

MEETING OF THE PARLIAMENT

Thursday 3 February 2005

Session 2

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Scottish Parliament

Thursday 3 February 2005

[THE PRESIDING OFFICER *opened the meeting at 09:30*]

Economy

The Presiding Officer (Mr George Reid): Good morning. The first item of business this morning is a debate on motion S2M-2361, in the name of Nicola Sturgeon, on the economy, and four amendments to that motion.

09:30

Jim Mather (Highlands and Islands) (SNP): I would like this debate to examine Scotland's great potential for economic resurgence, but I would also like it to be evidence led, to consider the current and projected outcomes of policy and to realise the dangers and futility of many of those policies, constrained as they are by the inadequate powers of the Parliament. Any objective assessment could easily produce a 10-point charge sheet.

The first charge is our low rating in the International Institute for Management Development competitiveness ranking, which destroys the myth of the United Kingdom level playing field, as it places Scotland 36th against the UK's 22nd place out of 60 nations and regions. Secondly, our lack of power to borrow, tax or save reinforces our built-in competitive disadvantage. Thirdly, the lack of forecast for the top priority of economic growth leaves the Government rudderless and unaccountable and our competitors laughing.

Fourthly, the projected loss of 550,000 economically active people by 2043 is disastrous and promises to weaken our economy further and to undermine our basic services. Fifthly, the low economic growth that has been endemic for 30 years will continue to do further social and economic damage.

Sixthly, the historic emphasis on lean foreign direct investment with little research and development means that we are now suffering disproportionately from the downturn in manufacturing. As a result, Scotland, which is spending 0.6 per cent of its gross domestic product on research and development, faces an unbridgeable gap to reach the Lisbon target of 3 per cent spend, the level that is deemed necessary for a country to participate fully in the knowledge economy.

Phil Gallie (South of Scotland) (Con): Will the member give way?

Jim Mather: I will give way when I have finished reading the charge sheet.

Seventhly, this week's evidence that economic development is getting a falling share of the Executive budget tells us either that economic development is not, in fact, the top priority or that the Executive does not believe that such spending works in powerless Scotland.

Eighthly, the Government expenditure and revenue in Scotland—GERS—exercise, which inflates deficit and dependence and fails to add back oil revenues, the potential from higher growth and the proper share of Government spending, tells us that the Government and the union are failing Scotland. As we can see from its amendment, the Executive will always try to generate fear, uncertainty and doubt; it is willing to sacrifice confidence to increase its chance of being re-elected.

Ninthly, unemployment has been understated by 250,000 people, which means that labour market participation is grossly overstated. Low unemployment and high levels of employment are two sides of the same counterfeit coin.

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): Will the member take an intervention?

Jim Mather: I am about to make the final point on the list; I will let the member in after that.

Tenthly, the Executive assumes a zero-sum game and exhibits nihilism by saying that Scotland is stuck in a rut at a financial maximum that limits our prospects and ability to match Ireland, Norway and Estonia. That is the charge sheet.

Phil Gallie: I am sure that the member would like to be factually correct. He said that economic growth in Scotland has been extremely low for the past 30 years. However, does he agree that in the mid-1990s economic growth in Scotland was very acceptable and, indeed, far better than in any other area of Europe?

Jim Mather: In using the word "acceptable", the member highlights how pathetic that record is—a 30-year average growth rate of 1.6 per cent when the UK average was 2.1 per cent. That is a pathetic record and a comprehensive, multifaceted badge of shame for the Tories and the Labour Party. It condemns many Scots to underachieving, not realising their ambition, tholing poverty or leaving. It limits the success of those who manage to overcome the plentiful supply of economic inhibitors that are put in their way. More important, it allows competitor nations, inward investors, indigenous companies, bright young Scots and

potential migrants to conclude that the Scottish Executive is not serious about growth.

We are awash with evidence that the Executive is systematically undermining its top priority, wasting money, wasting our potential, wasting our time and damaging our individual and collective futures. The Executive is weakening our economy and attractiveness and allowing our competitors to say that the home of Adam Smith, banking, audit, actuarial fund management and legal competence and probity is bad at economic management and not serious about growth.

That would be bad enough if the economy was just an abstract concept, but the economy is at the heart of everything—it impacts on the life, income and location of everyone who could be in Scotland. That is why this debate will never go away. This debate exposes the disastrous consequences of the status quo and the perpetual flow of adverse and unintended consequences that is the result of denying Scotland its full right and powers to compete.

Jeremy Purvis (Tweeddale, Etrick and Lauderdale) (LD) *rose—*

Jim Mather: Sit down.

It is no wonder that Executive politicians such as Mr Purvis hate this debate. It is also no wonder that month after month, in their desperate attempts to sell a failed economic model, they paint themselves into a corner. Their position is less than tenable and more and more likely to condemn them in the eyes of Scottish voters.

Jeremy Purvis: Will the member give way?

Jim Mather: I will not.

Scotland has enormous potential and the related ability to match all that Ireland and Norway have achieved: sustained and sustainable high growth; high living standards; a growing population; a high level of investor and public confidence; and a fully engaged and constructive place at international top tables.

The Irish proposition is simple and powerful and is being emulated in most of the new accession states. It offers sustained high growth; businesses grow faster in Ireland and that makes Ireland an attractive place to be. Competitive rates of corporation tax—

George Lyon (Argyll and Bute) (LD) *rose—*

Jeremy Purvis *rose—*

Jim Mather: I will finish my point and let George Lyon in.

Ireland has competitive rates of corporation tax relative to its big neighbour, so companies retain more, reinvest and so fuel growth. It has a

burgeoning and affluent population, which will overtake ours in numbers by 2019—the Irish population will be 5 million in 2019; it was 2.8 million in 1973. That means more demand and more people with more money. Ireland also has an overall competitive rating of 10th against Scotland's 36th, which means that new and retained investments continue to flow.

George Lyon: Given the member's espousal of the Irish economic model, does he agree with Christine Grahame, who said in the chamber that Scotland needs the socialist option? She said:

"We need to raise taxes and redistribute the wealth in Scotland."—[*Official Report*, 19 January 2005; c 13601.]

What does the member say to his colleague?

Jim Mather: A social democrat agenda is very compatible with what the SNP is about. Raising taxes does not mean raising tax rates. It means moving away from George Lyon's definition of Scotland as a zero-sum game. I want a burgeoning Scotland. The good news is that we can match Ireland's burgeoning economy and we can match Norway's, for we, too, have oil reserves. With those reserves looking good for at least another 30 years, with extraction technology improving, with the rise of indigenous oil companies that will pay more of their taxes here and with the price of oil at \$44 a barrel and likely to stay that high, we have a second chance to fuel a renaissance and for the Executive to redeem itself. However, this time we should use oil as a platform to create a competitive, sustainable and modern economy, in which we transfer the emphasis to renewables and to the knowledge industry, with new fiscal and operational competitiveness, which are absolutely crucial.

After that transition, we will be building our oil fund and creating a programme of continued economic growth, in which we have the virtuous circle of more people, more people in work, a lower total benefits bill, a much higher tax take even at competitive rates and the chance to reinvest in our people and infrastructure and to reduce the sums that are being spent on failure and failed programmes. That is what we are holding out as a suggestion.

I am embarrassed by the Executive's amendment, which I hope does not meet international eyes. It shows the little-dog syndrome, raising fears about complexities in the long term. It contains a plethora of buzzwords, failed programmes and misinformation. It also ignores oil and the chance for us to have a crucial second chance. More important, it contains no vision, no leadership, no macro-targets—because the Executive has no macro-policies—no desire to be held to account and no credibility.

The amendment peddles fear, uncertainty and doubt. It questions our continued membership of the European Union—that suggestion is rubbish. It says that we would face

“a drawn out and messy”

situation—like the amendment itself—when that is what we have at the moment. It pushes us towards continuing with micromanaged policies, which give us a false-hope syndrome: those policies have not delivered for more than 40 years and can never deliver. The amendment refers to a “lasting legacy”, but the Executive has created a legacy of bureaucracy and barriers to trade, which 46 per cent of the business community want to do away with and about which 26 per cent are neutral. I hope that this debate moves that 26 per cent forward into the camp that wants more change. I have great pleasure in moving the motion in Nicola Sturgeon’s name.

I move,

That the Parliament calls for Scotland to acquire the economic powers currently enjoyed by other similar-sized European nations; recognises that there are many lessons to be learnt from other such nations, many of whom have fewer natural resources than Scotland but are more globally competitive and have far higher standards of living; notes, in particular, that, unlike Scotland, Norway has benefited enormously from its oil and gas resources with living standards that are amongst the highest in the world and an oil fund for future generations that is now worth well over £80 billion; notes that our oil revenues are projected to reach at least £6 billion in 2005 and to continue well into the future, and calls for Scotland to have control over offshore resources as one aspect of an economic strategy designed to make us a much more competitive nation with world-class public services, constantly-improving skills and infrastructure and our own Scottish oil fund to provide a lasting legacy.

09:40

The Deputy First Minister and Minister for Enterprise and Lifelong Learning (Mr Jim Wallace): I am sure that this must have been said before, because it is so often the obvious response to what we hear from the Scottish National Party, but Jim Mather sounded much like Private Fraser from “Dad’s Army”: “We’re a’ doomed!” If there was ever a party that purports to speak for Scotland but spends all its time running Scotland down, it is the SNP. We have just had a good example of that.

There are many reasons why we need to feel positive about the Scottish economy. I will give members a couple of quotations, which do not come from partisan people such as Jim Mather. We have

“the largest and most active investment promotion networks, which has successfully targeted high-value-added sectors, such as microelectronics, life sciences and financial services ... The excellent international reputation of Scotland’s workforce is supported by the statistics: 27%

of the population of working age has been to university and 33% of young people aged 18 to 30 hold a university degree.”

Those are not the Executive’s words or findings.

Jim Mather rose—

Mr Wallace: Och, sit down, Jim.

They are only some of the reasons why the *Financial Times* “fDi” magazine recently made Scotland the European region of the future. That is a real achievement for Scotland. The accolade was given by people who have been looking at Scotland’s economy objectively and not through partisan eyes, such as those of Jim Mather and his team.

Phil Gallie: The minister is right to boast about the index, but does he accept that that index covers a 10-year period and not just recent years?

Mr Wallace: With all due respect to Mr Gallie, I should explain that he has picked the wrong index. I am talking about a magazine that speaks about Scotland as the European region of the future. That is not historic; the magazine considered things that are happening today and was looking to the future. I am happy to stand by that accolade.

Stewart Stevenson (Banff and Buchan) (SNP): The minister is talking about the European region of the future. Of course, it is only two days since he gave me two parliamentary written answers about his view of the future, both of which showed that he does not know, or have a target for, how many companies there will be in Scotland in 2014 or how many will be registered for VAT. Has he the faintest vision for a long-term future for Scotland that will guarantee prosperity for its people?

Mr Wallace: Quite frankly, when I received those questions, I just thought, “For heaven’s sake, who’s asking questions like these?” As if anyone could have that kind of fine-tuned crystal ball. It just beggars belief.

We have an excellent business environment and support framework, which works for Scottish firms and for inward investors. Our workforce is skilled and well educated, higher education participation in our world-class universities is at a rate that other countries envy and major investments have been made in the transport and electronic infrastructure. Moreover, in sectors such as life sciences, microelectronics, energy, financial services, food and drink and the creative industries, Scotland is simply world class.

I was proud last week to be able to lead a life sciences delegation on a trade mission to China. The credentials of the companies involved were impressive and the reception from our Chinese

hosts was warm and genuinely enthusiastic. Jim Mather talked about fiscal and operational buzzwords that have no policy substance. What we were looking at were real examples of companies getting out there and winning business for themselves and for Scotland. For example, the successes of Bio-Rad Laboratories Europe Ltd from Perth and Axis-Shield Diagnostics Ltd from Dundee in the fields of neonatal testing and diabetes are not surprising, given their strengths. However, given Chinese demographics, what those companies can achieve is potentially hugely significant. Furthermore, Integrin Advanced Biosystems Ltd from Argyll, in the constituency of George Lyon, is on the verge of signing important agreements with the Shanghai Institute of Materia Medica and the China Aquatic Product Processing and Marketing Organisation. Those examples give just a flavour of the ambition of the sector and of Scotland's world-class reputation.

Scotland's recent economic performance has been good. We are above trend in gross domestic product growth over the year to 2004, with a third-quarter figure of 1.8 per cent. Our most recent quarterly growth rate of 0.9 per cent is above the United Kingdom's 0.5 per cent.

Alex Neil (Central Scotland) (SNP): Although we all applaud the examples that the minister has given, is it not the case that two weeks ago, in front of the Enterprise and Culture Committee, he agreed with me that to achieve the objectives of the smart, successful Scotland strategy we need to boost research and development spend in Scotland by a factor of two? When I asked the minister what he would do to achieve that, he said: "I do not pretend to have any of the answers."

Mr Wallace: I think that that is a slight paraphrase of what I said. I said that I do not pretend that there is any easy answer to that question. I am not particularly sure that the SNP has any answer to it, either. What I can say is that we are actively working on how to get the answers. R and D spending under this Administration has gone up and significantly moved forward. There is still much to do; I am not complacent. However, credit must be given where it is due. We have identified R and D as an important priority and we will work to ensure that we deliver on it.

It is always dangerous when one uses statistics, so I point out, just for the record, that Norway's growth for the third quarter of 2004 was minus 1 per cent. We can always trade statistics.

Our strong performance in the service sector should not distract our attention from other sectors that continue to experience difficulties, particularly manufacturing. Global demand has strengthened, but the manufacturing sector is still going through a period of restructuring. Recent survey evidence,

in the form of the Royal Bank of Scotland's purchasing managers' index report, acknowledged that the rate of growth in manufacturing continues to improve. Moreover, CBI Scotland's industrial trends survey last week reported robust growth in all measures of volume of activity and increasing optimism among manufacturers.

Meanwhile, the Scottish labour market continues to perform remarkably strongly. Unemployment is at its lowest level since quarterly records began in 1992; there are more participants in the Scottish labour market than ever before; our economic activity rate is above that of the UK; and employment is at its highest level since quarterly records began, with a rate that is above that of the UK and second only to Denmark in the regional trade statistics data EU25 measurement. I think that we can be justly proud of that record.

Scotland has a small, open economy and the increasing globalisation of trade, international capital flows and financial markets means that the linkages between Scotland and the rest of the world have a critical influence on our economic performance. In a world in which global trade has grown twice as fast as world GDP over the past decade, the Executive's internationalism is no longer an optional add-on, but a fact of economic life.

The Executive, of course, does not control the global factors that have such a great bearing on our open, trading economy; neither do we control the key fiscal and monetary macroeconomic levers. However, we can benefit from those levers. We continue to benefit from the stable and supportive macroeconomic environment at a UK level and we benefit from being anchored in a member state of the EU. We have considerable powers to influence growth and prosperity and we have the tools at our disposal to improve the microeconomic capability of our economy.

The priorities that we set out in "The Framework for Economic Development in Scotland" underscore our on-going commitment to raising productivity across the economy and enhancing basic education and skills. I inform Alex Neil that we are committed to supporting R and D and innovation and to improving on our record. We are also committed to fostering entrepreneurial dynamism, investing further in our infrastructure and managing fiscal resources more effectively. We treat those priorities seriously, as the 2004 spending review demonstrated. We are now fully focused on effective delivery.

On the other hand, the SNP is determined to cut corporation tax, to lower business and water rates and to lower national insurance, on top of its commitment to lower fuel and whisky duty and to lower tax for low earners. That is all laudable, but scarcely credible from a party that simultaneously

demands greater spending on higher education and transport and on whatever else happens to be on the front pages of the newspapers in any particular week. That is fantasy politics and the politics of separation, which is in stark contrast to the ambitious but credible approach of this devolved Government. Our ambitions for Scotland are to provide every Scot with opportunities for good jobs, fulfilling careers and safe communities, and to fulfil their potential—

Stewart Stevenson: What is the Executive's ambition?

Mr Wallace: Stewart Stevenson asks what our ambition is. It is to provide every Scot with opportunities for good jobs, fulfilling careers and safe communities; it is to help every Scot to fulfil their potential and ambitions. All of that will be achieved in an international economic environment.

My visit in October last year to the United States reminded me of the need to maintain relationships with existing inward investors—companies that are positive about their operations in Scotland and that recognise the skills base that we have here. Last week, I saw evidence of companies from Scotland that are seizing opportunities in China. The China Construction Bank has chosen KAL, a Scottish software developer, as a provider for its automatic teller machine networks. The Royal Bank of Scotland and Standard Life have recently increased their engagement in China. Clyde Blowers Ltd, a developer of boiler-cleaning systems and other heavy industrial products, has been in China for 10 years and is stepping up its R and D activity.

There is no doubt that Scotland must match and better the high level of engagement at Government level that other countries are putting in. The real challenge is to take practical action with the powers that are available to this Parliament. It is not to engage in another bout of constitutional navel gazing, which will only take our eye off the ball when there are more important things to be done. Our skills agenda is going in the right direction. We need to sustain our investment and momentum. Only by doing so can we maintain our competitive edge. We must achieve sustainable growth and we must close the opportunity gap if we are to create wealth. Through creating wealth, we can reach a more prosperous and more socially just Scotland.

I move amendment S2M-2361.3, to leave out from first "calls" to end and insert:

"welcomes the progress that the Scottish Executive is making towards delivering the priorities of *Framework for Economic Development in Scotland* by working to improve productivity throughout the economy; welcomes, in particular, the record investment in Scotland's transport and electronic infrastructure, world-class universities and

colleges and in the wholesale modernisation of Scotland's schools; notes that the Financial Times' fDI European Region of the Future accolade was awarded to Scotland because of this public investment, favourable business environment, level of skills and quality of life; believes that raising Scotland's rate of economic growth sustainably over the long term requires a focus on improving skills, regenerating communities and supporting companies and others to internationalise and invest in research, and recognises that a drawn out and messy separation from the rest of the UK, and prospectively the EU, would undermine these strengths, play into the hands of Scotland's competitors and provide Scotland with a lasting legacy of cost, bureaucracy and barriers to trade."

09:51

Murdo Fraser (Mid Scotland and Fife) (Con): When I heard that today's debate was going to be about North sea oil, I felt a certain nostalgia. Was this the SNP going back to the 1970s? Perhaps the debate would be like a 1970s revival concert. Would Nicola Sturgeon turn up in flares or would Jim Mather turn up in a kipper tie, with the Bay City Rollers playing in the background and our impending national disaster in the world cup in Argentina on the horizon?

I certainly remember those badges that everybody seemed to be wearing in the 1970s, which said, "It's Scotland's Oil". It may cause some consternation on the SNP benches to know that I wore one myself—but that was before I grew up. Today's back-to-basics SNP seems once again to be relying on North sea oil as the solution to all our problems. It is certainly true that Norway has benefited from its oil and gas reserves and that its oil fund has been a success. However, there is a major difficulty with proposing a replica of that in Scotland because, unlike Norway, Scotland runs a substantial annual revenue deficit.

I know that SNP members question the figures in the GERS report, but in the absence of any other figures to the contrary that they have produced, that report must at least be a useful starting point when it comes to addressing the question of Scotland's finances. On the basis of the latest GERS report, even if all the oil revenues were allocated to Scotland—which is highly unlikely in any case—the net borrowing figure for 2002-03 would have been £4.4 billion. That is a substantial black hole, which the SNP would be unable to fill.

Mr John Swinney (North Tayside) (SNP) rose—

Murdo Fraser: If Mr Swinney will explain how he would fill that hole, I shall welcome his intervention.

Mr Swinney: As Mr Fraser has made such a point about nostalgia, I remind him of a parliamentary answer given by William Waldegrave, whom I am sure Mr Fraser knows,

when he was Chief Secretary to the Treasury. He confirmed that, between 1979 and 1995, even on the figures in the GERS analysis—the fiddled rubbish that Mr Fraser is talking about just now—Scotland contributed £27 billion more to the United Kingdom than we received in return. Where is his black hole now?

Murdo Fraser: Mr Swinney has taken a selective period of 16 years to suit his agenda. As he well knows, in the balance of payments over that period there were three years when the figures for Scotland were higher than those for the rest of the UK, because of the high oil price. For every other one of those years, even within that period, the figures went the other way round. It is notable that the SNP has not produced any figures to challenge the GERS analysis. Where is the SNP GERS analysis? We have not seen it, so the SNP has no credibility in this debate.

One can spend money only once. SNP members seem to think that they can spend the same money over and over. In an independent Scotland, there would be no oil fund for future generations, because the money from North sea oil would be required to pay for current expenditure. That is not rocket science. We know that expenditure per head of population by Government in Scotland, at all levels, has always been high—substantially higher than spending south of the border. The previous Conservative Government ensured that Scotland got far more than its Barnett share of UK spending. By 2008, the Scottish Government will be the richest in the world in terms of the money that it has to spend per head of population, with the exception only of the Vatican city, which has a population of 740 and which, of course, does not have the same education and child care demands as we do. That world-record and world-beating level of expenditure is not matched by our income.

Richard Lochhead (North East Scotland) (SNP): I am slightly confused by Mr Fraser's party's position on financial independence for the Parliament. Will he go on record and say whether he believes that the Parliament should have responsibility for oil revenues?

Murdo Fraser: I do not believe that the Parliament should have responsibility for oil revenues as things stand. I certainly think, as Richard Lochhead knows, that there is an argument that the Parliament should have more financial responsibility. A lot more work needs to be done on that issue. The problem for the SNP is that it wants independence and it wants to balance the books, but the books do not balance as things stand.

