airport links to the wider Scottish railway and transport network. That is essential. The pros and cons of some specific issues, such as a link to Braehead, should also be identified. The consultants are considering those.

Glasgow airport and Edinburgh airport are growing and successful and both will benefit in future from the creation of rail links. It is in our wider economic and environmental interests that the growth of those airports be accompanied by the creation of public transport options for those who use them and job opportunities that rail links can create.

I invite members to support the work that we are undertaking. As I said, we will seek to organise a briefing session to explain matters more fully to members in the early autumn, before the final phase of the study is under way. I look forward to receiving the Parliament's support for carrying the project forward as we intend.

Meeting closed at 17:57.

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