We know all about the difficulties with the Scottish economy. To be fair, those difficulties are not of the SNP's making; the finger has to be

pointed at the Scottish Executive. We have heard the figures time and again in the chamber. Economic growth is trailing behind the rest of the UK. The latest GDP figures show that the gap has again widened. There is a low level of business start-ups. New figures last week showed that the enterprise gap between Scotland and the UK has widened, with total entrepreneurial activity in Scotland falling over the past year.

Mr Wallace: Does Murdo Fraser accept that, in the quarterly growth to the third quarter of 2004, the Scottish increase was 0.9 per cent, compared with the UK increase of 0.5 per cent? In fact, in the most recent quarter for which we have figures, we are running ahead of the UK.

Murdo Fraser: The minister has just taken one quarter. If he takes the year to quarter 3 of 2004, he will find that the gap has widened. He is being selective with his figures.

Scotland's trade gap between 1998 and 2001 has ballooned from £3.9 billion to £6.8 billion. That is a dismal picture and no recipe for a successful independent country, even with North sea oil revenues.

Much of the blame for that state of affairs lies squarely with the Executive, whose policies have done little to help and much to hinder our economic competitiveness. The "IMD World Competitiveness Yearbook", published last year, ranks Scotland a lowly 39th out of 60 for

"the extent to which Government policies are conducive to competitiveness".

That puts the Executive behind not only the UK Government, but the Governments of Estonia, China, India and Colombia.

There is much that the Executive could do now to improve the competitiveness of the Scottish economy. It could cut the business rate to at least the level in England, thus giving our businesses a major leg-up. It could take action to reduce water bills—in many cases, water charges for businesses are a multiple of what they are in England. It could take action to reduce the size of Scotland's public sector, which has been estimated as up to 54 per cent of GDP. A public sector that is too large stifles private enterprise and we are starting to see a growing consensus that the problem has to be tackled. However, the Executive continues to preside over a rising payroll in the public sector, while the private sector, particularly in manufacturing, continues to struggle.

Alex Neil: Earlier, Murdo Fraser cited the GERS figures, saying that they were reliable, and he is now calling for public sector savings. However, was he at the debate just before Christmas when Wendy Alexander, a Labour MSP, pointed out that

the people who draw up the GERS figures had got the Government efficiency figures wrong by £700 million? How can he rely on anything that those people produce?

Murdo Fraser: I appreciate that the figures will not be perfect, drawn up as they are by public servants. I have yet to see the SNP's alternative figures; until we see them, the SNP will remain ill informed in this debate.

Unfortunately for SNP members, their proposed solution of constitutional change completely misses the point. Worse than that, it lets the Executive off the hook. At best, it would take years to deliver the sort of constitutional change that the SNP hopes for. I do not believe that Scotland should have to wait that long before we start to turn around our economic underperformance, but perhaps we should not expect too much from a party that cannot even remember to book itself a conference venue.

In contrast, the Tory solution works because the Executive has all the powers that it needs now. The Executive has the power today to cut business rates. It has the power today to reduce water charges. It has the power today to restructure Scottish Enterprise and increase investment in infrastructure. It has the power today to reduce the size of the public sector. It should be using those powers today to take action for all Scottish businesses and to improve our economy. The SNP offers merely a change of passport, not a change of policy.

It is little wonder that the SNP's policies on the economy have so little support in business circles. At the end of last year, *CA Magazine* carried out a survey of members of the Institute of Chartered Accountants of Scotland, asking them which political party best understands the needs of business. Unsurprisingly, a large number of them said that none did—we might expect that. However, 29 per cent said the Conservatives and 9 per cent said Labour. It will not be much consolation to the Deputy First Minister and Minister for Enterprise and Lifelong Learning to hear that only 4 per cent said the Liberal Democrats. However, only 1 per cent—one in 100—said the SNP. Would the lonely chartered accountant who supports the SNP please identify himself?

Jim Mather: Will the member give way?

Murdo Fraser: I am sorry, but I do not have time.

Despite Mr Mather's best efforts, the SNP has no credibility on economic issues. The party is so obsessed with constitutional change that it cannot see that the Executive should be using its current powers to improve our economic performance.

The SNP needs to make up its mind. Is it a party that is in favour of enterprise, as Jim Mather would have it? If so, it should be pressing for less tax, less regulation and a smaller public sector. Is it, as Christine Grahame would have it, a traditional tax-and-spend, left-of-centre party? Many of its front-bench spokesmen seem to belong to the latter party, crying out weakly for additional public spending in one area or another.

The SNP has again raised the issue of North sea oil as the panacea for all Scotland's ills. As we know, the solution is not so simple. That approach might have worked for the SNP in the 1970s, but the Scottish people are not so daft as to think that it will work twice.

I move amendment S2M-2361.1, to leave out from first "calls" to end and insert:

"agrees that fluctuating prices and finite supplies make oil revenue an unreliable source of income; notes that, even if all revenue from North Sea oil had been allocated to Scotland in 2002-03, net borrowing would still have been £4.4 billion; further notes that Scotland's businesses, who are the core drivers of wealth and economic growth, are demanding concrete action, not constitutional change, and therefore calls on the Scottish Executive to take immediate steps to create a more business-friendly environment by reducing business rates and water charges and cutting red tape, thereby encouraging business development and boosting Scotland's economic competitiveness."

10:00

Shiona Baird (North East Scotland) (Green):

At the end of May 2002, during a meeting in Aberdeen, the Scottish Parliament debated an Executive motion on the oil and gas industry. During that debate, which took place less than three years ago, not one mention was made of climate change and scarcely any mention was made of the other adverse environmental impacts of the oil and gas industry. Did I dream that we had moved on, following the recent debate on climate change in which all parties appeared to recognise the need to address the issue? Here we are today, talking up the oil industry as if climate change is an annoying distraction and as if oil and gas still represent the only future for the Scottish economy.

Obviously, for the SNP, there is something comforting about oil. No matter how hard it tries to demonstrate its environmental credentials and champion the cause of renewable energy, the SNP cannot help but seek solace in the promise of an oily future in which everything will be paid for from North sea revenue. Oil has become an article of faith that is never to be questioned.

Richard Lochhead: The member will appreciate that, because of the lack of alternatives, 90 per cent of global energy use in the future will be met from fossil fuels. Does she propose that we should reduce oil exploration and

production in the North sea in the coming years? If so, in which year will she choose to shut the taps on the North sea?

Shiona Baird: The member needs to reflect on other debates that we have had. We need to look at reducing our dependence on oil and moving towards a more sustainable future. Oil will run out. When does Richard Lochhead think that that will happen? Is he prepared to base his economy on such a finite resource?

The lure of oil income is so superficially attractive that even the Scottish Socialist Party has succumbed to its lubricious charms. Independence needs to be bankrolled. The pro-independence parties say, "Never mind the social and environmental costs—it's Scotland's oil! Everything will be all right if we are in change of it." That debate simply has to go away.

We Greens think that there is a better way. There does not have to be a conflict between a healthy economy and a sustainable future. Indeed, without a sustainable future, there can be no economic stability. As John Swinney said in a speech in 2002:

"A clean environment is not a cost to business; it is an economic opportunity".

We agree with him on that one.

Alex Neil: Does the member agree that some of the policies that the Greens advocate—such as the ending of cheap flights to Europe and into Scotland—would create mass unemployment, destroy the Scottish tourism industry and lead to a massive reduction in wealth in Scotland? In terms of economic policy, can anyone trust a party that demands a quorum to get into a lift?

Shiona Baird: Can anyone trust a party that ignores the precarious state that we are in with regard to our carbon emissions? Aviation is the most subsidised and the most polluting form of transport. What Alex Neil said is rubbish. The SNP has no idea of what a real vision for Scotland is.

To create a sustainable economy for Scotland, we need a green jobs strategy that greens the whole economy and not just bits of it. We need serious investment in new renewables such as marine energy, in which the current level of investment is a fraction of that which is needed to fast-track the technology to the marketplace and a tiny fraction of the amount that is wasted on nuclear energy every year.

Tricia Marwick (Mid Scotland and Fife) (SNP): Will the member give way?

Shiona Baird: No. I am sorry, but I have to keep going.

To develop a truly sustainable economy, we need to talk less about GDP and more about

quality of life and livelihoods. As far as the SNP and others are concerned, burning oil is good for the economy; it is good for GDP, as is storm damage. As my colleague Mark Ballard has said before, it is a bit like me measuring my personal happiness by how big my waistline is. Perhaps the most important thing that we can do is to ask ourselves exactly what we want our economy to deliver. It is relatively easy to measure the graph of GDP and to make it go upwards. It is a lot more difficult to translate the illusion of growth into genuine well-being.

The men and women in our constituencies and regions do not care whether Scotland's GDP rises by 1.3 per cent or 2.3 per cent; they want the Government, at United Kingdom and Scottish levels, to make a real difference to their lives. They want a good health service and effective schools and other public services. I believe that they want their children to inherit a healthy environment.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Will the member give way?

Shiona Baird: No. I am sorry, but I have no time left.

If we rush headlong into a future in which funding everything relies on an unsustainable, polluting energy source, we are doing our constituents no favours. Instead of supporting more oil burning and doing more for the oil industry, we should be growing our own manufacturing and engineering industries—

Mike Rumbles: What about the north-east?

Shiona Baird: Aberdeen is already building in the renewables market. That is the market that we need to go into, because it will use existing skills.

We need to address the demise of local businesses and economies at the hand of globalised markets and marauding multinationals. The Greens agree that more fiscal powers should be devolved to the Scottish Executive. However, the adoption of such powers is a longer-term process; it is a means to an end, not an end in itself.

Our amendment encourages the adoption of a "just transition" policy, which is Scottish Green Party policy and the policy that is proposed by progressive trade unions such as GMB Scotland. Under that policy, Government and trade unions would work together to transform unsustainable industries, such as much of the oil industry, in a sustainable direction that would not simply dump workers back into the labour market but would get them more control over their destiny. The policy would use the skills, ideas and interests not only of shareholders but of workers. The oil industry should be replaced in large part by a renewable

energy industry—an engineering and manufacturing industry. It is just and essential that workers are central to that process

I move amendment S2M-2361.2, to leave out from “recognises” to end and insert:

“rejects the notion that Scotland’s independent economic future depends on oil; recognises that an economy founded on fossil-fuel use contributes to climate change and other environmental damage, which in turn threatens Scotland’s economic future; recognises that oil is a finite resource which future generations will not be able to depend on for economic security; further recognises that oil is valuable as a chemical resource which should be increasingly conserved for non-fuel uses; believes that building Scotland’s economy on a foundation of renewable energy technologies, energy efficiency and sustainable transport is the way to achieve real sustainability, and calls on the Scottish Executive to give priority to exploring the concept of a ‘just transition’ policy, as advocated by Scottish trade unions, which sets out a path to transform polluting industries into sustainable enterprises.”

10:08

Frances Curran (West of Scotland) (SSP): As a member of one of the three pro-independence parties in the Parliament, I welcome the debate on a Scottish economy. That said, I want to pose some questions to the Scottish National Party about why it wants independent economic powers as well as an independent state in Scotland. For those of us on the independence side of the constitutional debate, one of the major issues is the economic model that we believe Scotland should have in the 21st century. For me, the question is whether that will merely be the neo-liberal model under which, instead of being draped in the union jack, we paint ourselves in the Scottish saltire. If so, our room for manoeuvre and ability to have control over economic powers in Scotland will be severely limited.

Richard Lochhead: Will the member give way?

Frances Curran: I will let the member in in a minute.

The most famous SNP slogan is, “It’s Scotland’s Oil”. Given the policy that is outlined in the SNP’s motion, the question is, is it really? The SNP cites experience in Norway—another European country with oil reserves—and argues that that shows how our oil reserves could bring wealth and the ability to invest in our public services at a higher level. Why does the SNP not take on board the entire structure that Norway used to achieve its £165 billion oil fund reserve? There is no question but that Norway’s current situation, which is in contrast with Britain’s, is a result of the interventionist policy that successive Norwegian Governments have employed.

Richard Lochhead: I am sure that most people in the chamber would agree that we would have done things differently if Scotland had been

independent in the 1960s when oil was discovered in the North sea. The member seems to suggest that she wishes to nationalise the offshore industry. How much would that cost and where would she get the money from?

Frances Curran: I want to make my other points. The North sea oil industry is very fragmented at the moment, so it would be difficult to take over all the companies in one go. However, if we took over BP Amoco initially—

Richard Lochhead: How much would that cost?

Frances Curran: The issue is how much compensation we would be prepared to give in taking it over. I do not mind debating the issue, but I want to make points on Norway and the motion. However, the current assets of the main oil companies in the Scottish North sea are worth £20 billion.

In Norway, a state-owned company has a 51 per cent stake in the two Norwegian oil companies. There have been periods when the tax on revenues was 85 per cent, which has brought in more than 50 per cent of Norway’s oil revenues. Is the SNP in favour of a state-owned company? Is the SNP in favour of taking North sea oil into public ownership, so that the revenues can be used for the benefit of a newly independent Scotland? If it is not, how can it justify the bulk of the revenues from our natural resource going to the shareholders and chief executives in the boardrooms of BP Amoco and the other companies that operate in the North sea? The SNP is just going along with the neo-liberal model, and that is a flaw in its argument.

The biggest strategic issue for a newly independent Scotland would be energy, which is a huge resource. Energy in all its forms is probably one of the most important resources that we have, whether it is gas, nuclear—well, not nuclear. [*Laughter.*] I will be lobbied by the nuclear power industry next week and taken to dinner.

Energy in the form of gas, oil and renewables is a huge resource, but the big problem for the future is that every energy sector in Scotland—with the exception of nuclear—is in private hands. Are we to accept the neo-liberal agenda under which the plan for energy in Scotland depends on the investment decisions of big multinational private companies, whose main objective is to develop European integration of energy?

The biggest threat to an independent Scotland is private ownership of energy and oil, but private finance initiatives and wholesale transfer in the public sector are also a threat. We know what Labour thinks. It has not been prepared to renationalise or take into public ownership even one of the privatisations that Thatcher and the Tories carried out, despite all the demonstrations

and the mealy-mouthed words that we heard for years in Scotland.

I say to the Tories that all the research indicates that there is absolutely no difference between privately owned and publicly owned industries on the narrow basis of labour capital and productivity. However, there is a difference in inequality and wealth distribution. That is the major change when industries are moved into the private sector. The research is available in black and white.

Is the SNP prepared to take into public ownership oil, electricity and the energy sector, and to invest in renewables? Is that the type of Scotland that we want, where we address the fact that three quarters of the people who live here are low paid, because they earn less than £25,000 a year? Why have the levers of economic power if not to redistribute wealth, create a more equal society and increase living standards? What is the point—to make a few of the elite in society very rich or to benefit the whole Scottish population? The SNP will not do the latter with the neo-liberal agenda. What will the SNP say to the people from Caledonian MacBrayne this afternoon—“Privatise it anyway”?

I move amendment S2M-2361.4, to leave out from “recognises” to end and insert:

“believes that these powers should include the power to take into public ownership our oil and gas reserves; notes that Norway has benefited enormously from its oil and gas resources with living standards that are amongst the highest in the world; notes that the main reason for this benefit is the interventionist policy of Norway, where the government-owned oil investment fund has now topped £165 billion and its state oil company, Statoil, has a 51% stake in the two other Norwegian oil companies which brings in 50% of all oil revenues, and believes that a future Scottish government should take into complete public ownership all North Sea oil and gas reserves through a state-owned oil company so that oil revenues can be invested for the benefit of the people of Scotland and not oil company shareholders.”

10:15

Maureen Macmillan (Highlands and Islands) (Lab): I am pleased to open for the Labour Party in this debate. I oppose the SNP motion and support the Executive amendment.

I wonder whether others in the chamber noted the significant increase in the Scottish recycling figures that were announced today, for which the SNP can take credit. Not only does the SNP have a recycled leader, but it has a recycled policy and a recycled slogan. That slogan is not “Free by ’93”—which of course has become “barely alive in 2005”—but something older and mouldier. I refer, of course, to “It’s Scotland’s Oil”.

Jim Mather: Will the member give way?

Maureen Macmillan: Sit down, Jim. Give us a chance.

As Murdo Fraser pointed out, how retro can we get? Those were the days when I wore my hair long and dark and my skirts long and flowery.

Murdo Fraser: What about kipper ties?

Maureen Macmillan: Murdo Fraser mentions kipper ties. I am surprised that Jim Mather did not turn up with flowers in his hair.

The slogan did not win elections for the SNP then, and it will not win elections now. I agree that oil revenues were squandered in the 1980s by Margaret Thatcher. She might not have come to power if the SNP—with the honourable exception of the Presiding Officer—had not joined the Tories, not for the last time, in voting against the Labour Government and putting back the cause of devolution by 20 years.

Margaret Thatcher used our oil revenues to fund social security payments and unemployment benefit while she destroyed our industries, but Labour at Westminster and Holyrood has used oil revenues to fund growth. Here and now in Scotland—as Jim Wallace has said, and as the Labour Party never tires of saying—we have the highest employment figures and the lowest unemployment figures in a generation, and low inflation and low interest rates.

Alex Neil: Does Maureen Macmillan agree with Wendy Alexander, who stated in *The Scotsman* yesterday:

“the Executive need to tackle the issue of the proportion of spending going into ... farming, fishing and forestry ... in rural areas which do not bring economic growth.”

Maureen Macmillan: Wendy Alexander often has a perceptive analysis of where our economy should be going. I would like to discuss the issue with her further before I answer.

The Herald reported last week that the Scottish economy grew at nearly twice the UK rate in the third quarter of last year, but we are not complacent. We know that some sectors are still underperforming, especially in manufacturing, and we are addressing that, as Jim Wallace said, through the renewed framework for economic development.

Scotland has benefited enormously from its oil and gas resources. Richard Baker will outline the benefits that have been brought to the north-east of Scotland and Aberdeen. Sadly, the days of the oil fabrication yards in my area have gone, but we hope to utilise the yards for engineering associated with renewables, which of course we will develop as oil declines.

We all realise that the UK continental shelf is a maturing oil field. Yes, we are fortunate that the oil

has lasted longer than we predicted in the 1970s. That is because the technology has matured over the years, and we now have the expertise to extract oil from fields that were once thought to be played out. The big operators are withdrawing, and the smaller operators are busily extracting all they can, but the lower that the reserves fall in those mature fields, the more expensive it is to access them. Operating costs rose sharply in the past year by £0.5 billion, which is an increase of 12 per cent, and unit operating costs rose by 15 per cent.

Richard Lochhead: Will the member give way?

Maureen Macmillan: No thank you.

The SNP motion glosses over that. The SNP would have us believe that oil has an indefinite future. We all hope that we will be granted another 20, 30 or even 50 years, but the fiscal plans for the country cannot be based for ever on a finite resource that depends on ever-more expensive technology to access it, and therefore on a high price per barrel in the marketplace.

Richard Lochhead: The member will be aware that the oil industry has just announced that it expects to invest £35 billion in developing the North sea over the next five years. Can she reconcile that fact with her statement that there is a decline in North sea oil and that all the major companies are withdrawing?

Maureen Macmillan: Yes, indeed. I am surprised that Richard Lochhead asked that question, because he was at the meeting of the cross-party group in the Scottish Parliament on oil and gas when the issue was covered in our discussion about the PILOT presentation to the Department of Trade and Industry. The industry is investing, but it does not expect the fields to last for ever.

The phrase “well into the future” in the SNP motion fudges the issue of just how long the oil will be there and for how long it will be extractable. The United Kingdom Offshore Operators Association estimates that there are another 11.5 billion barrels; the fact that 34 billion barrels have already been extracted gives us an idea of the timescale involved.

The SNP motion advocates setting up an oil fund as some sort of dowry for an independent Scotland. That is an old chestnut and does not take into account Scotland’s year-on-year fiscal deficit with the rest of the United Kingdom. Everyone except the SNP accepts the GERS figures and we have never seen the SNP figures. The deficit with the UK grows year by year. It was £4.2 billion in 1998-1999 and £9.3 billion in 2002-03. We cannot spend our oil revenues twice over; we cannot use them to bridge the fiscal gap—the £6 billion that the SNP quotes in its motion will not even do that—and to set up an oil fund.

The oil fund in Norway is used to fund pensions for an aging population, but the Norwegian Government has said that it will be able to pay only a quarter of Norway’s pension obligations from the fund and will have to rely on taxation for the rest.

Although extraction of oil from the North sea is increasingly expensive—west of Shetland projects are stretching our technical capabilities to an end that we do not know—companies still choose to come to Scotland. As UKOOA pointed out to the cross-party group last week, the challenge is to maintain investor confidence. The chief executive of UKOOA in his foreword to the report on sustainability, “Striking a Balance 2004”, said:

“Within all of the factors that build our relative competitive position, predictable and stable political and fiscal environments are probably the most crucial.”

How much investor confidence will there be if Scotland splits from the UK? When honest John Swinney was leader of the SNP, he at least acknowledged that we could not build a case for prosperity on the basis of oil. The SNP motion is another cruel deception perpetrated by the present shameless leadership. I support the amendment in Jim Wallace’s name.

10:23

Richard Lochhead (North East Scotland) (SNP): It is disappointing, if not predictable and depressing, that of all the amendments to the motion only the Government’s does not mention the oil industry. That is bizarre, given that everyone knows that the debate is about Scotland’s economic future and the role of the oil industry in it. The industry is one of the biggest spenders in the Scottish economy, yet the Government never mentions it in debates; nor does it carry out any initiatives in relation to the development of that vital sector. The industry is one of our biggest employers and is responsible for spawning some of Scotland’s most successful entrepreneurs and biggest private companies. Of all the bigger private companies in Scotland that did not come out of the industries that were privatised, the oil industry has supplied the biggest and most successful. I urge the Government to start paying attention to it.

On the wider economic debate, the most successful nations in Europe and elsewhere in the world are countries of a similar size to Scotland that have fewer resources than we have. Surely it is about time that we had consensus in the chamber about the need for us to learn lessons from those countries.

The debate is, in essence, about the future opportunities for Scotland. Of course the SNP will say that we should learn lessons from the missed

opportunities that Scotland experienced in the past. Scotland should be up there with the other economically successful nations in Europe, such as our neighbours Norway and Ireland or the others that are performing much more successfully than Scotland is.

We won the jackpot in the 1960s when we discovered the black gold in the North sea, but, unfortunately, we have stood back and allowed the UK Government to squander £203 billion in oil revenue since then, despite the fact that Scotland continues to suffer the same old social problems and lag behind the rest of the UK economically. We should have used our natural resources as the springboard to get Scotland to the top of the league. Control over revenue from the oil industry has not passed to this Parliament and we do not even have some of the leading civil service jobs relating to the North sea, which are still based in London. That is a shameful and ludicrous situation that no other small country would accept.

Contrast Scotland's position with that of Norway, which this year celebrates the centenary of its becoming independent. The Norwegians with their vision and foresight set up their oil fund in 1990 and starting putting cash into it in 1996. Today the fund for future generations is more than £89 billion.

Phil Gallie: Does Richard Lochhead acknowledge that the glowing picture that he paints of Norway is perhaps something to do with the fact that Norway is not a member of the European Union?

Richard Lochhead: No. The fact is that Norway has utilised and taken control of its oil revenues. Scotland should learn a lesson from that.

I remind members that in 1978—some of us are too young to remember back then, but others have good memories—the Labour Government published its white paper on the challenges presented by North sea oil, in which it said that it would consider setting up a specific oil fund. After careful thought it decided to abandon the idea, because people might get confused about whether projects had been funded by general taxation or by the oil fund—a weak and lame excuse indeed. Just think—if the idea had been taken up, we could be sitting on a multibillion pound fund today.

Alex Neil: I am old enough to remember the 1974 Labour manifesto, which promised that an oil fund would be set up in 1974.

Richard Lochhead: That is a good point.

The opportunity still exists for Scotland to reap the benefits from the North sea. The oil industry, which always makes conservative estimates, said that £6 billion would be poured into Gordon Brown's coffers in 2005, so a lot of opportunity

remains. The predictions that were made in the 1980s had to be revised in the 1990s and the predictions that were made in the 1990s now have to be revised in the 21st century. That is the story of North sea oil—we always have to revise our predictions upward. Gordon Brown has had to revise his forecasts of oil revenues upward every time he addresses the issue. Are we going to continue doing that for the next 20, 30 or 40 years? Some of the oilfields that were expected to peak in 1992 are now not estimated to peak until 2009. The industry has a huge future and presents Scotland with a huge opportunity. We have not even begun to exploit the developments in the west of Shetland.

Shiona Baird: Will the member take an intervention?

Richard Lochhead: I am sorry, but I do not have much time left.

Let us not forget that there is more oil left in the North sea than has been extracted and that 95 per cent of the reserves are in Scottish waters. If we had control over our own waters, we would have 95 per cent of the revenues.

I want finally to address the environmental argument. The oil industry in the north-east of Scotland is responsible for trying to move us into renewables. We are transferring the skills from the oil industry to the renewables sector and it is ironic that the oil industry is playing the biggest role in trying to cut emissions, which perhaps the Green party will acknowledge. We have even more potential to help cut emissions. The issue of capturing carbon from oil and gas is on the agenda. The oil companies will lead the research into how we can capture the carbon, transport it and return it to store in the fields where the oil and gas came from. We have to support the industry, because it will help us to cut emissions in Scotland. I wish that the Greens would get their heads out of the clouds, come back down to earth and acknowledge the realities that we face.

Research and development has been mentioned. It is difficult to explain how we are losing out and why the minister is not paying any attention to the issue. Shell is going to spend \$1 billion by the end of 2005 on developing renewable energy. Not one cent has been spent on Scotland. Given the trillions of dollars that will be spent, we have to capture that investment and make the most of the North sea oil industry for Scotland's economic future.

10:29

Mr Duncan McNeil (Greenock and Inverclyde (Lab): As a compassionate unionist, I feel sorry for the SNP today. It reminds me of an aging rock

band. Its last release, the experimental "Fiscal Freedom" EP was too subtle for its old fans and too thin to win over any new ones so, in an attempt to get back in touch, it is belting out the fans' favourites from the 1970s as loud as it can, hence today's rerelease of the old favourite, "Oil and Independence".

I will turn to the specifics of the SNP's motion in a minute, but I would first like to make a couple of brief but important points about the economy of my constituency. There is no doubt that the scars of the industrial vandalism that took place in the late 1970s and 1980s run deep. Although the issue was scorned this morning—"It was their fault," and "It wasn't our fault"—and an attempt was made to laugh it all off, real damage was done in those years and we are living with that now. We have come a long way since then. Unemployment now is nothing like it was under the Tories, when it was over 20 per cent in my constituency. New employers have moved into the area and sections of our waterfront—a real asset in the Clyde area—have been regenerated.

However, some of the legacy of those years remains. Our economic base is still too narrow, we are still too reliant on a small number of large employers in electronics and manufacturing industry and we have to deal with the problem that occurs every winter when companies lay off workers during the annual market downturn. We also face a challenge of global competition but, although we will never compete with sweatshop economies on cost—and nor should we—today's worldwide marketplace offers opportunities such as those that the Deputy First Minister and Minister for Enterprise and Lifelong Learning discussed with the Chinese company Lenovo, which is due to come into my constituency in the spring.

The only way in which we will be able to deliver sustained economic regeneration is by making Inverclyde the home of high-skill, high-value and secure jobs. The only way in which we can do that is to ensure that our workforce has today's skills and the ability to update those skills.

Frances Curran: Will the member take an intervention?

Mr McNeil: No.

The SNP is not interested in such mundane practices of economic regeneration. It is more concerned with playing another round of "The National Lottery Jet Set" and scouring the globe for a country that fits the case that it is trying to make that day. Today, we have won a trip to Norway, a land of milk and honey where standards of living are among the highest in the world, everyone has a widescreen TV with Sky Sports and fresh-faced children spend their days reading

books under trees, although life expectancy in Norway is actually the same as it is for UK males.

Richard Lochhead rose—

Mr McNeil: Sit down.

What is the secret of this Norwegian nirvana? "Easy," says the SNP, "it's independence." Apparently, it has nothing to do with the fact that, as Mr Gallie mentioned, Norway is not in the European Union. Presumably, it also has nothing to do with the fact that anyone who is paid more than £26,000 a year—about two thirds of the Norwegian workforce—has a marginal income tax rate of more than 49 per cent or that there is 12 per cent VAT on food and 24 per cent VAT on almost everything else, or that taxes on cars and petrol are sky high. A terrifying fact is that the tax on beer in Norway is the second highest in the world, which makes the price of a pint double what it is in Britain. The web is a wonderful tool. I just plug in the word "Norway" and all these facts come out.

Stewart Stevenson: Will the member give way?

Mr McNeil: I cannot say no to Stewart Stevenson.

Stewart Stevenson: I note in passing that the number of manufacturing industry jobs in Mr McNeil's area has gone down from 31,000 to 26,000 in four years.

Can Mr McNeil tell us how much disposable income, after all taxes, someone in Norway has compared with someone in Scotland?

Mr McNeil: I have that information somewhere in the papers before me. I will provide Mr Stevenson with the answer at the end of the debate.

The SNP blithely asserts the line—without offering proof—that Norway's secret is oil and independence. In fact, the reports that I have read about Norway suggest that the high level of social provision in Norway is due to high taxation. Funnily enough, none of the reports mentioned that it is because Norway is independent.

We have been here before. The SNP spins the globe, picks a few countries and says, "If only we were independent, we would automatically have all the advantages that those countries have without any of the drawbacks." We cannot have Scandinavian levels of social provision with American levels of taxes, yet here we are again on this groundhog day. The parties on this side of the chamber are forced to deal with real politics, which is about making choices and striking balances. Sadly, the SNP does not do real politics; it finds it hard enough to do "Rockin' All Over the World".

10:35

Phil Gallie (South of Scotland) (Con): Jim Wallace talked about research. Given that he could not find any answers, one step that he could take would be to support excellent facilities such as the Hannah Research Institute in Ayrshire.

In contrast to the SNP's opening speaker, I recognise that Scotland's economy is an integral part of the United Kingdom economy. That fact cannot be avoided. When I hear the SNP argue that we should move outwith the UK in order to gain control of our economy, I cannot understand why it wants to take us into the euro zone. That seems like going from the frying-pan into the fire.

In 1997, the Labour Government inherited the strongest economy in Europe. That was the judgment of Tony Blair, who made that proud boast at the Council of Ministers in Amsterdam. I say to Maureen Macmillan that some of the reasons for that strength were the brave decisions—which were not always popular and were often difficult—that were taken by Margaret Thatcher in the 1980s and 1990s, when she pulled our economy into the real world. Her actions gave Labour a brilliant chance when it came into office in 1997.

The economy is perhaps not on as strong a basis at this point. In that regard, I draw members' attention to the current balance of trade. Since 1997, when the balance of trade was positive, it has got worse every year. We now have £32 billion on the negative side of the balance of trade. That suggests that the economy that we have today is a lot weaker than the one that we had a few years ago. That presents a threat to the amount of money that the Scottish Executive will be able to spend.

Jim Mather talked about economic growth. However, in the mid-1990s, Scotland's economic growth was in the top three or four places of the UK's regional league. Further, at that time, it was among the highest in Europe, whereas today it is at the bottom—the UK's growth is 3.2 per cent and Scotland's is 1.8 per cent. I reckon that there is a message there.

Jim Mather: Mr Gallie makes an interesting point, but I would ask him to acknowledge that those peaks of growth were a function of foreign direct inward investment, which was an artificial measure to try to boost the Scottish economy. That did not work, of course, and we are now watching that manufacturing collapse. Would he accept that that is a function of having done the wrong thing and that it would have been better to ensure that Scotland was more competitive in the long term?

Phil Gallie: I think that the wrong things were done immediately after the Labour Government

came into power. The introduction of the European social chapter did not help countries that had a lot of inward investment. We warned of that at the time and should bear that in mind in the future.

In relation to the Scottish block grant, I have another warning for the Executive. When we left office in 1997, the Scottish block grant stood at £14 billion—the highest level up to that point, to which it had gradually increased. Today, it stands at over £30 billion, which means that it has more than doubled in seven years. I wonder whether that kind of growth is sustainable. Looking to the future, I wonder where that puts the chancellor when he makes decisions about raising taxes versus cutting public expenditure. I suspect that the latter option might be taken. I certainly do not believe that such an escalation in public expenditure benefits the business competitiveness of Scotland, on which we will continue to depend in the future. The Scottish Executive has been increasing taxes, for example through rates, and we are penalising our businesses with such backward steps. We have moved away from the uniform business rate, which the Tories took a long time to achieve but which was achieved by 1997. The Executive would do well to consider those issues.

I will mention the situation with respect to Europe and its effect on our economic stability. Let us consider some of the regulations that are coming out of Europe. There are sludge waste regulations, and there is the situation with Longannet. Let us consider all the directives on health foods and on animal medicines and the ever-extending single market regulations. Let us consider the costly effects of the social chapter and the European convention on human rights. I put it to the Executive that all those factors will affect our economic stability into the future.

Jim Wallace proudly boasted about the *Financial Times* "fDi" magazine's EU regional assessment. He was right to point out that Scotland has stood well, over the years, with respect to foreign direct investment. However, he failed to acknowledge that the conditions for that had been built up over 10 years. I urge him to read the documentation to which he referred when he was denying what I put to him during my intervention.

10:41

Stewart Stevenson (Banff and Buchan) (SNP): Let me start with the essential paradox at the core of the Government's argument. Maureen Macmillan espoused and articulated it extremely well. It is very simple. She tells us that we have an enormous and growing deficit, but she concludes that we must therefore change nothing, stick with the people who are managing our economy and refuse to take the levers of power that would

enable us to do anything about it. She says that we must endorse failure.

There is considerable discussion about efficiency in government spending. Efficiency is not about how much or how little we spend; it is about what we get for what we spend. We might be more efficient by employing more people in government; we might be more efficient by employing fewer people in government—it could be either.

In the most recent issue of *Holyrood* magazine, George Kerevan highlights an area where we in Scotland should perhaps be doing better. He indicates that women in Scotland are earning less than women in the UK as a whole and that the margin of difference is greater than that for the working population as a whole. That is a blot on our equality and economic ambitions. He also refers to the insidious price that we have to pay for the existing regime, in that we have to subsidise the people whom the Government chooses to have as its civil servants in London while it reneges on its long-standing promises to transfer civil servants working in oil-related areas to Aberdeen, where such subsidies would not be required.

To be positive, here is some of the budget speech that I would like to hear being made:

“The theme of the speech and ... the Budget as a whole”
is
“Open for Business ... a natural restructuring process was commencing within our economy and I”
give
“notice that the Government”
will
“do everything in its power to ensure that”
our businesses
“remain competitive.”
I speak
“of the need to sustain success in the face of ... changing times”.
Our priorities are to remain
“competitive within an international marketplace, in which new rivals could emerge from anywhere around the globe and impact upon our ability to maintain our current standard of living and ... high quality public services ... However, in so doing,”
we must
“remember the social needs of all our citizens, especially those who are ... unable to directly participate”.

I might continue:

“We have received confirmation of our Triple A credit rating from both Standard and Poors and Moody’s rating agencies, providing further evidence of the esteem in which

our finances are viewed externally ... In 2004-05, our economy is set to grow at a rate of 4.5% in real terms, a figure that exceeds the expectations of most other countries. We have a capital programme that will continue to afford work to many, full employment continues in all sectors”.

We might take initiatives to create small but significant opportunities for us to position ourselves for the future—a future that Jim Wallace is unable to see. For example, we might launch a

“zero rate of tax to businesses operating within the space industry”.

We might talk of the new opportunities in a

“small but exceedingly promising area”,

which would

“encompass the manufacture, operation, sale or other activities provided in respect of launch vehicles”.—[*Official Report, Tynwald Court*, 17 February 2004; Vol 121, pp 729-738.]

Where is the country where that speech was made within the past 12 months? It was the Isle of Man—not a big country, and one that is a mere 30 minutes’ flying time from here. If a little country with a modest budget and modest resources, including a modest human resource on which to draw, has the confidence and ability to engage in the modern world and to build up surpluses in its budget, how much better could Scotland do by comparison, given the assets that we have, both those of our people and those that lie offshore?

Instead, what we have, and what I want to engage Jim Wallace on, is an Executive that is not even prepared to speculate as to how the world might look in 10 years’ time. I asked a range of questions on that subject, but hardly an answer did there come. There was certainly nothing in relation to the economic world.

Such long-term planning is routine in the business world. Over the last three years of my business life, I was helping the Bank of Scotland to look 25 years ahead. We had to understand the future to be able to engage with and influence it. I would remind Jim Wallace of the old saying that those who do not know to where they travel will be sure to arrive there.

Success comes to those who see the future that they want and are prepared to pay the price to create it. However, the Executive is blind to the future and deaf to the opportunity and it prefers to be a victim of world circumstances, rather than influencing the future of this country and the world and delivering for people in Scotland, whose needs continue to grow and whose future continues to suffer under a lacklustre and visionless Executive.

10:47

Richard Baker (North East Scotland) (Lab): Meanwhile, back on planet earth, we have once again spent our time during Opposition business discussing independence and matters that are largely reserved to Westminster, rather than discussing issues on which this Parliament can decide policy. As is normal in every area of debate and in every area of policy, the only idea that we have heard from the SNP to address the nation's challenges is independence, its one so-called solution.

In the interests of finding fresh pastures of political engagement, let me welcome the opportunity that the SNP has given us to debate our economy and the vital role that the oil and gas industry plays in it. However, the SNP has failed to point out that the Scottish Executive is playing a key role in encouraging success in the oil and gas sector and that, working in partnership with the industry and with the UK Government, it is creating the right environment for the industry to prosper. It is the SNP's determination to destabilise our relationship with the rest of the UK that would do the industry most damage.

I agree with the SNP that we want a successful oil and gas industry for a long time to come. That is vital for the prosperity of Scotland, in particular for Aberdeen and the north-east. I welcome the Executive's role in Pilot. With the Deputy Minister for Enterprise and Lifelong Learning as its vice-chair, Pilot was created to bring together the Government at the UK and Scotland levels and the industry and to act as a spur for investment in the sector, with goals for success by 2010 including the encouragement of more jobs, more investment and more production than would otherwise be the case.

It might gall the SNP, but that strategy is working. The United Kingdom Offshore Operators Association's activities survey shows that oil production in the rest of the decade will be higher than was previously estimated, and that spending on exploration and capital will be up 15 per cent. There will also be a shallower decline in production, which means that there will be a prolonged life for the industry in the North sea.

That is not to say that we cannot make even more progress. In the past, I have argued that we must step up efforts to encourage more exploration, particularly by the new independent operators, as other members have said. I commend to ministers a recent Amicus report on that matter, which excellently highlights some of the challenges.

Shiona Baird: Is the member not concerned that, despite enormous profits, Shell has reported that it has not found sufficient fields and that its

estimates are being revised further downwards? Oil is declining, but does the member agree that we cannot afford to burn it anyway?

Richard Baker: Unfortunately, the Green party's intention seems to be to bring the industry to a halt, which would be disastrous for the north-east. Poverty is the worst thing for the environment. It breeds environmental damage. Shiona Baird's party's policy would be disastrous for the north-east.

The SNP's motion inaccurately argues that we in Scotland have not capitalised on our oil and gas reserves as others have. It compares our situation with that of Norway and calls for an oil fund to be set up. Even if we could invest in an oil fund, such a fund has not been the unqualified success in Norway that the SNP has said that it has. It is simply wrong to suggest that Scotland has not significantly benefited from the increased tax revenue that has been collected by the UK Government from the oil industry. As Maureen Macmillan and Murdo Fraser said, even if oil revenue is taken into account, Scotland benefits financially from membership of the UK and would be in fiscal deficit without such membership.

Richard Lochhead *rose—*

Phil Gallie *rose—*

Richard Baker: To be fair, I will give way to Richard Lochhead.

Richard Lochhead: Will the member explain why he thinks that a fund that has reached £89 billion is a failure?

Richard Baker: The fund has not always had an easy history and is not achieving what the Norwegians set it up to do in respect of pensions investment and the like. That is the reality and I will happily supply Richard Lochhead with more information about the matter.

In a recent debate on the economy, Alex Neil—despite the fact that he is an excellent convener of the Enterprise and Culture Committee—told us inaccurately that, based on our oil revenue, we could be fiscally independent. When he was rightly cautioned that long-term economic prospects cannot be based on fluctuating oil prices, he said that the situation was like a person winning the national lottery and saying that they did not want the money. The wit of his remarks was not matched by their wisdom, as the strategy would leave Scotland economically high and dry. We want oil to have a long-term future, but oil revenue is ultimately finite. It will not continue for ever, just as no one wins the lottery every week. If Mr Neil has found a way of winning the lottery every week, I wonder why he is here.

One need only consider Aberdeen and the north-east to see that we have reaped the benefits

of the oil and gas industry in a far more responsible way. Some 100,000 jobs in Scotland depend on the industry and, of course, Aberdeen benefits from much of that employment. The Executive is putting in place the right economic strategy to sustain those jobs and to allow Aberdeen to continue its role as the energy capital of Europe in the future.

As I have said previously, I firmly believe that the SNP's strategy for fiscal autonomy is not based on what is economically right for Scotland—it is about independence and the SNP's obsession with the constitution. It is predictable that the SNP has ignored the general success of the Executive's economic strategy in the debate. That strategy has achieved record jobs and economic growth in Scotland and is the right strategy for capitalising on the skills and technology that have been developed through Scottish research and industries such as the oil and gas sector.

The establishment of the energy intermediary technology institute in Aberdeen—which will capitalise on expertise and new industries such as renewables—shows that the Executive has the right long-term vision for economic success in the energy industry and, indeed, for all Scotland's economy. That is why we should reject the SNP's strategy, which is based only on separation from England and the rest of the UK, and embrace the Executive's policy, which is based on long-term success for Scotland.

10:53

Mike Pringle (Edinburgh South) (LD): Again, we find ourselves discussing the Scottish economy—and rightly so. The Scottish economy is growing at its fastest rate for seven years. The Royal Bank of Scotland expects 2 per cent growth over the next year, which is what would be expected for a similar-sized European country.

Jim Mather talked about his table of 10. I suggest that the Scottish Parliament information centre's briefing that gives a snapshot of the latest economic indicators shows that the Executive's policies are being successful. The total gross domestic product is rising—there is annual growth of 1.8 per cent. Manufacturing GDP has risen by 0.4 per cent over the last quarter. The GDP of services industries is rising—there is 2 per cent annual growth. Scottish growth forecasts range from 1.8 per cent to 2.7 per cent for 2005. Unemployment is falling and the number of VAT-registered businesses is stable, with a 15 per cent increase in 2003. I accept that figures for manufactured exports have not been good, but the Executive's policies show that there was a 2.9 per cent increase in the index in the last quarter of 2004. There was a 5.5 per cent rise in total retail sales in September 2004 compared with the same month last year.

Jim Mather: I ask the member to consider and possibly concede the fact that there is no level playing field in the UK. For 30 years, the Scottish economy has grown at 1.6 per cent and the UK economy has grown at 2.1 per cent. The much-vaunted figure of 1.8 per cent that the member has given us for last year compares with the UK's figure of 3.2 per cent. We are up against the competitive index and the dice are loaded against Scotland until he and I choose to load them properly. When will that happen?

Mike Pringle: We are better than Germany and France. It is disappointing that the SNP is once again talking about our constitutional position when it should be focusing on the Scottish economy. It is time that the SNP stopped talking Scotland down and started to praise the work that millions of Scottish people are doing. The Scottish Executive has put in place sustainable long-term policies that are delivering a smart, successful Scotland. The SNP must be realistic and accept that, as part of the UK, Scotland is part of a larger economic machine that many small European countries dream of.

We should be talking Scotland up. New business start-ups are up by 15 per cent, we have removed tuition fees, which will encourage our young people to go on to higher education—the Executive has given more than £1 billion for that—and 32,000 people are now training in new modern apprenticeships.

Alex Neil: Does the member accept that Scotland, like the rest of the UK, is now part of a market of 500 million people and that the day after independence and for ever after independence, we will still be part of a home market of 500 million people?

Mike Pringle: I am not sure that that automatically follows. That is not right. Everything would have to be renegotiated.

We hear nothing from the SNP about how, thanks to our universities and colleges—including the University of Edinburgh at King's Buildings in my constituency—Scotland is now on a world-class level in respect of technology offshoots, which employ thousands of people. Jobs in the environmental sector come from our green jobs strategy. The SNP does not even mention such things.

However, the issue is not only economic growth; we must focus on the sustainability of our strategy.

Richard Lochhead: Will the member take an intervention?

Mike Pringle: Let me finish.

The two things that I mentioned are not mutually exclusive. Economic growth will come from a sustainable strategy. The Scottish Liberal

Democrats have put that at the heart of our economic policy and it is now at the heart of the partnership agreement for government. For the SNP to come here and say that oil, which is an inherently unsustainable resource, is the answer to our economic problems is frankly laughable. On the way to the chamber today, I heard on the radio that the SNP is encouraging Shell to invest more. When Alex Salmond launched his three-point oil strategy back in June, he was banking on prices of \$40 a barrel. If we continue with a war, which I hope that we will not, perhaps that price will be sustained. Five years ago, the price was \$10 a barrel. If the price of oil goes down, it will be uneconomic to take oil out of the North sea. There is no long-term stable oil price, and for the SNP to risk the future of the Scottish economy on an unpredictable and finite resource is a nonsense.

Richard Lochhead: Will the member take an intervention?

Mike Pringle: I am sorry, but I must continue.

What would the SNP do with the vast wealth that it thinks that it would get from a possible oil windfall? Jim Mather wants trickle-down economics and tax cuts to help to grow the economy. That sounds like Thatcherism. We know that things never trickle down.

Christine Grahame has called for raising taxes to redistribute wealth—a number of members have mentioned that. We know that the SNP's tax rises would hurt middle-income families in Scotland. An average teacher or nurse with a salary of around £30,000 currently qualifies for the higher rate of tax. People who are on average earnings would end up paying more tax on any money that they managed to save. The SNP has also promised to reform tax relief to help to pay for its citizens pension. Who knows how much that will cost people? Not even the SNP seems to know.

At least the Liberal Democrats are honest about our tax policies. A 50p higher rate of income tax for those who earn more than £100,000 is simple. If the SNP had the powers that it wanted, there would be tax cuts for businesses and tax rises for everyone else, which is hardly a way to grow the economy.

There have been a number of debates on this subject, but the SNP is still offering nothing new or realistic. In the long or short term, there is no security from Scotland's oil. There is no fiscal surplus. An SNP Government would damage our economy. I support the Executive's amendment and urge other members to support it.

11:00

Des McNulty (Clydebank and Milngavie) (Lab): I apologise for not being here at the start of

the debate. I understand that Nicola Sturgeon, in whose name the SNP motion was lodged, did not speak to the motion. Perhaps she was not prepared to do so; she has certainly not been prepared to stay for the debate. It is also interesting to note that the last three members to speak have been from the Executive parties. One wonders whether the SNP has a problem in getting its members to speak on the subject. It is an SNP debate, but where are they?

The Deputy Presiding Officer (Murray Tosh): Mr McNulty, the order in which members are called to speak is my responsibility and I would be grateful if you did not criticise it.

Des McNulty: I apologise if that is the case. However, when the Conservatives secure an Opposition debate they are all here. In contrast, when the SNP chooses to have a debate, very few SNP members are apparently prepared to be here.

Maureen Macmillan made the point that this is, in a sense, a retro debate. It calls to mind the words of Karl Marx, who said that history tends to repeat itself

“the first time as tragedy, the second time as farce.”

The first thrust of Scotland's oil ended—through the actions of the SNP—in the tragedy for Scotland of Thatcherism. We have now reached the level of farce in some of the proposals that have been put forward today.

Jim Mather is fond of saying that the future of Scotland's economy is not a zero-sum game. He is right: economies are never a zero sum. Although he may dispute the accuracy of the GERS figures, the reality of separation is that we would start with a minus figure of £4.4 billion, as was pointed out by Murdo Fraser. SNP members cannot just say that they do not agree with the GERS figures; they have to say what they would do to make good that financial shortfall. Oil will not cover it in the short term, the medium term or the longer term. The only honest way in which SNP members can argue for independence is by accepting the misery, the pain and the problems of separation. They should be up front about it and say what separation would mean to people before arguing for the principle.

Jim Mather: It is always easy to be nihilistic and to deny that a new proposition will have an impact. That is what British Airways did with Ryanair and what General Motors did with Toyota. The challenge that the Executive faces is to turn around the deficit that it is making, inflating and building up through its failure to take advantage of the mileage that we could get out of enlivening the Scottish economy. How will the Executive turn that deficit around if it chooses not to enliven the Scottish economy?

Des McNulty: We must, first, find out where the real issues are and then point to where the real solutions might be.

If we are to have a debate about Scotland's energy policy, why have we not heard more from the SNP about renewables technology and how the generation of renewable energy can be developed? The SNP's position on that has been consistently inconsistent. Murdo Fraser has lodged an interesting motion, calling for wind farms to be sited on Salisbury crags. I am sure that that is a tongue-in-cheek motion, and it is amusing. Nevertheless, the reality is that we need to have a sustained debate about the use of wind energy and wave power and how that can be developed. We need to have a genuine debate about alternative energy sources, and we need to have a proper debate about how we can maximise the benefit of oil revenues. Have we had that from the SNP? What we have heard is a lot of stuff about powers. Ultimately, the SNP's economic approach has all the hallmarks of never-never land, and the economic driver from Tinker Bell must be more fairy dust. The arguments that the SNP has put forward lack substance.

There is a genuine process for scrutinising what the Scottish Executive is doing, and members of the Executive parties have individual issues on which they think that the Executive is not doing well enough. There needs to be a process in the Parliament whereby we can map out Scotland's economic future. I agree with Jim Mather that we should look ahead and decide what our priorities are and how we are going to achieve them. However, if the SNP always focuses on powers, we will not have a constructive debate because, ultimately, the route down which that takes us is not practicable. We can talk about powers in a constructive way, but simply saying that everything would be different if we had more powers does not make for a constructive debate.

The reality is that the European economy, within the world economy, is based on interdependence and economic frameworks that are established by Europe in broad terms. It is about engagement with other economies. The balance of advantages and disadvantages, regarding our economic position, cannot be transformed by a constitutional arrangement. That does not work; the focus should be on the whole alignment of the economy and the serious issues that the SNP constantly evades or attempts to mislead the public on. There are hard choices to be made in economics, concerning how much money we invest in rural and urban areas; what priority we give to city regions; and the balance of advantage in spending money on universities or on transport. Those are genuine issues of substance that, I am afraid, the SNP consistently avoids.

11:06

Mr Jamie McGrigor (Highlands and Islands)

(Con): Countries with good economies generally have low tax regimes and good infrastructure: that is a fact. In the Highlands and Islands, one area stands out as a beacon of prosperity—Inverness. It was because of that, coupled with what I can describe only as the absent mindedness of the Scottish Executive, that the Highlands and Islands lost objective 1 status. The area had become too rich, on a per capita basis; yet, it is an area in which workers still have to be bought in from outside to fill job vacancies in the city.

In looking at the economy, we have to ask what made Inverness do so well. The answer is blindingly obvious: it is accessible by road, air and rail. From the moment that the A9 was made into a decent highway, Inverness and the surrounding area prospered. Accessibility is the key, and therein lies the big lesson for the Scottish Executive, which says that it wants to increase prosperity: it must improve access.

In the west, the A82 should be the main route to the Highlands; however, despite eternal questions and rhetoric in the Parliament, there is still a traffic light on the 9-mile stretch between Tarbet and Inverarnan. That piece of road is a disgrace. It should be the main gateway to Oban and Fort William, but it languishes in the state of a third-world bullock-cart track. It is a dreadful advertisement for Scotland.

Mr Mark Ruskell (Mid Scotland and Fife)

(Green): I thank the member for giving way—this is a rare opportunity for me. Can he tell me how many jobs were directly created by the M77, one of the Conservatives' finest road-building projects in the 1990s?

Mr McGrigor: I cannot give the exact number. I will have to get back to the member on that.

Equally, the A83, which heads westwards from Tarbet, through Inverary and down towards Kintyre, is in a bad state and is full of potholes. A good infrastructure will bring investment and prosperity: that is true for ferry links as well as roads. I ask the minister what is happening regarding the new linkspan for ferries in Oban. Why is it not yet in place?

Eighty per cent of ferry journeys in Scotland commence in Argyll and 700,000 people passed through Oban last year, on their way to different holiday destinations. Why is there no help for that valuable part of the Scottish tourism economy? Access is the key, and a good infrastructure grants that access. Mr Wallace must often use NorthLink Orkney and Shetland Ferries. Why is NorthLink having to re-tender four years early?

George Lyon: Will the member take an intervention?

Mr McGrigor: No.

The current tax infrastructure also disadvantages businesses in Scotland. How can small businesses cope with a business rate that is 10 per cent higher than the rate in other areas of the UK? That level of business rate is unnecessary and it is especially unfair on those who have small, independent businesses, which are the cornerstone of the Scottish economy. They do not need instruction from the Scottish Executive on how to run their businesses; they need less red tape, less tax and a better infrastructure. Even bureaucracy-bound Brussels has just announced its intention to reduce red tape. The Executive must do it here. Our salmon farming industry, for example, faces nine regulatory bodies, whereas the industry in Norway has a one-stop shop.

The present set-up discourages business, and the fact that there are more businesses in Birmingham than there are in Scotland is not surprising. We have a bloated public sector that accounts for 50 per cent of GDP, which is a very unhealthy situation that must be unsustainable in the long term. We are lucky that the previous Conservative Government gave Scotland such a good deal through the Barnett formula, because that is what is keeping Scotland afloat.

Our figures for growth and for tourism consistently lag behind those of the rest of the UK. Our young people leave because they do not see a sustainable future in Scotland, yet Jack McConnell calls for more people to settle in Scotland. That is okay, but why does his Executive not do more to keep our own young people here by enticing more Scots to return home to start up businesses here?

The countries with economies that are doing well are invariably countries that have low tax and low levels of Government interference. Why will the Scottish Executive not understand that ever so basic reality? The Executive can produce glossy brochures, but it is useless at delivering action to help businesses and the Scottish economy.

Another infrastructure-related factor that is holding Scotland back is the vast increases in costs that Scottish Water has passed on to business. That is holding back house building and projects in vital areas. Council plans cannot go ahead because of Scottish Water's limitations, which act as a break on development. Scottish Water achieved only 38 per cent of the score of the worst-performing water company in England.

If the Executive fails to get to grips with a proper energy policy for the future and fails to make its mind up soon about where our power will come from, we run the risk of the lights going out as well. It will be a case of "O power of Scotland, when will we see your lights again?"

The Deputy Presiding Officer (Trish Godman): You are in your last minute, Mr McGrigor.

Mr McGrigor: Jim Mather extolled Conservative values but, unfortunately, he will not be able to carry his party with him.

Murdo Fraser pointed out what Scotland could do—

Jim Mather: Will the member give way?

Mr McGrigor: I am afraid that I am in my last minute, but I will give way, if I am allowed to do so.

The Deputy Presiding Officer: No. You may not.

Mr McGrigor: Richard Lochhead went on about oil, but oil is finite. This morning, Shell reported record profits because an oil shortage has led to huge price increases. However, Shell has replaced only 50 per cent of the oil that it used.

Murdo Fraser pointed out what Scotland could do economically if we had the right policies. The sooner we have those policies, the better we will perform.

11:12

Mr Kenny MacAskill (Lothians) (SNP): I propose to make some general remarks but I will also comment specifically on the oil industry.

The minister was correct to praise Scotland's many successful companies, which have done well in the face of sometimes adverse circumstances that have not been conducive to progress. The companies that have done well include not just low-level companies but organisations such as the Royal Bank of Scotland, which is now a global player. We need to look at the glass as being half full rather than half empty. What frets and frustrates SNP members is not how badly Scotland is doing but how much better it could do.

Let us compare what Mr Mather said with what Mr Pringle said. Mr Pringle made a great virtue of a catalogue of growth statistics that compared poorly with our competitors in the European Union and elsewhere. Rather than compare Scotland's performance to that of Liverpool or Edinburgh's performance to that of Dundee, we should compare how well Scotland is doing with how well its international competitors are doing. If we are continually being outperformed—

George Lyon: Will the member give way?

Mr MacAskill: I will give way to George Lyon in a minute, if he will make a point of substance rather than his usual schoolboy intervention.

We are being outperformed by countries such as Estonia, the Czech Republic and the Republic of Ireland, which are our competitor nations. As a city, Edinburgh must compete with the likes of Stockholm, Helsinki and Dublin.

George Lyon: Mr MacAskill is right to say that we should compare ourselves with other small countries in Europe and throughout the world. According to the Scottish Parliament information centre's briefing, Scotland is doing a great deal better than many small European countries, such as Norway, Austria, Denmark, the Netherlands and Poland. In GDP terms, we are performing better than they are. It is easy for Mr MacAskill to be selective in the small countries that he mentions in the debate.

Mr MacAskill: The fact is that Scotland has had golden opportunities, which it has not taken. Scotland is beginning to fall behind not just competitor nations such as Ireland, Finland and Estonia but other new entrants to the EU. We need to do better.

If we are, as I believe we ought, to look at the glass as being half full rather than half empty, our view of the oil industry should similarly be that the barrel is half full rather than half empty. After all, oil is a resource. Many members have referred to the it's Scotland's oil campaign. I remind Mr Fraser that people attempted to put down that campaign by saying that all the oil would be gone by the 1980s. When we got to the 1980s, they said that it would be gone by the 1990s because of Thatcher's expenditure on creating mass unemployment to undermine the United Kingdom's trade union base as part of her economic changes. We were then told that the oil would be gone by the turn of the century. Today, in 2005, as much oil is still to come out of the North sea as has already been extracted from it. In addition, our gas reserves are even greater than our oil reserves. We should play up, rather than downplay, our success.

The great tragedy of Scotland's oil industry has been that people have been told a lie so often that they have begun to believe it. People do not see what should have been done. More important, they do not recognise what could still be done if we had access to this wonderful natural resource, regardless of what might be said by those who would rather see it remain under the sea. Although changes in the industry will take place, it still presents us with a golden opportunity.

The idea that oil benefits only north-east Scotland is another myth that persists. The major institution at the forefront of much of the technology is, after all, Heriot-Watt University. Companies that are situated in Glasgow and on the Clyde manufacture specialist bits for rigs in not just the North sea but Alaska, the South China

seas and elsewhere. Oil is an all-Scotland industry and an all-Scotland resource.

Of course the industry will change. We need to move towards brown-field and fallow-field development. Changes have already had to be made in insurance policies to provide for the costs of decommissioning. Fundamentally, we will see a change like the one that happened in the Gulf of Mexico. As the bigger players such as Shell and Exxon move out, indigenous, smaller-scale, Scotland-based companies can move in.

Allan Wilson: Will the member give way?

Mr MacAskill: In a minute, Mr Wilson.

Even when the major companies go and even when the last drop of oil has been extracted from the North sea, we can still be a major player. Where are the oil fields around Houston, Texas? Apart from a few nodding donkeys, they have all gone. What matters is the knowledge and the technical capabilities that the industry has acquired. The skills that we have acquired in the North sea can be used in the South China seas, Alaska and wherever else.

Allan Wilson: I agree with a large part of that analysis, but the potential of such undiscovered fields will be fully realised and exploited only if they attract massive investment from oil companies, large or small. Such investment would be the last thing that oil companies, or any other companies, would do if a period of political instability and uncertainty was created by a constitutional crisis in this country.

Mr MacAskill: Mr Wilson should tell that to Dick Cheney's Halliburton and all the other companies that have chosen to go with economic and political instability and create havoc in Iraq. They are even tendering for possible havoc in Iran. Of course we do not want political instability, which would just undermine matters. However, we operate in a global market. For the European Union's 500 million people, we would be the major oil and gas producer, so we have a golden opportunity.

We need to bring through the companies such as Tuscan Energy Ltd that are taking over and developing the fields from which the global players are moving out. We need to have the resource, but we need the powers for that. The Parliament must dispel the myths and lies about oil and gas that have been perpetrated by the Executive. However, the Scottish Parliament and Scottish Government need the powers to be able to make the substantial changes that are needed and necessary.

The Deputy Presiding Officer: We move to wind-up speeches.

11:18

Frances Curran: In today's debate, I have at least learned something about Duncan McNeil, who is not here at the moment. I really appreciate his approach to economics: he just puts the country's name into Google and that tells him everything that he wants to know. That is a worrying aspect of the analysis that has come from Executive back benchers.

Dare I say that I agree with Des McNulty that the debate should focus not just on a constitutional question on the powers of independence but on what those powers would be for? If I may put this to the SNP again, as a member of one of the Parliament's three pro-independence parties I want an independent Scotland with economic power because of what Scotland could do with that power. That is the most important thing, not our achieving those powers.

What Des McNulty went on to say worried me, because it showed the vision of those who are still in favour of having a UK economy. He said that once we have the powers, we will have to take hard decisions about whether to invest in rural development or research and development and about what we will do about new technology. However, those are the second-line issues. The big issue that we would have to deal with is whether we will have a neo-liberal economy.

What such comments tell me is that Labour members accept it as a given—it is not even questioned—that privatisation of all state assets is the norm in the economy and has no alternative. An international attempt to open up the public services that Governments provide and to have them provided by private companies is now also a given. All that we are left with is deciding the parts of the economy to which we allocate a small pocket of public money.

The reason for having independence in economic powers is to challenge that agenda. The cross-party group on international development attended a make poverty history campaign event yesterday, when the issue arose of multinational corporations moving in to say, "You must privatise water, transport, your health service and education." Des McNulty accepts that that is the economic framework in which we live internationally and thinks that we can do nothing about it.

In the independent Scotland in which I hope we will all live, what will the SNP say to the World Trade Organisation and the EU about partnership agreements on water? What will it say to the International Monetary Fund? Will it say that we are not prepared to accept such an approach and that we will protect our public services and our own market by taking a different approach? The

opportunity is available for two approaches—or three, if socialism is included. I think that we will emerge as the left in the new independent Scotland and that socialism will be on the agenda. However, I will limit my comments to this morning's debate and the SNP.

The SNP refers to the Irish and Norwegian models. Which does it choose? They are two different models. Ireland built infrastructure—its skills base, new technology and physical infrastructure such as roads and transport links—on the basis of public money. That provided the biggest impetus.

Phil Gallie: That was European money.

Frances Curran: I am getting there—Phil Gallie should have a wee bit of patience. I was going to say that that was not Irish, but European public money. That route is now closed, but the point remains the same: public investment was needed to allow Ireland to compete at its current level.

The other main strand of money was foreign direct investment, which created many insecure, low-paid jobs and did not lead to the Irish economy developing a manufacturing base, even though the Irish were first and were ahead in EU funding terms. Is Duncan McNeil saying that inward foreign investment has been a big success in Inverclyde? Is that how we will secure jobs? Many jobs in new technology have been lost in that part of the world. The wholesale privatisation that Labour members support has cost well over 200,000 jobs just in the electricity industry and other energy industries.

The Deputy Presiding Officer: The member has one minute.

Frances Curran: I had better make my last point.

What is the model to be? Does the SNP follow the Irish tiger model, with low corporation tax, foreign direct investment and public money that brought companies to make profits, or will it link with nordic countries, which have attempted to base a huge section of their economies on state ownership, co-operative ownership and a model of public ownership, and have resisted the deregulation that the UK has? The UK has the most deregulated economy in the European Union.

Duncan McNeil asked how we can follow Norway's model of taxation of workers who—I think—earn less than £32,000. We should not accept Duncan McNeil's Google answer about countries such as Norway. We should take the Organisation for Economic Co-operation and Development's answer, which is that Finland, Denmark and Norway have become the wealthiest countries in Europe through a level of protection,

public ownership and developing indigenous industry. On 150 main indicators on a load of issues, those countries are constantly top in Europe, whereas the UK and Ireland frequently end up at the bottom. I ask the SNP what the model is to be—neo-liberalism or social democracy.

11:25

Mr Mark Ruskell (Mid Scotland and Fife) (Green): Welcome to the economy debate of the 21st century—it appears to have been Stewart Stevenson's 1970s space odyssey. We will have cheap flights not only to the continent, but to space. Richard Lochhead accuses the Greens of having our heads in the clouds, but at least we do not have our heads in the stratosphere—incredible.

Two weeks ago, the Parliament debated climate change. Most speakers in that debate acknowledged that we need to reduce our CO₂ emissions by two thirds by the middle of this century. Jim Mather said today that the economy debate would never go away. I say to him that the climate change debate will never go away, either. If the cost of dealing with the damage of climate change starts to exceed the rise in gross domestic product, we will face economic collapse. Where would the economy be then?

Jim Mather said that we need sustainable economic growth. That is fine and supportable, but how will we measure that growth? Will we base that on the number of cheap flights to Cuba that Alex Neil takes? Are we talking about developing sustainable alternatives? Will we develop the Rosyth ferry, which could go to Norway, where we can drink expensive beer?

Richard Lochhead: Does the member suggest that we should close down the North sea before we develop alternative energies, or should we develop alternative energies first?

Mr Ruskell: I suggest that we should move to a just transition and that we should phase out the use of fossil fuels this century. The SNP has not said how it will achieve that, but I will deal with that later.

The SNP and other parties present contradictions. For example, the only place in Scotland where I can get a Eurostar is my local Hornby model shop. We are still waiting for a Scottish Eurostar to give us an alternative to cheap flights to the continent. The reality is that policies to promote cheap flights have undermined the case for that service.

We need true measures of economic growth.

Stewart Stevenson: Will the member give way?

Mr Ruskell: I will not, because the member did not give way to me.

I suggest that the index of sustainable economic welfare, which has been adopted in Wales, is a strong measure of economic growth. Many of the achievements that Jim Wallace outlined at the beginning of his speech would be better reflected through ISEW than through gross domestic product, so why do we not adopt the measure?

Oil is a finite resource—even the Tories acknowledge that. Their amendment says

“fluctuating prices and finite supplies make oil revenue an unreliable source of income”.

How true. The SNP says that we have only 30 years of oil left, so why does it want to suck all that out of the sea? Oil is a precious resource. We need it for plastics and chemicals and for future generations, not just for one generation or 30 years. I was born in 1972. We need oil for multiple generations.

My answer to Richard Lochhead's point is that we need a just transition from the polluting technologies of the previous century to a low-carbon economy in this century. As part of that just transition, we must take the jobs with us. I remind Richard Baker that that is why the unions back the concept of a just transition.

Stewart Stevenson talked about vision. We need vision. We need leadership to enable us to move towards a low-carbon economy in this century, because that is where long-term economic opportunities will lie.

We need renewable electricity, but we also need renewable fuel. Hydrogen, for example, is already being used; Shiona Baird drove a hydrogen-fuelled car in Aberdeen. Is the SNP really telling me that we have to wait 40, 50 or 60 years before we can develop a hydrogen economy in Scotland? Surely it is possible to develop such an economy now.

However, in order to deliver that just transition, we need the skills of Scotland's labour force. Indeed, Maureen Macmillan made that very point. The offshore skills that she mentioned are going to be needed to harness the tides and the resource that sits not on the seabed but on the surface of the north Atlantic frontier: the waves and the winds that pass over the sea. Although those resources can be harnessed, they need to be harnessed with the skills that we have in Scotland.

When I visit the ex-oil fabrication yard at Methil in Fife and look at the empty spaces and units, I see tremendous hope and opportunity. Those skills, which are exactly what we need to develop offshore technology, still exist in Fife. However, that area needs to be developed. For example, we need to invest more money in R and D, because

£50 million is just not enough to develop wave and tidal energy technologies. In fact, we need to think more in terms of a £500 million investment and that very case has to be made to Westminster.

We also need to formulate a vision of how we can exploit Europe's future energy requirements and think about ways of raising revenue for Scotland by selling to Europe the electricity that we generate from the north Atlantic frontier and around the North sea coasts. As a result, we must make the case for developing sub-sea infrastructure and examine ways of getting that resource into Europe in the same way that we do with gas. After all, we have developed a fantastic infrastructure for gas over the past 40 years, but the same infrastructure for electricity just does not exist.

We need that vision of a low-carbon economy and we must take global leadership through a just transition that carries our workers with us into a sustainable economy fit for the 21st century, not for the 20th century.

11:32

George Lyon (Argyll and Bute) (LD): I will begin by putting a bit of context into the debate. For a start, the statement that every small European country is performing better than Scotland does not stand up to scrutiny.

Stewart Stevenson: When did we say that?

George Lyon: We heard it from the SNP a number of times during the debate.

In fact, the majority of small European countries, including Norway, Austria, Denmark, the Netherlands and Portugal, are not performing as well as Scotland. Scotland performs very well as a UK region; indeed, we are one of the top regions in that respect. However, the real question is how we lift our performance to match the growth rate of London and the south-east, which is the major driver of the UK economy. That should be the nub of the debate.

Nevertheless, the motion invites us to look again at SNP policy. Unfortunately, the SNP has again failed to explain away the incoherence and contradictions that lie at the heart of its fiscal and spending plans for an independent Scotland. Two fundamental issues lie at the heart of the problems that the SNP faces in trying to explain what it stands for. First, a fault line splits the party between the big spenders who want a Scandinavian, high-tax and high-spend economic model, and the tartan Tories who believe that the correct way forward is the Irish model of tax cuts and lower public expenditure.

The second fundamental problem that the SNP must face is the underlying recurring fiscal deficit

that Scotland has had over the past two decades, which, according to GERS, now stands at £4.4 billion. That figure even takes into account a 100 per cent allocation of all tax revenues to Scotland. Clearly, the SNP has no credible explanation of how that gap should be filled. Indeed, as Murdo Fraser rightly pointed out, it is not good enough for the SNP simply to rubbish GERS unless it explains honestly how it would fill that gap or provides alternative figures.

Stewart Stevenson: How should the UK fill its similar pro rata deficit?

George Lyon: As the member well knows, people have raised severe doubts and serious questions about Gordon Brown's ability to finance his current spending plans, which are about to reach the same percentage as we would have in Scotland. However, the difference is that this is a long-term problem for Scotland. Over the past few years, the UK as a whole has had a surplus and indeed, under the first few years of the Labour Administration, has been repaying debt.

Members have already referred to one clear example of the divide at the heart of SNP policy. In the chamber on 12 March 2004—he restated this today—the tartan Tory, Jim Mather, pledged trickle-down economics and called for cuts in tax, business rates and water tax. Here is a man who could clearly climb into bed with the Tories. However, a week later, Christine Grahame put forward the socialist option, saying that we need to raise taxes and redistribute wealth in Scotland. For obvious reasons, this time I will make no reference to the Tories. That example demonstrates the confusion and contradictions that lie at the heart of SNP economic policy.

Of course, the SNP now has a big new idea for the general election: its so-called oil windfall fund, which is similar to Norway's fund. According to the leader across the sea, Alex Salmond, it will be the answer to all Scotland's ills. In a press release, Mr Salmond claims that, within a few years, the fund will keep on delivering revenue, better hospitals and more schools and roads for Scotland. However, speaking in Washington DC, the chief of the fiscal affairs department at the International Monetary Fund said that having an oil fund makes no difference to a Government's ability to spend on public services and that using such funds for public services inevitably leads to start-stop initiatives that damage the economy and to services being cut. In other words, no one—especially an independent Scotland with a recurring fiscal deficit—can use an oil fund to fund hospitals, roads and schools.

Alex Neil: I should clarify for the member's benefit that the oil fund will fund capital investment, not the current provision of services. It will fund long-term investment for future

generations, which is why we call it a future generations fund.

George Lyon: Using oil revenues to create such a fund would make the current deficit of more than £4.4 billion even bigger and would mean more cuts to public expenditure. Even Mr Neil should be able to work that out for himself.

The real choice in the debate is between the coalition and the Tories, who are at least honest enough to argue consistently for tax and public spending cuts. The Labour-Liberal coalition stands for investment in transport, skills and the communication infrastructure, which is what the five major business representative bodies called for in their 2003 manifesto. The coalition Executive is responding to business's needs, which is why the real choice is to vote for us, not for the Tories' cuts.

I support Jim Wallace's amendment.

11:38

Alex Johnstone (North East Scotland) (Con): Like all debates on the economy, this one has been interesting. As ever, because of the size of the subject, it is necessary to concentrate on a few specific issues and the SNP's motion helps us in that respect by focusing on the North sea oil industry.

We have probably learned more in this debate about the policies of the SNP than about those of any other party. First, Jim Mather gave us what we have become used to—

Members: Where is he?

Alex Johnstone: Yes—where is Jim Mather?

Jim Mather once again explained how taxation would be reduced and development encouraged. However, he has not yet addressed the problem that exists in his party and that causes great fear on this side of the chamber. If such levers were available to the party that sits on the SNP benches, we would see massive—indeed, excessive—expenditure without the ability to raise resources.

One theme of the debate—that everything can be financed because it is Scotland's oil—has emerged from the dim and distant past. I wonder why we have not heard that for so long. Perhaps it is because oil prices were depressed for many years and, as a result, the argument could not be wheeled out that we could finance our nation on the basis of oil reserves. But oil prices are high again, and what do we get? We get an SNP debate that is predicated on the notion that high oil prices can once again justify an independent Scotland. If that is not opportunistic, what is?

We have also learned, in a theme that has run through the debate—I was going to mention some

of the people who raised it but there were so many that I cannot—about the SNP's adopted practice of comparing Scotland with other successful small countries. The problem is that Europe—and for that matter, the world—now has such a large range of successful small countries, each of which occupies its own niche, that the SNP can happily compare Scotland with any one of them, depending on what it expects to achieve by its argument. If the SNP wants to argue for high growth, it picks a small country that is coming from a position of low development and therefore naturally assumes to produce high growth—a country such as Ireland or Estonia. If it wants an example of a wealthy nation with oil reserves, of course it picks Norway.

The problem is the ease with which the SNP can find an individual country that suits each individual argument, because it is just as easy for those of us on this side to come up with an argument to undermine the SNP's argument. For example, the SNP does not like the idea that a country such as Finland has developed a nuclear industry, but it did not mention that in last week's debate on energy reserves.

Stewart Stevenson: I thank the happiest man in the Parliament. I invite him to consider that the fundamental difference between us is that we aspire to emulate the successful small countries but others wish to compare us with, and to track, the unsuccessful small countries in the world.

Alex Johnstone: My message to Stewart Stevenson is that the selective choosing of the country with which to compare ourselves can be used to prove Mr Stevenson's case, to prove the Executive's case, and to prove any case at all. The SNP's arguments are therefore undermined. They are unjustified and should not be brought to this chamber because they have been exposed. That has been all too obvious in the debate.

Phil Gallie: We have heard a lot about small countries, but how about the larger countries and the federations? This debate is based on oil, but if we consider part III, title III, chapter III, section 10 of the European constitution, on energy, does Mr Johnstone agree that this whole debate about oil revenues is absolutely worthless?

Alex Johnstone: I acknowledge Phil Gallie's remarks and I read that chapter every day. Phil is a man with a great understanding of the European constitution and we would all do well to agree that he is right when he says that we should not sign it.

Before I come to the end of my speech, I want to run through one or two other points that were made. I will run very quickly past Shiona Baird's suggestion that waist measurement should be an indication of inner happiness. I am proof of that if it was ever required.

We must remember that the debate has largely been predicated on Scotland's oil reserves. However, anyone who knows the north-east should know that the benefit of the reserves is not simply the oil, but the companies that are based there. The real wealth is the expertise and technology that have been developed. We can therefore talk about renewable energy and dealing with climate change because those very companies—the major international oil companies with operational headquarters in the north-east of Scotland—are all working to achieve even the aims that Shiona Baird has described today. The contribution of those companies to the economy is enormous.

Shiona Baird: Will the member take an intervention?

Alex Johnstone: I am afraid I cannot, for time.

We must also remember that if we are to go forward as a successful nation we must do so on the basis of political stability. It is from such stability that companies derive the confidence to base so many of their jobs here in Scotland. The SNP's suggestion that we can solve our problems by becoming independent and throwing ourselves on the world as a new small nation would, unfortunately, undermine the very success that this country has been capitalising on for the past 30 years.

I support the amendment in the name of Murdo Fraser.

11:45

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): Alex Johnstone is absolutely correct to mention the nationalists' pick-and-mix strategy of choosing small countries and then choosing from their economies the bits that they like and ignoring the bits that they do not. One would think that they would at least have had the common sense to choose two countries that have enjoyed economic growth in the past quarter, rather than choosing Ireland and Norway, two countries with negative growth. Scotland's growth rate of 0.9 per cent is, of course, twice the UK's growth rate over the same period.

We could bandy statistics all day, but I agree with Shiona Baird, Mark Ruskell and others—the debate should be about vision. Although we are debating a nationalist motion, it is appropriate that we examine the Executive's vision for our economy. Our vision is one in which we encourage ambition, reward success and open up opportunity for all. It may be a retro reference, but that means re-igniting Scotland's enterprising spirit.

We have put growing the economy at the forefront; it is the number 1 priority of the Scottish Government. However, I say to Shiona that it is not growth at any cost. It should be growth that encourages people to make the best of themselves, to make the most use of their talents and to strive for opportunity, and it must respect the wider environment. That is fundamental to sustainable development.

Mr Ruskell: How do we measure the costs?

Allan Wilson: As Mr Ruskell knows, we have a three-pronged strategy that certainly favours economic development, but that also pays regard to wider environmental impacts. It also seeks to reduce the opportunity gap. We have targets for each of those objectives.

Our vision links growth in our economy with the regeneration of our neighbourhoods. It is about closing the opportunity gap between the affluent and the disadvantaged in our society, and about creating a modern, enterprising Scotland. In that context, there are clear dividing lines between this Executive and our opponents.

The Tories argue for growth at any cost, at the expense of economic stability. They want to support the private sector irrespective of the social consequences of their actions. The SNP, by contrast, wants an expensive divorce from the rest of the UK. That would put the economic stability to which I referred at serious risk. It would create uncertainty in the economy—Kenny MacAskill did not answer the question that I put to him—and it would almost certainly mean raising taxes, hitting hard-working families in the process.

Our relationship with the rest of the UK is key to our vision. Our vision complements the success of the UK economy. That is the national context in which we work. Thanks to our partnership with the Government at Westminster, unemployment in Scotland is at an all-time low and British inflation is the lowest it has been for 20 years.

Alex Neil: Unemployment is not at an all-time low.

Allan Wilson: Alex Neil says that it is not, but unemployment is at an all-time low in Scotland as a consequence of the economic stability that we have produced. We have the lowest mortgage rates for 40 years, which saves mortgage payers an average of more than £3,400 a year. We are seeing the longest period of sustained growth since records began.

Frances Curran: Would the minister agree that, although the statistics are all very nice, we now have a bigger gap in inequality? How does the minister explain that?

Allan Wilson: Our policies have led to an increase in personal wealth. I have said that one

of our objectives is to ensure that the gap between the rich and poor in society is closed and that we provide opportunity for all. One of the principal means by which we sought to close that gap was, of course, the introduction of the national minimum wage. That has been welcomed the length and breadth of the country—except by the nationalists and the Tories.

The prospects for the economy in 2005 are positive. Business surveys on the Scottish economy predict that output and employment in both the service and manufacturing sectors will increase and independent forecasters predict that there will be above-trend growth this year and next.

A strong, growing, vibrant and inclusive economy is crucial for all Scots at all stages of their lives. I accept that if we are to take a medium and long-term view, we need to have the right economic strategies in place. Our economic strategy has been informed by the framework for economic development in Scotland, which is based on the understanding that economic growth is primarily determined by the success of enterprises in developing new products and new processes, gaining access to new markets, discovering new sources of supply and creating new organisations for economic activity that can compete effectively both domestically and throughout the world. I draw that to Frances Curran's attention. Although Government can make a contribution, it is the dynamism of the private sector that creates the wealth that we can then distribute.

I want to refer to the Norwegian petroleum fund that is mentioned in the nats' motion.

Members: The nats?

Allan Wilson: It is a retrospective term from the 1970s.

The Norwegian petroleum fund helps with the management of fiscal policy; the income from it is designed to be the central Government's net cash flow. That is okay when one is running at a surplus—when the income from oil is greater than the level of expenditure—but, as we all know, here in Scotland we run at a deficit. Instead of proposing to set up a fund with a surplus, the SNP is proposing to set up a fund with an overdraft.

The Deputy Presiding Officer: You must finish now, minister.

Allan Wilson: My concluding point is that, for nearly 20 years, the problem was not that there was not a Scottish Government, but that there was not a Labour Government. That was the choice that the SNP made in 1979 and it should never be allowed to forget it.

The Deputy Presiding Officer: You must finish now, minister.

Allan Wilson: In conclusion—

The Deputy Presiding Officer: No. "In finishing" would be more appropriate.

Allan Wilson: The fact that the SNP is trundling out the argument on Scotland's oil says to me that it has nothing much to say.

11:53

Alex Neil (Central Scotland) (SNP): The entertainment value is always exceptional when the Deputy Minister for Enterprise and Lifelong Learning speaks.

The debate has been very interesting. Jamie McGrigor told us how Inverness has been booming since Fergus Ewing became its MSP. Duncan McNeil brought Marx into a debate on the Scottish economy; unfortunately, he got the wrong one. He was referring to Karl, but he sounded like Groucho. Mention has even been made—by Stewart Stevenson—of the Isle of Man space programme. All I can say is that if the Isle of Man manages to send a man to the moon, he will meet the Green group of MSPs while he is up there. In his opening speech—which was perhaps not one of his finest—the Deputy First Minister told us a lot about his trip to China last week. It must have been the slow boat that took him there.

To begin, I will deal with the nonsense of saying that Scotland's economic performance compares favourably with that of similar small countries. George Lyon told us that we are outperforming other small countries. That is nonsense. The most comprehensive index of countries' economic performance is produced by the United Nations development programme. It shows that Norway—which is celebrating 100 years of independence this year—is at the top of the list of the 20 countries with the best economic performance not just in Europe, but in the whole world. It has been claimed that the Norwegians' oil fund of £90 billion has been mismanaged. I wish that we had a mismanaged £90 billion in our bank account. Sweden is second on that list and is followed by Australia, Canada and the Netherlands. If we go down the list, the UK is in 12th place and we get to more than 20 countries before we get to Scotland. The idea that we are performing well as a small country is a total myth.

Murdo Fraser: I am grateful to Mr Neil for giving way. Does he acknowledge that, for 40 years post-independence, Ireland's economy was in decline? Does that not prove that, rather than constitutional change or independence, we need a change of policy?

Alex Neil: Scotland is in a completely different situation because we have indigenous resources the like of which Ireland never had. We have 90

per cent of the UK's oil reserves, 50 per cent of the gas reserves and 300 years of coal reserves. Although we have a small population, we have some of the finest universities in the world. The reason why a third of our people are living on the poverty line, in spite of the fact that we have all that potential wealth, is that unionist Labour, unionist Liberals and unionist Tories have mismanaged Scotland's resources.

Phil Gallie rose—

Alex Neil: I will give way in a minute because I always enjoy the entertainment value.

Members should not just believe me. They should not take it from the SNP that Scotland's resources have been mismanaged; they should take it from the Scottish Executive's own agency, Scottish Enterprise, which commissioned a report from a consultancy called Local Futures. Although it received the report in August, for some reason it did not put it on the website until December, when we were all going off on our Christmas holidays. When the Executive was asked why the report did not appear for two months, an anonymous spokesman said:

"Our knowledge management team produces stuff like this all the time and people often don't hear about it until someone, well, stumbles across it."

We are talking about what is supposed to be a smart, successful Executive.

According to *The Herald*, the report says that Scotland continues to lag behind the rest of the UK in both earnings and employment rates. The report warns:

"This low-value service bias combined with a large public services sector is not likely to produce a globally competitive knowledge economy in Scotland."

It also says that Glasgow, which has 10 Labour MSPs,

"has a powerful base of knowledge-driven industries and public services, but it is also characterised by a high level of skills poverty and social polarisation".

The Executive should not tell us that everything in the garden is rosy. To find out that that is not the case, we need only look at the article in yesterday's edition of *The Herald* that had the headline, "Lives lost: Scots children who go straight from school to nowhere". The Executive does not even know whether 35,000 youngsters in Scotland are in employment, training or education, so it should not tell us about success.

A few months ago, a Royal Bank of Scotland report pointed out problems with the company base in Scotland. We are far too reliant on a small number of sectors and a small number of companies. I am sure that members of the Executive will have read that report.

Phil Gallie: The SNP's motion is based heavily on the idea of Scottish ownership of the oil industry. Although Professor Sir Neil MacCormick once argued that the UK's oil belonged to Scotland, he recognises that under independence it is unlikely that that oil would be considered to fall within Scottish waters, as they are currently defined. What does Alex Neil have to say to that?

Alex Neil: First, Neil MacCormick did not say that. Secondly, all the legal opinion—including unionist legal opinion, such as that of the late Lord Mackenzie-Stuart, a Tory who was chairman of the European Court of Justice—agreed that 90 per cent of the oil was defined as being in Scottish waters. It is not a matter of politics, but a matter of legal fact that it is Scotland's oil and will remain so. In the 1970s, I argued for an oil-sharing policy between England and Scotland. I still argue for an oil-sharing policy, but one with a slight difference: London has had its share and it is time that we in Scotland had ours.

George Lyon referred to a Scottish Parliament information centre paper on the Scottish economy's performance, but I will refer to the latest SPICe paper on the level of spend on research and development in Scotland. Scotland is the region in the United Kingdom with the fourth-lowest business expenditure on research and development. When the Deputy First Minister was asked what he would do about that at the Enterprise and Culture Committee, he said, "I don't know. I huvnae a clue. I've nae idea. We've nae answers." That was the message from a smart, successful Scotland.

Mr Wallace rose—

Alex Neil: I am in my last minute, and after that message, I suspect that Jim Wallace might be in his last minute, too. The message is straightforward. To borrow from William—not Jim—Wallace, there is only one way for Scotland to prosper, and that is through freedom.

First Minister's Question Time

12:01

Prime Minister (Meetings)

1. Nicola Sturgeon (Glasgow) (SNP): To ask the First Minister when he will next meet the Prime Minister and what issues will be discussed. (S2F-1408)

The First Minister (Mr Jack McConnell): I have no immediate plans for a formal meeting with the Prime Minister.

Nicola Sturgeon: I draw the First Minister's attention to last year's annual report from the Scottish Children's Reporter Administration, which said that the number of persistent young offenders in Scotland was too high and that the Government's aim was to cut it by 10 per cent. The latest report, which, after several months' delay, has been published in the past hour, shows that the number of persistent young offenders has not come down, but gone up. I ask the First Minister why.

The First Minister: The reasons were explained in November, when the figure for persistent young offenders was first put into the public domain. The figure that is now used is far more accurate, which is a good thing for the system, because it is important that we have agreement with all the agencies that are involved, that we know the scale of the challenge and that we have the right policies in place to deal with that challenge, such as youth courts, fast-track children's hearings, the increase in social work provision and the many other measures that will undoubtedly make a difference in tackling persistent young offenders.

Nicola Sturgeon: The First Minister can try as hard as he likes to bamboozle the public on the figures that are published in the report, but he cannot change the facts. Is he aware that, even using the old definition, the number of persistent young offenders has gone up by 5 per cent? We will not find that in the report that was published today, so how do we know? We know because a letter that has been released under the Freedom of Information (Scotland) Act 2002 has it in black and white. The reality is that youth offending is up under the old definition and the new definition; it is up under any definition. Does not that add up to the reality that, despite repeated promises and endless targets, the First Minister is simply failing to get to grips with the problem of youth crime?

The First Minister: Absolutely not. For those who oppose the measures that we have put in place to tackle youth crime and persistent youth offending to say that not enough is being done is sheer hypocrisy. If the Scottish National Party's

policies were being implemented, nothing would be being done about persistent young offenders or youth crime in Scotland. The reality is that we need to do a number of things to tackle persistent youth offending in Scotland. We need a system that tackles persistent young offenders more toughly than they have been tackled for 20 or more years, ensures that they learn the error of their ways, directs them to the difference between right and wrong and punishes those who need to be punished. We also need a system that catches youngsters at a much earlier stage. The document that Nicola Sturgeon quoted also points out that the number of working days to progress a referral to a hearing decision has been cut by 20 days, and that for non-offences—the cases that can sometimes lead to youngsters offending—there has been a reduction of 17 days.

We need to tackle persistent young offenders who are causing problems in our communities. That is why we have been passing laws while the SNP has been voting against them. We must ensure that we catch youngsters earlier and make early interventions to ensure that they are put on the straight and narrow before they get into more trouble.

Nicola Sturgeon: Year after year, we hear what needs to be done, but the facts say that the Scottish Executive is failing. When will the First Minister stop blustering and face up to those facts? Youth offending is up by 13 per cent. Even on the most generous interpretation, serious and persistent youth offending is up by 5 per cent. The overall number of referrals to children's panels is at an all-time high. One in 20 kids in Scotland now ends up before a children's panel. Is it not the case that the Government's policies for tackling youth crime are manifestly failing?

Today, on the day that the report was published, the chief reporter to the children's panel has tendered his resignation. What responsibility does the First Minister take for that indictment of the Scottish Executive's policies on youth crime?

The First Minister: Despite the persistent and consistent opposition of the Scottish National Party, and sometimes the Scottish Conservatives, we take our responsibility very seriously indeed. That is why we have brought in new laws, increased budgets and have more social workers in Scotland than ever before. That is why more people are going to be working in the children's hearings system than ever before. In addition to the main hearings system, we now have fast-track hearings and youth courts. That is why we passed the Antisocial Behaviour etc (Scotland) Act 2004, which was opposed tooth and nail by the Scottish National Party when it was going through the parliamentary process. That is why we have parental orders, control orders and all the other

things that are now in the system and are making a difference. We are acting, we are going to act more and we are going to deliver on persistent young offenders.

Nicola Sturgeon: Does it ever cross the First Minister's mind that the reason why other people oppose some of his policies is that the facts say that they are simply not working? Youth crime is going up and the Government's target for cutting it is not being met year after year. When is the First Minister going to stop talking and making promise after promise, start doing something about the appalling record and finally get to grips with the problem of youth crime that destroys so many of our communities?

The First Minister: I hesitate to repeat the points that I have just made, but they should be repeated for the record.

We have put in place the Antisocial Behaviour etc (Scotland) Act 2004, and that was opposed by the Scottish National Party. We have taken action on parenting, and that was opposed by the Scottish National Party. There has been action on fast-track hearings, youth courts, more social workers, and more people working in the children's hearings system. All that would not have happened if the Scottish National Party had been in Government.

Plenty of statistics and documents have been waved around, but there has not been one alternative policy from the Scottish National Party. We have taken real action on youth crime and persistent youth offending to stop young people getting into the cycle of offending in the first place, and to ensure that they have better opportunities in life and a real chance for a life on the straight and narrow.

Cabinet (Meetings)

2. David McLetchie (Edinburgh Pentlands)
(Con): To ask the First Minister what issues will be discussed at the next meeting of the Scottish Executive's Cabinet. (S2F-1409)

The First Minister (Mr Jack McConnell): Some very interesting issues will be discussed at the next meeting of the Scottish Executive's Cabinet and they will be agreed on Monday.

David McLetchie: I am sure that the First Minister's colleagues cannot wait. Perhaps they might like to discuss the issue of drug abuse in Scotland. This morning, people will have read reports in certain newspapers of the conclusions of a Scottish Executive-funded research report that suggested that, for some people, heroin use is harmless. I know that it is a long report and that the subject is complex, but does the First Minister agree that such headlines are not in the least bit helpful when it comes to tackling the scourge of

drug abuse in our society? Will he state unequivocally that the use of heroin, even once in a while, is never all right?

The First Minister: It is my understanding that the word "harmless" is not used in the report, but I want to be absolutely clear that any use of heroin is unacceptable, which is why that drug is illegal in Scotland today. I also want to be very clear that while we need to research how to deal with the problem, the scientific or other research that exists is not necessarily the same as the policies of this devolved Government or the attitude that we take towards heroin or other banned substances. I oppose any use of heroin. I condemn it and I want us to take a firm stand and send a very clear signal that that is the case.

David McLetchie: I very much welcome the First Minister's comments on the subject, as I am sure will other members of Parliament and the country as a whole. However, is it any wonder that people are somewhat confused about policy on the whole issue of drugs and drug abuse? In his answer, the First Minister spoke about the importance of research in driving policy. Well, here is an example. The Department of Health in England and Wales has just instigated a review of the links between the use of cannabis and schizophrenia, yet the Labour Government's downgrading of cannabis from a class B to a class C drug sends out exactly the opposite message about the acceptability of that drug. Given the First Minister's support for being driven by research in policy conclusions, will he agree that it was irresponsible of the Westminster Government to reclassify cannabis without knowing the full facts?

The First Minister: Mr McLetchie will be aware that here in Scotland we maintain a very consistent position on cannabis and on the need for our police authorities in Scotland to tackle the use as well as the sale of cannabis. That remains the position. However, I also think that it is absolutely right that we, as the Government in Scotland, and the United Kingdom Government focus more and more resources on tackling the more serious drugs and those drugs that are more directly linked to organised crime. That is just one of the reasons why yesterday the Parliament supported the UK Parliament's Serious Organised Crime and Police Bill, which will ensure that we can not only tackle the drug barons and the organised criminals more effectively in the future, but regulate the private security industry, which many suspect might well be connected to the drugs trade.

David McLetchie: Of course, the First Minister and the Scottish Executive had an opportunity to regulate the private security industry four years ago, but failed to take that opportunity. That is the fact of the matter.

I was interested in what the First Minister had to say about policing and prosecution in relation to the use of cannabis. If the policy is still the same, why has there been a downward classification of the drug? What is the point of that, if the Executive is pursuing the same policy on the ground? Many people suspect that the Executive is not doing that. The First Minister and the Executive have a clear responsibility to uphold the law and to protect the health of the public. In my view, that means giving out a message of zero tolerance. However, the Executive is sending out mixed messages on its own website by providing advice to people on how to use and conceal drugs safely. When it comes to drugs policy, the First Minister and the Scottish Executive cannot have it both ways. Either they have a zero tolerance approach that bears down on the use of drugs, or they have a policy such as the one on their website, which tells people to know the score. Which side is the First Minister on when it comes to that fundamental position?

The First Minister: Oh, I am very happy to talk about sides. First, I am on the side of truth and accurate information—[*Interruption.*]

The Presiding Officer (Mr George Reid): Order.

The First Minister: I am not on the side of misinformation and distortion. What Mr McLetchie said is simply not true. He might well suspect that Scotland's chief constables are not telling the truth when they say that their attitude to pursuing cannabis users has not changed, but if he does suspect and believe that, he should produce the proof that backs up his assertion, because that is what he just claimed. He might well suspect that there are certain items on a website that is provided for children, or he might genuinely believe that, but if he does—and I am not sure that he does and that he is not just distorting things—he is wrong again.

That information is for parents, so that parents, who need to take more responsibility for these matters, can recognise the tools that children use when they are using drugs. If they can recognise them, parents can take action themselves. There are many parents who have never taken drugs and who would not know what children were doing if they were taking drugs. With information, they can spot those elements in their home or elsewhere and then help us to take action in the home, where part of the responsibility lies.

I assure Mr McLetchie that, after yesterday's vote in the Parliament, I will not take any lectures from the Scottish Conservatives or the Scottish National Party on tackling crime, organised crime, drugs or disorder in our streets. Yesterday afternoon we saw that it is no longer just a case of the Scottish Conservatives and the Scottish

nationalists being soft on crime; they are prepared to bypass laws that might actually tackle it too, and for that they should be ashamed.

Shona Robison (Dundee East) (SNP): Will the First Minister agree to revisit at the next meeting of the Cabinet the policy proposal by his Minister for Tourism, Culture and Sport to close the dedicated tourism convention bureau in Dundee, which has brought millions of pounds into the local economy in Dundee and Angus? Will he personally intervene in the matter and speak to the Minister for Tourism, Culture and Sport and VisitScotland to ensure that that good asset for the city can continue?

The First Minister: I am not aware of the specific example that Shona Robison cites, so I will not comment directly on it, but I am happy to ensure that she receives information. I would be stunned if there were anything other than a significant improvement in the marketing of Dundee and the rest of Scotland, given the huge increase in resources that has been allocated to VisitScotland and other agencies to promote Scottish tourism and local tourism in this country, and given the widespread support, including from the SNP, for the restructuring of our tourism industry. I hope that there is recognition in the Parliament of the success of our tourism industry, which has recovered better than almost any other tourism industry in the western world from the crises of foot-and-mouth disease and the disaster in New York on 11 September 2001.

Ferry Services

3. Carolyn Leckie (Central Scotland) (SSP): To ask the First Minister whether, in light of the Parliament's decision on the tendering of ferry services on 8 December 2004, the Scottish Executive will ensure that Caledonian MacBrayne is exempt from tendering for these services and is maintained as a publicly owned service. (S2F-1423)

The First Minister (Mr Jack McConnell): We shall remain within the law, but further discussions are taking place between the Executive and the European Commission, and Mr Stephen will report back to Parliament on the issue as soon as possible. Our objective remains the long-term security and quality of ferry services, which are vital for our Scottish island communities.

Carolyn Leckie: The First Minister might not have signed the 1992 regulation that he hides behind as being the law, but will he confirm that he is signed up to the ideology? I have no objection to subsidising public services, jobs and decent terms and conditions, but I do object to subsidising the profits of companies that cut wages, pensions, jobs and services and go offshore to avoid national insurance and to paying more for the

process of tendering. Will the First Minister tell me when he will publish the costs of tendering, and will he state that he will put passengers, communities and workers before his right-wing ideology; that he will put communities, passengers, workers, trade unions and public services before private profit; and that he will put the democratic will of those people and the Parliament before the ideology of privatisation, the European Commission and his neo-liberal masters in Westminster?

The First Minister: What a shocking thing to say about me, and I think that my Liberal Democrat colleagues might be concerned about the description of the current Westminster Government as neo-liberal. Many of us might also question Carolyn Leckie's interest in the law, given some of her recent exploits.

As someone who grew up on an island that depended on its ferry services, I know only too well the importance of Scotland's ferry services to the communities that they serve. I also know only too well about the hard work and commitment of the staff of Caledonian MacBrayne in delivering the ferry services that they currently deliver in Scotland. Our discussions with the European Commission will continue. We will stay within the law, but we will do all that we can to ensure that whatever process is put in place is a process that protects a high-quality workforce and protects services that are vital for Scotland's passengers, for local people and for tourists.

Carolyn Leckie: I would encourage the First Minister to break unjust laws, as I do. Let me be direct. Will the First Minister publish the legal opinion on the cost of tendering? Yes or no? Will he stand up to the European Commission and to the ideology of privatisation? Yes or no? Will he stand up for workers, communities and the will of the Parliament? Yes or no? Will he meet the members of the National Union of Rail, Maritime and Transport Workers who are lobbying the Parliament today? Yes or no?

The Presiding Officer: That is four questions, Ms Leckie.

Carolyn Leckie: Will he guarantee the terms and conditions, pensions and jobs of CalMac workers? Yes or no? Will he show some mettle—

The Presiding Officer: That is about six questions, Ms Leckie.

Carolyn Leckie: I know that direct questions can sometimes be a wee bit of a problem, so I have brought some visual aids: will it be "Yes" or "No"?

The First Minister: Maybe. However, we must be serious, Presiding Officer, because the issue is serious and requires our full attention.

Serious discussions need to take place with the European Commission and serious attention needs to be paid to any tendering process that might take place. Serious action also needs to be taken by ministers, not only to protect the local communities involved but to ensure that, as far as possible, safeguards are put in place for those who work for what is a very important Scottish company. The Executive intends to take the matter seriously. Mr Stephen's discussions with the Commission will continue and he will make a statement to Parliament in due course.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): The First Minister said that the tendering process is required by law, but neither he nor the Minister for Transport has published any evidence to substantiate that assertion, yet it is an assertion that will determine the fate of the CalMac workers.

Does the First Minister believe that the Minister for Transport was being disingenuous in citing the comparison of Spain? Although the Spanish company, Transmed Shipping, was the subject of an adverse ruling, it suffered not one penny in way of a fine. Indeed, no cost whatever has been paid by Transmed or Spain; no loss of service—

The Presiding Officer: Question, please.

Fergus Ewing: Spain was given 12 months after the ruling in which to comply. Therefore—

The Presiding Officer: Question.

Fergus Ewing: The scare story that the law will be broken if we do not tender is just that—a scare story with no evidence whatever behind it.

The First Minister: There is a fairly perverse logic in insisting that the families of those who work for CalMac and the local people who live on our island communities should face 12 months of uncertainty simply to make a political point, as Fergus Ewing seems to suggest they should. That would be entirely the wrong course of action to take.

The right course of action is to secure the best possible outcome for the island communities that are served by the ferries and for those who currently work—and work very well—for Caledonian MacBrayne. That is the responsible and right way in which to conduct ourselves in the situation.

To take risks with people's jobs and conditions, as Mr Ewing has consistently asked us to do, and—if there were to be a tendering process—to risk the possibility of the contract being broken up into individual contracts for individual services would endanger the lifeline services to our most vulnerable island communities. Mr Ewing might want that to happen, or at least might want to have that possibility on the table at the Commission, but

we do not. We will not allow that to happen. We will continue to take the issue seriously. We will not make political points. Ultimately, we will secure the services for the future.

Mr Alasdair Morrison (Western Isles) (Lab): As the First Minister knows, we have been locked into this tendering process for some five years. I know that he is fully aware of and appreciates the uncertainty that the situation is causing for the communities that Caledonian MacBrayne serves and those who work for the company.

Is Scotland the only European Union country that is going through this process? If that is not the case, can the First Minister detail how other EU countries are handling their subsidised ferry services?

The First Minister: Mr Ewing gave us an example of another European country that was forced to comply with the legislation. In the process, that country took the risk of its contractual arrangements being determined by the European Commission.

I congratulate Alasdair Morrison on insisting at all times that, should there have to be a tender for the services, it must encompass all the existing services to ensure that lifeline services are placed in the most secure position possible. The irresponsible suggestions from others that we should transfer responsibility to others by not taking responsibility ourselves might be consistent with the approach that they take on other issues, but they are wrong, because the best way to deal with the matter is to take it seriously and to stay within the law, but to push for the best possible outcome for Scotland.

The Presiding Officer: Question 4 has been withdrawn.

Terrorism (House Arrests)

5. Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): To ask the First Minister how the Scottish Executive envisages that the Home Office's proposed powers of house arrest of terror suspects will operate in Scotland. (S2F-1424)

The First Minister (Mr Jack McConnell): The Home Office is currently developing its new proposals to combat terrorism. Of course, national security is a reserved responsibility of the UK Government.

Jeremy Purvis: In the light of the recent case of prisoner C, who was released from Woodhill prison without charge, does the First Minister agree that it would be unacceptable in Scotland for someone to be incarcerated without charge and without recourse to the courts to determine guilt? Does he agree that it would never be acceptable for a Government minister acting alone, on his or

her discretion, to decide to imprison an individual, and that that would be contrary and foreign to the core principles of justice in Scotland?

The First Minister: I do not want to get drawn into speculation, but my understanding of the proposals that were put into the public domain last week is that they include an appeals process, which might deal with some of Mr Purvis's concerns. We are involved in discussions only to the extent that we want to protect the positions of Scots law, the Scottish ministers and the Parliament. National security is reserved to the UK Government, and it is right and proper that it should put the proposals into the public domain and that they should be scrutinised by Parliament in the correct way. I am sure that that will happen and that most parties that are represented in the chamber will be able to comment on the proposals.

Shipbuilding

6. Miss Annabel Goldie (West of Scotland) (Con): To ask the First Minister what action the Scottish Executive is taking to support the shipbuilding industry on the lower Clyde. (S2F-1410)

The First Minister (Mr Jack McConnell): We have in place a Scottish shipbuilding strategy and a marine industry steering group, both of which address the issues facing Scottish shipbuilders and, through the enterprise agencies, offer Scottish shipbuilders—like other industries—appropriate business support. Scottish ministers and Executive officials are in regular contact with UK ministers to support and promote Scottish shipbuilding interests, including those on the lower Clyde.

Miss Goldie: The First Minister will be aware that Ferguson Shipbuilders of Port Glasgow faces a critical situation in the immediate future. He will also be aware of concerns expressed by the yard that in the past six months £80 million-worth of Government contracts has been lost directly or indirectly to Poland. How do the Governments of France, Germany, Holland, Italy and Spain manage to place their shipbuilding contracts with indigenous yards? Is he satisfied that Ferguson's is being asked to tender for Scottish Executive work against fair competition? Why cannot a Scottish fishery protection vessel—a little navy boat to the rest of us—be classed as a grey hull, with the consequent tender benefits to our own shipbuilding industry?

The First Minister: Because our fishery protection vessels do not include naval personnel and do not have armaments on board, which are a clear part of the definition used by the European Commission. If there is evidence that countries in the European Union are diverting or awarding

inside their own countries contracts that are not for naval shipbuilding or shipbuilding that has a naval content, I, along with everyone else, would be interested to see it. We keep the matter under constant review. We are constantly in discussion with the UK Government about the best way to promote, protect and enhance the opportunities that are available to Scottish shipbuilding interests, and we will continue to take that approach.

Trish Godman (West Renfrewshire) (Lab): Does the First Minister agree that Ferguson's in Port Glasgow in my constituency is an important yard to the local economy? In an area of population decline, we cannot allow it to close. I stress that the shop stewards, the management and the workforce are not looking for a handout. They do not want charity; they want contracts for ships. Will the First Minister assure me that he and Ross Finnie will give the yard a fair go, as far as a share of state contracts is concerned, because the workers deserve no less?

The First Minister: Of course Ferguson's, like other Scottish shipbuilders and yards, is treated fairly by Scottish ministers. The objective has to be not just to treat them fairly, but to ensure that they are well placed to win orders and contracts. That is why we have a shipbuilding strategy in place and why we have a steering group, on which Ferguson's, along with other interests, is represented. That is why we have constant dialogue with the industry, the enterprise agencies and the UK Government to promote Scottish shipbuilding interests. I am sure that if we can take forward any initiatives or ideas from those discussions, we will certainly do so.

Jim Mather (Highlands and Islands) (SNP): By winning many orders from the private and public sectors, Ferguson's has proved that it can compete and can win an array of satisfied customers such as Western Ferries (Clyde) Ltd. In the current climate, what confidence does the First Minister have that Polish state aid meets EU rules?

The First Minister: Of course, we have been looking into the matter, but we have been unable to uncover evidence that the Polish decisions break EU rules. It has been suggested that other countries throughout the European Union are awarding contracts in their countries for the use of boats without a naval content. If that is the case, I would welcome evidence of it, because we could use it in our discussions. It is important that we ensure not only that our shipyards are competitive and can compete for the contracts, but that they can get the contracts in the first place. I say with all due respect to Mr Mather that pulling Scotland out of NATO and ensuring that we are no longer part of the United Kingdom and its defence

contracts would not benefit Ferguson's, or any other Scottish shipyard, in any way.

George Lyon (Argyll and Bute) (LD): On a point of order, Presiding Officer. Will you clarify the criteria for selecting follow-up questions at First Minister's question time? As the MSP for Argyll and Bute, the constituency in which 60 per cent of Caledonian MacBrayne routes originate, I thought that, at the very least, I would get an opportunity to question the First Minister on what is an important constituency issue.

The Presiding Officer: The criteria are as set out before. I have many variables to take account of, not least time and balance. I am sure that, over the course, balance, time and constituency interests are well served.

12:32

Meeting suspended until 14:00.

14:00

On resuming—

Question Time

SCOTTISH EXECUTIVE

Environment and Rural Development

European Structural Funds

1. Mr Mark Ruskell (Mid Scotland and Fife) (Green): To ask the Scottish Executive what its response is to the possible impact on the agricultural and fisheries sectors of the Scottish European structural funds forum's assessment that European structural funds for Scotland will be cut by between 15 and 50 per cent from 2007. (S2O-5302)

The Minister for Environment and Rural Development (Ross Finnie): It is far too early to draw conclusions about any particular assessment of the outcome of the negotiations on European structural funds. The negotiations are likely to continue for some time before final decisions are reached. The Executive is monitoring closely the development of future European Union structural funds in parallel with the draft rural development regulation, and is discussing scenarios with relevant stakeholder groups. From those discussions, the Executive feeds into the development of the United Kingdom position on the regulations.

Mr Ruskell: The minister knows how important structural funds are in helping our fishing communities to weather the storm while our fish stocks recover. When will we know whether we face a high, medium or low funding scenario in Scotland?

Ross Finnie: There are two separate streams. Negotiations on structural funds started in September 2004—we understand that it will take 18 months to complete those negotiations. As Mr Ruskell is aware, the member states are discussing a range of variables. The present financial instrument for fisheries guidance runs from 2002 to 2006, so the new fisheries fund will have to be in place well before the new one comes into operation in 2007.

The Presiding Officer (Mr George Reid): Question 2 is withdrawn.

Agricultural Diversification

3. Scott Barrie (Dunfermline West) (Lab): To ask the Scottish Executive how it is promoting agricultural diversification. (S2O-5237)

The Minister for Environment and Rural Development (Ross Finnie): Support for agricultural diversification is one of the key themes of "A Forward Strategy for Scottish Agriculture", which I published in 2001. The Scottish Executive provides financial support to farmers and their families who want to diversify through two principal grant schemes: the agricultural business development scheme and the farm business development scheme. The schemes were launched in 2001 and have a combined budget of more than £60 million over six years. They offer support for diversification into alternative agriculture—for example, energy crops, soft fruit and worm farming—or non-agricultural activities such as tourism, retail or sports and leisure.

A third element of diversification is the processing and marketing grant schemes that we operate, which support diversification by providing assistance to farmers to develop innovative products, to add value, to co-operate to exploit new markets and to shorten the supply chain by linking producers and processors. The grants will deliver £22 million of assistance between 2001 and 2006.

Scott Barrie: I thank the minister for that comprehensive answer. Given the difficulties in our agriculture sector, can the minister indicate whether all the moneys that are allocated to the farm business development scheme have been taken up? What additional publicity could there be in the sector to assist agricultural diversification to take place?

Ross Finnie: There is no doubt that the implementation of common agricultural policy reform has created an element of uncertainty in the sector and that there has been a concomitant reduction in the uptake of, and inquiries into, both of the schemes to which I referred. The Environment and Rural Affairs Department has tried to engender new interest by distributing a leaflet. Some 20,000 leaflets have been sent out with farmers' integrated administration and control system packs, and the project staff who work in agricultural areas have held surgeries to promote the schemes. We also ran a campaign through the young farmers organisations and other stakeholder organisations. Scott Barrie is right to raise this issue, as we have been concerned about it. We are taking every possible step to encourage people to take up the two schemes.

Alasdair Morgan (South of Scotland) (SNP): What assessment has the department made of how successful the money that has been disbursed so far has been in achieving lasting and successful diversification? What plans does the department have to put in place research to establish that?

Ross Finnie: Of course, the crucial issue is the long-term outcomes of the schemes. We are obliged to assess each element of European funding, particularly as one of the schemes is co-funded. The scheme in the rest of Scotland is a Scottish Executive funded scheme. We are reasonably satisfied that we are achieving our long-term aims. However, as Alasdair Morgan will be well aware, it is all very well to use the glib term “diversification”. The issue is to find schemes that can be applied in specific areas that have specific characteristics, which is why we offer a broad range of options. The scheme can be agricultural or non-agricultural; within agriculture we support a broad range of activities. We are reviewing the schemes, which we are obliged to do, and we keep under review whether we are getting long-term benefit.

Alex Fergusson (Galloway and Upper Nithsdale) (Con): One thing that is certain is that farmers will have far greater freedom to diversify away from traditional livestock farming under the single farm payment support structure. Many current livestock farmers may, for example, choose to diversify into deer farming to satisfy the ever-increasing market for venison. Does the minister agree that it is grossly unfair that any farmer who chooses to do so will receive full single farm payment as long as he has entitlement, whereas current deer farmers who have been farming without support for some years will receive no support?

Ross Finnie: No, I do not agree. We had to make a very difficult decision. There is no doubt at all that in financial terms Scottish agriculture is still in a relatively fragile state if we do without subsidy. The aim and object of the agriculture strategy is to try to increase the proportion of that very small section of the industry—it is perhaps less than 20 per cent at the very top. The difficult decision was about whether we should change the whole financial basis, as has been done elsewhere, or introduce major reform but provide some certainty about the financial support. My judgment was that it was better, given the state of Scottish agriculture, to give farmers the certainty of financial support, while at the same time encouraging them through the agriculture strategy to implement measures that will make them less subsidy dependent.

Eleanor Scott (Highlands and Islands) (Green): I am sure that the minister will agree that a popular and successful form of diversification has been tree planting under the forestry grant scheme. However, that is under threat from the current draft European Union rural development regulations, which propose a reduction of support to 40 per cent of costs and propose that it will last for 10 rather than 20 years. What will the Scottish

Executive do to ensure that the current level of support for farm and croft forestry is maintained?

Ross Finnie: Two elements are involved in addressing that problem. One is to try to get greater integration between agriculture and forestry; such integration is more common in mainland Europe. Compared to other European countries at our latitude we have below-average forestation. The second element is to consider more closely the opportunities that are afforded by energy crops and, in respect of forestry, short-rotation coppice. I will link Eleanor Scott’s direct question on agriculture and forestry development to the opportunities that open up with energy crops. The Executive, in considering how it pursues its strategy, is well placed to ensure that we continue to give support to ensure greater integration of those two aspects.

Royal Highland Showground

4. Margaret Smith (Edinburgh West) (LD): To ask the Scottish Executive what discussions it has had with interested bodies about the future of the Royal Highland Show showground. (S2O-5209)

The Minister for Environment and Rural Development (Ross Finnie): Prior to the publication in December 2003 of the UK white paper “The Future of Air Transport” the Scottish Executive Environment and Rural Affairs Department participated in a joint study that was led by the Department for Transport and involved the City of Edinburgh Council, Edinburgh Airport Ltd and the Royal Highland and Agricultural Society of Scotland. The objective of the study was to identify whether the proposed growth of Edinburgh airport could be compatible with retention, in some form, of the Royal Highland Centre. A number of options were examined, but the conclusion was that there were no options that both Edinburgh Airport Ltd and the Royal Highland and Agricultural Society of Scotland could agree on as being mutually acceptable.

The white paper concluded that

“Our proposals would therefore require the relocation of the RHASS, by around 2013 (or earlier if that would be more suitable). The Scottish Executive will work with the Society, BAA and relevant local authorities to identify an alternative site for the Society and help facilitate their relocation.”

Scottish Executive officials have therefore been working with the society, relevant local authorities, and Scottish Enterprise Edinburgh and Lothian on identifying suitable alternative sites for the Royal Highland Centre. That work is on-going.

Margaret Smith: I thank the minister for his answer, although it is obviously disappointing to me as the local member.

Is the minister aware of the growing support both for reconsideration of the current proposal,

which requires the RHASS to move at considerable public cost, and for an option that recognises that there is room for all on the site and which will allow the continued co-existence of the society and the airport? Will he agree to meet me and the society to discuss the issue, which is important for the region's economy?

Ross Finnie: I will be happy to meet the member and interested parties. As I said, the Environment and Rural Affairs Department is considering options and if new material or facts have emerged, I will be very happy to consider them.

The Presiding Officer: Question 9 is next.

If members do not withdraw questions, I am required to put them. This is the second week in which—[*Interruption.*] I am very sorry. Question 5 is next.

Flood Prevention

5. Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I will wear a brighter tie next time.

To ask the Scottish Executive what resources are in place to enable local authorities to take flood prevention measures. (S2O-5219)

The Deputy Minister for Environment and Rural Development (Lewis Macdonald): Very substantial resources are in place. Last year's spending review increased the grant that is available for flood prevention and coast protection schemes to £89 million over the period 2005-08. Local councils can apply to that fund to meet 80 per cent of the eligible costs of approved schemes.

Jeremy Purvis: I welcome the additional resources, but is the minister aware of the significant flooding that has taken place in Selkirk and Peebles in my constituency and in Hawick in my colleague Euan Robson's constituency? Will the minister work with Scottish Borders Council to mitigate flooding, particularly along Selkirk riverside, not only to alleviate flood risk but to allow the area to be actively promoted for economic development?

Lewis Macdonald: I am aware of the flooding incidents in the Borders and elsewhere in Scotland in recent weeks. Because of that flooding, the funding that is available to local authorities is particularly welcome in the Borders and other areas. The message that I hope local authorities will receive in respect of the increased funds and the increased rate of payment is that we very much want to encourage all councils to address the areas that have flooding risk and to bring forward schemes. Such schemes must go through the statutory process to be approved for technical

competence, but if the criteria are met, schemes will be supported by the Executive.

Fly-tipping

6. Karen Whitefield (Airdrie and Shotts) (Lab): To ask the Scottish Executive what progress is being made in reducing instances of fly-tipping. (S2O-5277)

The Minister for Environment and Rural Development (Ross Finnie): The problem is that no formal data are currently collected centrally to allow us to measure the amount of fly-tipping that occurs in Scotland. However, the Scottish Executive is to provide the necessary funding to allow Scottish participation in the flycapture project. Flycapture is a web-based fly-tipping database, into which local authorities and other duty bodies will be able to input data directly. The database will provide a record of fly-tipping incidents throughout the United Kingdom. Scotland-only data will be extractable to enable us to assess where and at what point we should direct more resources at the problem.

Karen Whitefield: I am grateful for the minister's detailed answer. I hope that if sites are identified, we will be able to do more about the problem. Is the minister aware that North Lanarkshire Council provides a free uplift service and a dedicated fly-tipping helpline, so that it can be advised about fly-tipping as it happens? However, as quickly as the council clears one site, the problem reappears elsewhere. Does the minister agree that fly-tipping is unnecessarily blighting the countryside around Shotts, Salsburgh and Cleland in my constituency and in many parts of rural Scotland? Does he agree that more needs to be done to address the problem?

Ross Finnie: Karen Whitefield's interest in the matter is well recorded and I am grateful to her for constantly keeping it to the fore in Parliament. I am impressed by the steps that North Lanarkshire Council has taken to try to address the problem, but it is disappointing that a local council should seek to engage with its community only to find that the people who indulge in such highly irresponsible behaviour are simply displaced from one area to another. I am entirely in agreement with Karen Whitefield and we are well aware of some of the problems in her locality. However, the absence of clear information throughout the country has made it difficult to concentrate resources where they are most needed. I hope that the initiative that I announced will help in that regard.

Power Generation (Environment)

7. Stewart Stevenson (Banff and Buchan) (SNP): To ask the Scottish Executive what the environmental costs and benefits are of placing

power generation capacity immediately adjacent to cities. (S2O-5192)

The Minister for Environment and Rural Development (Ross Finnie): I am not aware of any current applications to build power stations next to such areas and therefore the Executive has not made a comprehensive analysis of such proposals. The siting of a power station is in the first instance a commercial issue for the generator. However, a developer would have to have regard to the relevant local authority's development plan, together with the Government's policy and guidance, as set out in Scottish planning policies. The consent of Executive ministers under section 9 of the Electricity Act 1989 would also be required.

Stewart Stevenson: I am sure that the Tories will be disappointed to hear that the minister will not support power generation within the boundaries of the city of Edinburgh. In relation to the rest of Scotland, given that the Office of Gas and Electricity Markets is seeking to skew transmission costs to favour power generation that is adjacent to cities, and to penalise power generation that is distant from them, have you had discussions with Westminster colleagues, or directly with Ofgem, about the direct negative impact that the policy will have on power stations in rural Scotland, such as Peterhead power station in my constituency?

Ross Finnie: The member said that the policy "will have" an impact, but it will have an impact only if it finally comes into being. I assure the member that the Executive is in direct contact with Ofgem. Allan Wilson, the deputy minister with responsibility for the issue, has written directly to Ofgem to point out the matter that the member raised about the damage that might be caused by the policy that appears to be the current option. As the member is aware, Ofgem has changed its policies on a number of occasions in recent times; we hope that we can persuade it to change yet again.

Murdo Fraser (Mid Scotland and Fife) (Con): Will the minister join me in welcoming the proposal for wind turbines on Salisbury crags? Does he accept the general principle that, if we are to have onshore wind farms, it makes sense to locate them in urban areas, close to centres of population, rather than in rural areas such as the hills of Perthshire?

Ross Finnie: I wonder whether a declaration of interest should have accompanied that last question. I do not necessarily accept that principle. One of the potential benefits to Scotland of renewable energy is that we can create employment opportunities and make a sizable contribution to improving the environment through developments in remote and rural areas, where

there are fewer job opportunities than there are in the central belt. I do not favour a policy of concentrating such developments in the central belt. However, each proposal must be judged on its merits and, no doubt, the proposal to which the member refers will be judged on its merits.

The Presiding Officer: Question number 8 is withdrawn, so we come to question 9. As I said earlier, this is the second week running in which a member has not turned up for their question. Members must inform my office if they want to withdraw a question; to do otherwise is a discourtesy to Parliament.

Water and Sewage

10. Paul Martin (Glasgow Springburn) (Lab): To ask the Scottish Executive what action it is taking to increase water and sewage capacity in areas where acute housing shortages have been identified. (S2O-5266)

The Deputy Minister for Environment and Rural Development (Lewis Macdonald): In the current investment period, some £200 million will secure positive benefits in addressing current constraints and an additional £41 million will address development constraints and first-time connections in rural areas. We consulted recently on what Scottish Water's future investment priorities should be and we will announce next week the objectives that we wish Scottish Water to address in the next regulatory period.

Paul Martin: In the Robroyston area of my constituency, people are experiencing severe difficulties with connection to water and sewage services. Since last August, a business that aims to locate to my constituency and which will provide 130 jobs has experienced difficulties with Scottish Water in connecting to water and sewage services. Can I meet the minister to discuss the issue and to ensure that, once and for all, Scottish Water deals with the administration of ensuring connection to water and sewage services?

Lewis Macdonald: I am aware of the issues that Paul Martin raises, although they are not confined to the areas that he mentioned—similar issues have arisen elsewhere. It is worth saying that at the outset of the current investment programme, none of the parties in the discussions highlighted the issue of development constraints. One consequence of that is that, in preparing the directions that we will issue for the next investment period, we ensured that business, housing developers and local government were fully involved in the discussions to help us identify the priorities that need to be applied if we are to ensure that similar constraints do not arise in the future.

Health and Community Care

PFI/PPP (Costs to NHS Boards)

1. Linda Fabiani (Central Scotland) (SNP): To ask the Scottish Executive what effect increasing private finance initiative/public-private partnership costs have on the budgets of national health service boards. (S2O-5214)

The Minister for Health and Community Care (Mr Andy Kerr): PFI contracts are signed on the basis of an approved business case and affordability is assessed over the period of the contract. The unitary payments that are made to contractors reflect not only the construction of buildings, but on-going maintenance over the life of the contract. The Executive is continuing to increase dramatically the level of infrastructure investment in NHS Scotland. This is not simply about PPP. Our public capital budget has risen from £136 million in 1997 to £350 million this year. The annual capital budget by 2007-08 will be £530 million. In 2004-05, the unitary payments for signed NHS Scotland PFI/PPP contracts is just over £100 million. That represents 1.26 per cent of forecast revenue expenditure for NHS boards. Those costs have been published within the draft budget 2005-06.

Linda Fabiani: Will the health minister acknowledge the ratchet effect of fixed-payment PFI/PPP projects on a tightening budget? Will he also acknowledge the Minister for Finance and Public Service Reform's confirmation that internal rates of return to shareholders in those project companies are between 13 per cent and 16 per cent? In particular, however, will he undertake to investigate why delivering such revenue streams for the private sector has become a function of the health service?

Mr Kerr: What escapes the member's attention is that we need buildings in the health service to provide services to our communities; therefore, whatever way we build our hospitals, they will be a key driver in any NHS budget. What PFI/PPP does for us is provide additional capacity that otherwise would not be available. I say to the 550,000 patients in Scotland who have benefited from Hairmyres hospital, Wishaw general hospital and Edinburgh royal infirmary that they would not have had those hospitals under the policies of Linda Fabiani's party.

Private Health Care Referrals

2. Dennis Canavan (Falkirk West) (Ind): To ask the Scottish Executive how many national health service patients have been referred to the private sector in the past year. (S2O-5173)

The Minister for Health and Community Care (Mr Andy Kerr): Information is not available on

the number of patients who are referred to the independent health care sector. Referrals may be made for a number of reasons, such as diagnostic scans or surgical procedures. It is estimated that 2,500 NHS patients underwent treatment in the independent health care sector in Scotland in the past year. "Fair to All, Personal to Each: The next steps for NHSScotland" included a commitment to negotiate contracts with the independent health care sector for a range of procedures and treatment that will benefit NHS patients in Scotland and help to reduce waiting times. Those contracts will include a requirement for all relevant patient returns to be submitted timeously.

Dennis Canavan: Given that an operation in the private sector can be three times as expensive as an operation in a national health service hospital, would it not make more sense to provide more resources to the national health service to reduce waiting times, instead of continuing to shell out public money to private hospitals? Is the minister aware that in Forth valley there has been a welcome reduction in the use of the private sector over the past two years? Why, in that case, is the Scottish Executive apparently encouraging more use of the private sector?

Mr Kerr: It appears to escape the member's attention that the Executive is putting historic levels of funding into the health service to ensure that the primary function of the NHS here in Scotland is to provide health services. There were 465,000 emergency admissions to our hospitals and 562,000 elective in-patient day cases in our health service in 2003-04. That constitutes the vast majority of the work, which is right. What is also right is that, when we have particular difficulties and unacceptable waiting times for patients, we need to act and to respond to those concerns. I suggest to the member that on top of the 1,150 more hospital doctors, the 2,700 more nurses and the 1,250 more allied health professionals that we have in our health service we also have additional capacity from the private sector to deal with the longest waits and—I have to say—to address the needs of patients and not the service.

Elaine Smith (Coatbridge and Chryston) (Lab): Given the minister's answer, I ask him for reassurance that private sector involvement in the treatment of NHS patients, which is sanctioned by the Executive, will in no way serve to undermine or to reduce the current or future capacity of the NHS in Scotland, and whether it is intended as a short-term measure while NHS capacity is increased?

Mr Kerr: We are increasing dramatically the capacity of the health service—the figures that I quoted previously are evidence of that.

What we are saying is that in some areas and some specialties we have difficulty in providing

enough services within the national health service, so we use additional resources from the private sector. Our service is and will continue to be based on the national health service, but members may rest assured that we will not turn our back on patients who are simply waiting too long, when we do not have the capacity here in Scotland to deliver. I therefore think that the Executive's policy is a balanced one. It does not replace the national health service but supports the national health service by allowing NHS boards to put patients who require treatment into hospital on a timeous basis, and they are doing so at the moment.

Shona Robison (Dundee East) (SNP): Is the minister concerned about the growing number of NHS dental patients who have had to go for private treatment? More than 91 per cent of dentists say that they will not increase the amount of NHS work that they do in the next two years. If he is concerned about that, what is the reason for the delay in the Executive's response to the consultation which, the minister will remember, was launched in 2003? That was two years ago.

Mr Kerr: Of course, in dentistry we are dealing with a market that is very much in the private sector, given the role that dentists have within the structure of our health service here in Scotland. With regard to the delay, I have said many times to members, who can ask me as many times as they like about when this or that will arrive, that we will not deliver the paper to Parliament until we in the Executive have got things right, until we have got our plans properly resourced and until we are able to make the real difference that we want to make. That is not about responding to parliamentary pressures but about getting things right for patients. I want to make sure that our oral health strategy is the right one, which will make a difference for the communities that Shona Robison seeks to represent in her question.

Centralised Hospital Services (Assessment)

3. Fiona Hyslop (Lothians) (SNP): To ask the Scottish Executive what assessment it has carried out of hospital services that were centralised in 2003. (S2O-5183)

The Minister for Health and Community Care (Mr Andy Kerr): Our aim is for health care services to be as local as possible and as specialised as necessary. The key objectives are clinical quality, safety and the best clinical outcome for the patient; any service changes and developments must achieve those objectives. Responsibility for monitoring and assessing service changes is a matter for national health service boards. All boards must have robust clinical governance arrangements in place, including processes to evaluate and maintain satisfactory standards of clinical safety and quality

of care. That requirement applies to all clinical services, including those whose physical location has changed.

Fiona Hyslop: Will the minister confirm that he is responsible for monitoring the boards to which he refers? As part of that assessment, will he investigate the probity of the decision-making process in respect of the closure of the emergency surgery and trauma orthopaedics departments at St John's hospital at Livingston? In particular, will he investigate the role of Brian Cavanagh, the chair of Lothian NHS Board? Mr Cavanagh wrote to me on 24 May 2004 to state that any proposed closure would be subject to consultation, yet within a matter of weeks the services had been closed with no scrutiny, consultation or public accountability. Will the minister ask for publication of the minutes of the meeting at which the decision was made?

Mr Kerr: We all have rights under the freedom of information legislation and the member might wish to take up her rights in relation to the matter that she raises. In terms of any service that we have here in Scotland, redesign and reconfiguration allow us to ensure that services are delivered with the specialist skills that are available in the health service, the quality and safety requirements that we quite rightly demand as patients, and clinical sustainability. That drives many of the changes in our health service.

We should get the facts right about where our health service is heading—it is heading into the community. More than 90 per cent of patient involvement with the NHS starts and finishes in our communities. Our drive in the Executive's partnership for care is to get more services back into the community and there are many good examples of services being devolved to local areas. I suggest that clinical safety and patient need are paramount and that they are the key drivers for all health boards here in Scotland.

Mrs Nanette Milne (North East Scotland) (Con): In view of the minister's response to Ms Hyslop, would he care to comment on the concerns that are being expressed by patients and medical professionals about the consequential effects of centralisation on cottage hospitals, such as those at Jedburgh in the Borders and Insch in Aberdeenshire?

Mr Kerr: I will make the point again about centralisation. What we want to provide here in Scotland is services that are as local as possible and as specialised as necessary. Clinical safety is the key governing factor, and we want to ensure that we provide as many services as we can in communities. Of course, we have closed many hospitals—we did so because they were unsuitable for modern care. We have put people into the community and into the proper

environment, which is where they deserve to be treated. Therefore, I have to say that not every closure is to the detriment of the patient, as long as we develop the right responses at local level in relation to the services that the member mentioned. We have taken renal dialysis and chemotherapy out of the hospital environment and into the community, and there are many other good examples of how the Executive has delivered services in communities. The driver is the need for services that are as local as possible and as specialised as necessary.

Cancer in Children (Pollution)

4. Patrick Harvie (Glasgow) (Green): To ask the Scottish Executive whether it is taking any action on recent research that some cancer in children is caused by pollution. (S2O-5284)

The Deputy Minister for Health and Community Care (Rhona Brankin): The research referred to is presumably that published by Professor Knox in the "Journal of Epidemiology and Community Health" on childhood cancers and atmospheric carcinogens. Initial scientific consideration of those findings points to the need for caution, in particular because of the novel study methods used and concerns for the robustness of the inherent assumptions. The Government's principal scientific advisory committee on such issues, the Committee on Carcinogenicity of Chemicals in Food, Consumer Products and the Environment, has been asked to consider and advise on the findings of the study as part of its current review of cancer in children.

Patrick Harvie: Does the minister share the view of many Glasgow residents that the Executive should examine most closely any such indications by research? Given that, last week, the Deputy Minister for Environment and Rural Development told me that, although Glasgow City Council will make progress in reducing pollution over the next few years, it will not meet air quality objectives under the Environment Act 1995, does the Health Department consider that the matter is worthy of further attention?

Rhona Brankin: Clearly, we need to consider the issues in a joined-up way and I agree that the issue that has been raised merits attention. Of course, the main childhood cancer types that have been cited as having a possible link to environmental exposure are leukaemias and cancers of the central nervous system. We need to continue to conduct research in those areas. The chief scientist's office is currently funding four research projects on leukaemia at a cost of £249,000. Available scientific evidence cannot yet clarify whether exposure to environmental factors such as radiation affect the incidence of childhood cancer in the United Kingdom. However, if they

do, their effect on overall childhood cancer statistics is likely to be low.

Smoking

5. Paul Martin (Glasgow Springburn) (Lab): To ask the Scottish Executive what support it is currently providing to people who wish to give up smoking. (S2O-5269)

The Deputy Minister for Health and Community Care (Rhona Brankin): There is a well-established infrastructure of specialist smoking cessation services in every national health service board in Scotland. Smoking cessation services provide intensive support either in groups or through individual counselling. The Executive has committed an additional £4 million to cessation services for 2005-06, which effectively more than doubles funding for those services.

Paul Martin: Does the minister accept that a number of initiatives that have been undertaken in the past have failed and that we have to learn some lessons from those failures while building on the successful programmes? Will she consider engaging with publicans who will experience difficulties as a result of the initiative involving no smoking in public places, to investigate the possibility of using their premises to give people an opportunity to access information on the cessation of smoking?

Rhona Brankin: We are always open to such suggestions, which is why the licensed trade and hospitality sector is a key participant in the smoke-free areas implementation group. Of course, we are always willing to consider novel ways of developing smoking cessation services.

Paul Martin might be interested to visit the Glasgow pharmacy stop smoking project, which is operating in more than 70 per cent of community pharmacies in greater Glasgow. Patients who are motivated to stop smoking can attend their local community pharmacy, where they will be prescribed weekly supplies of nicotine replacement therapy. They will also be offered five to 10 minutes of counselling support and they can have their carbon dioxide levels tested. He might be interested to know that one of the pharmacies in Springburn Way is participating in the scheme.

Mr Stewart Maxwell (West of Scotland) (SNP): According to the Executive's figures, 5,000 13-year-olds and 13,000 15-year-olds smoke regularly. Of those 18,000 children, approximately 15,000 admit to buying cigarettes in shops. However, in response to a question that I asked, the Executive confirmed that between 1998 and 2002 there were only five convictions for selling tobacco products to children. Given the Executive's stated intention of improving health by

preventing young people from taking up smoking, will the minister take up that issue with the Minister for Justice and use the power of her office to support the use of cigarette test purchasing to dissuade unscrupulous shopkeepers from selling cigarettes to children?

Rhona Brankin: I am conscious of the issue of smoking among young people as, in a previous existence as a teacher, I ran smoking cessation sessions for youngsters at secondary school. I am more than happy to have discussions on the matter with the Minister for Justice. We are currently considering how to ensure that retailers do not sell cigarettes to youngsters.

NHS 24

6. Iain Smith (North East Fife) (LD): To ask the Scottish Executive how it is reviewing the performance of NHS 24. (S2O-5189)

The Minister for Health and Community Care (Mr Andy Kerr): The Health Department receives weekly performance reports from NHS 24 and tracks the trends in the organisation. Meetings to review performance are held regularly with senior staff from NHS 24. Our aim is to ensure that patients and the public receive the service that they expect and that the taxpayer gets value for money.

Iain Smith: I am sure that the minister will join me in paying tribute to the staff of NHS 24 for the work that they do, which can range from dealing with potentially serious medical conditions to dealing with, for instance, a hamster bite or a request for an emergency supply of condoms. A number of cases have been cited in which concerns have arisen about whether the appropriate advice has been given to patients and, on occasions, about whether doctors have been called by NHS 24 to go out to patients when that has been required. What happens in NHS 24 to ensure that its procedures are monitored regularly, so that such problems do not arise? What impact has there been on general practice and accident and emergency services and has there been any monitoring of that impact?

Mr Kerr: The member recognises the contribution of NHS 24 staff, which was particularly relevant over what was a difficult festive period for them, especially given when the public holidays fell. NHS 24's resource was stretched at that time, but the planning that it put in before the Christmas break ensured that the service was delivered effectively. I understand that, on occasions, the call waiting times extended beyond what I would say was normally acceptable. Nonetheless, that was the case on only a few occasions. From Christmas eve to 5 January, NHS 24 took 89,700 calls, which was a substantial achievement.

NHS 24 is not an emergency service—it is not about emergencies or 999 calls and the first message that the caller gets contains that information. The service receives a wide variety of types of call. One of the refreshing things about the service that NHS 24 provides is that anything that gets round the systems of working can be effectively investigated by listening to the calls and going through the protocols. That can help patients to understand why certain decisions were made on certain occasions.

We can always improve our services, particularly with regard to the use of support organisations over the festive period. The links between organisations were under some strain—I recognise the member's point about how we should properly treat the various services. Lessons have been learned and I hope to report to the Parliament further on the changes that we wish to make to the system to ensure that it becomes even better, while recognising that an organisation that handles 1,250,000 calls but received just 89 complaints is not doing badly.

Alasdair Morgan (South of Scotland) (SNP): I echo what the minister says about the staff of NHS 24. However, does he acknowledge that there have been cases in which constituents have either not been able to get through to NHS 24 at the first time of trying or been asked to phone back? Does he agree that the targets for both those occurrences should be zero? Otherwise, more pressure is put on the 999 services.

Mr Kerr: Many of those issues will be dealt with in the reports that I will receive as part of our considered analysis of what occurred over the Christmas and new year period. The sheer volume of calls put strain on the system. Nonetheless, I would say that the service performed extremely well overall. I am happy to take on individual cases.

The issue is about properly resourcing NHS 24 to ensure that targets are met. The current target is for 90 per cent of calls to be responded to within 30 seconds of people hearing the message that they receive when they call the line. That is a substantial target, which is not yet being achieved on every occasion. We need to ensure that the targets are correct. There are strict limits with regard to calling back. I am aware of some individual failures with call-back over the Christmas and new year period. We will learn from those.

With the transfer of out-of-hours services, this has been the first time that NHS 24 has had to deal with almost every call to do with health in Scotland. I repeat that, although there might have been individual service failures, which is completely unacceptable to the individual callers concerned, NHS 24 provided an extremely

efficient service over what was a very testing period.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): An “efficient service” was not my experience over that period. The minister rightly indicated that NHS 24 is not an emergency service. Why, then, is the first question that patients are asked when they ring up, “Is this an emergency?” Patients are told that emergencies are to be dealt with first, but is that not the wrong message for NHS 24 to send out?

Mr Kerr: Mike Rumbles’s experience is not the same as my experience from the calls that I have made. The message says that the service is not an emergency service—the call handler is, of course, simply seeking to reassure himself or herself on the nature of the call. It is not a matter of saying that a call will get to the top of the queue, but the call handler will—correctly—place an emergency call in the hands of the 999 service. I am happy to discuss the matter privately with the member, but my experience is not the same as his.

The Presiding Officer: Question 7 has been withdrawn.

Psychiatric Care (Children and Young People)

8. Mary Scanlon (Highlands and Islands) (Con): To ask the Scottish Executive how many in-patient psychiatric beds for children and young people will be provided by October this year to comply with the implementation of the Mental Health (Care and Treatment) (Scotland) Act 2003. (S2O-5226)

The Deputy Minister for Health and Community Care (Rhona Brankin): By October 2005, the number of beds in dedicated units for children and young people will be 44, as it currently is. However, national health service boards are also developing plans to provide age-appropriate care in other NHS settings to ensure compliance with the act.

Mary Scanlon: I have an update from Children in Scotland, which states:

“A new report by the Child Health Support Group recommends that a minimum of 60 inpatient psychiatric beds are required”.

Will the additional beds be in place by the time the act is implemented in October?

Rhona Brankin: As I said, plans are being developed to provide age-appropriate care in other NHS settings to ensure compliance with the act. Currently, NHS regional planning groups are considering the option and costs of expansion. We absolutely do not wish any young person to be inappropriately admitted to an adult ward, but interim measures will be required to accommodate

young people appropriately if a place is not available in a dedicated young people’s unit, as it will take some time to get an ideal service. The child health support group has recommended that all NHS settings that admit children and young people with mental health difficulties should meet a series of quality standards, which are outlined in the report. We are discussing with NHS Quality Improvement Scotland the possibility of developing formal standards.

General Questions

Community Transport

1. Patrick Harvie (Glasgow) (Green): To ask the Scottish Executive how it is supporting community transport schemes. (S2O-5298)

The Minister for Transport (Nicol Stephen): The Executive is supporting more than 100 community transport schemes right across Scotland in rural and urban areas. Our funding for those schemes is £2.3 million in this financial year and it will rise to £2.5 million next year.

Patrick Harvie: I was pleased to welcome representatives of the community transport sector to the Parliament recently. Those representatives expressed the view to me and other members that the Executive has built up a good level of knowledge and understanding of the issues that affect them. However, is the minister aware that many of them are anxious about having to go through the same process again in building up that level of awareness and understanding among the new structures at regional level? How does the minister intend to ensure that the new structures come up to speed on community transport issues so that the sector can continue to develop?

Nicol Stephen: It is important to emphasise that, until recently, most investment in community transport was in rural parts of Scotland. There are around 95 projects in those parts, but pilots are now coming through in urban centres in Scotland. It is clear that some communities in our cities and urban areas urgently need community transport initiatives and it is important that those projects are evaluated and that we ensure their success. However, it is also important to get beyond the pilot stage and to put stable, longer-term funding into community transport in Scotland, which I regard as a priority over the next few months.

Housing

2. Dennis Canavan (Falkirk West) (Ind): To ask the Scottish Executive what action it is taking to increase the availability of affordable housing. (S2O-5175)

The Minister for Communities (Malcolm Chisholm): Over the next three years, we will

invest £1.2 billion in affordable homes to rent or buy across Scotland. We have raised our three-year target for the supply of affordable homes from 18,000 to 21,500.

Dennis Canavan: Is the minister aware that average house prices in Scotland have increased by 80 per cent over the past five years and that that brings the average cost of a house to more than £121,000? Given that many people cannot afford to buy a house, will the Executive ensure that there is an adequate supply of rented housing through reviewing the implications of its policy on the sale of houses by councils and housing associations and through ensuring that, if such houses continue to be sold off, sufficient resources will be made available to councils and housing associations to replace them where there is still demand for rented housing?

Malcolm Chisholm: We are determined to increase both the number of social rented houses that are being built and, crucially, the number of low-cost houses for home ownership. We have an exciting and innovative shared equity scheme to give people opportunities to get on to the housing ladder. I accept that there are severe difficulties, especially in some parts of Scotland, for first-time buyers.

On social rented accommodation, I have announced the investment figures and the targets for new build, which show a 46 per cent increase by 2008 on what we have currently. We are expanding the programme considerably. As Dennis Canavan knows, the Parliament passed an amendment to the Housing (Scotland) Act 2001 to ensure that we give a statement on the right to buy by September 2006. We have made arrangements for that to happen and there will be a thorough look at the issue. We will consider the case for any further adjustments to the right to buy in the light of that report.

Murray Tosh (West of Scotland) (Con): How will the minister ensure that an adequate water and sewerage capacity is built into Scottish Water's quality and standards III programme forward from 2006 to cater for affordable housing developments? In particular, how will he ensure adequate capacity in local authority areas in which the structure and local plans do not provide a full—or, in many cases, any—allocation of sites for affordable housing, but rely instead on a supply of windfall sites?

Malcolm Chisholm: Those are issues of development planning and it is key that enough land should be designated for that. Murray Tosh's first point relates to infrastructure. Lewis Macdonald will make a statement soon about the water industry investment programme. I have been in discussions with Ross Finnie and Lewis Macdonald about that, as it is a matter that has

been raised with me quite often since I took up my brief four months ago. I think that Murray Tosh will be pleased about the developments that will take place on the back of the investment plan.

Community Planning (Rural Services)

3. Maureen Macmillan (Highlands and Islands) (Lab): To ask the Scottish Executive how it is encouraging the use of community planning powers by local authorities to protect and develop rural services. (S2O-5306)

The Deputy Minister for Finance and Public Service Reform (Tavish Scott): The Executive is committed to working with community planning partnerships to develop strong, successful rural and island communities. The closing the opportunity gap framework includes a specific target to ensure a strong focus on service delivery for rural Scotland, so that

"agreed improvements in accessibility and quality are achieved for key services in remote and disadvantaged communities."

A range of other activities that are under way across the Executive also contribute to the protection and development of rural services.

Maureen Macmillan: Is the minister aware of the European Community-funded research that is being carried out through the northern peripheral partnership on how best to support initiative and enterprise in small rural businesses? The study has concluded that that needs joint working between local authorities, local enterprise boards, other businesses and academic partners. It was also felt that community planning should be broadened out to include support for innovative small businesses, so that we can more easily develop inventive ideas and sustain those ideas in rural Scotland. Will he consider how that might be achieved?

Tavish Scott: I recognise and accept the importance of the research that Maureen Macmillan has highlighted. The importance of community planning in that context lies in pulling together the appropriate agencies and ensuring that they all play a full and appropriate role in business development. I would be happy to consider the specific piece of research in that context and to seek to find ways in which community planning partnerships can play a full and appropriate part in delivering what we all hope to achieve—a growing and better Scottish economy.

The Presiding Officer: Question 4 has been withdrawn.

Scottish Water (Cowie Planning Application)

5. Mike Rumbles (West Aberdeenshire and Kincardine) (LD): To ask the Scottish Executive whether it intends to hold a public inquiry into Scottish Water's planning application to build a waste transfer station at Cowie, near Stonehaven. (S2O-5307)

The Deputy Minister for Communities (Johann Lamont): The planning appeal to Scottish ministers from Scottish Water was received by the inquiry reporters unit on 10 January and is in the early stages of the appeals process. It has not been decided whether the appeal will proceed by public local inquiry or by an exchange of written submissions.

Mike Rumbles: The minister should be aware of what I believe to be disreputable behaviour on the part of Scottish Water in attempting to hoodwink local people into believing that its plan for Cowie was the only reliable way forward. Scottish Water's consultants' report, which had been private but was leaked, did not endorse the current proposal, which was also unanimously thrown out by Aberdeenshire councillors. Does she agree that, if Scottish Water's appeal is not simply rejected, we need a local public inquiry to ensure that all the facts surrounding Scottish Water's application are in the public domain?

Johann Lamont: First, the appeal is for a proposal to erect a waste water screening and pumping works and associated landscaping and fencing. It is not for a waste transfer station, as Mr Rumbles claims.

Obviously, I cannot comment on the individual application, although I am keen that the process is carried through appropriately. The inquiry reporters unit's decision on whether to proceed with the inquiry by an exchange of communication will depend on the preferences of Scottish Water and the planning authority. Before coming to any decision, the unit will take into account the complexity of the issues that are in dispute and the level of interest within the community. If significant issues are involved, the Scottish ministers may in certain circumstances recall the appeal for their decision, in which case an inquiry would be held. However, that decision will be made further along in the process.

Area Infrastructure Investment Plan

6. Christine May (Central Fife) (Lab): To ask the Scottish Executive when it will announce its area infrastructure investment plan. (S2O-5304)

The Minister for Finance and Public Service Reform (Mr Tom McCabe): The infrastructure investment plan will be published later this month. The plan demonstrates our on-going commitment

to improving our infrastructure and investing in Scotland's future. We are also planning an infrastructure investment conference, which will be based on the plan, in Edinburgh in mid-May. That will provide the opportunity to show that we are open to working with our partners across the public and private sectors to help to improve the co-ordination and delivery of infrastructure projects in Scotland.

Christine May: I welcome the increased timescale for the plan, but on what basis and over what timescale will it be reviewed? Does the minister agree that it is important that the plan contains sufficient scope and flexibility to take account of schemes that might become more pressing over time? Schemes such as the rail link to Leven, the improvements to Glenrothes airport and water and sewerage schemes for housing and businesses, such as those that my colleague Paul Martin mentioned, are all vital for tourism and the economy.

Mr McCabe: The member makes some relevant points. The plan will take a 10-year view, but it will be a live document that will be continually updated. It will attempt to bring together for the first time the substantial infrastructure projects that are being undertaken in Scotland. That will give the market a longer-term view for assessing capacity requirements and for ensuring that capacity is in place to provide substantial improvements to Scotland's infrastructure for the benefit of all our citizens.

The Presiding Officer: Question 7 has been withdrawn.

Maritime Heritage

8. Irene Oldfather (Cunninghame South) (Lab): To ask the Scottish Executive what importance it places on preserving Scotland's maritime heritage. (S2O-5225)

The Minister for Tourism, Culture and Sport (Patricia Ferguson): The Scottish Executive actively supports the preservation of Scotland's maritime heritage by, for example, providing core funding to the Scottish Maritime Museum.

Irene Oldfather: The minister will no doubt be aware of the importance of the Scottish Maritime Museum in Irvine, in my constituency, both to our national maritime heritage and to what is a relatively fragile local economy. Will she give an assurance that she will work with the museum's board of trustees to safeguard and secure the future of the museum and its collection?

Patricia Ferguson: The Scottish Maritime Museum currently receives £160,000 in core funding and an additional £30,000 towards the cost of curatorial support. As the member will be aware, on-going discussions with the museum's

trustees on how we can ensure that items of national significance are preserved in a suitable and sensible way resulted in the decision, which was made some time ago, that some items will transfer to Glasgow museums on completion of the new riverside museum there. The trustees of the Scottish Maritime Museum recently wrote to me to ask for additional funding to help to safeguard some of the museum's important items in the meantime. I hope to be able to issue a positive response to them in the next few days.

Phil Gallie (South of Scotland) (Con): I back my colleague Irene Oldfather and I welcome, in part, the minister's response. I suggest to the minister that we could consider training young people in simple engineering practices. The Scottish Maritime Museum offers great potential for that. Investigation of that suggestion by the minister might be to mutual advantage.

Patricia Ferguson: I am always delighted when Mr Gallie welcomes at least some of what I say; that is a step forward from some past situations that we have been in. I hope that he will be able to give us more significant approval in future.

Mr Gallie makes a valid point. An educational facility is a vital part of the work that any museum can and should do. That is one reason why the Scottish Museums Council wants to establish a national framework for funding decisions for museums, to safeguard coherently such national collections of extreme significance.

Des McNulty (Clydebank and Milngavie) (Lab): The minister will be well aware of the maritime heritage of Clydebank in my constituency and of the John Brown shipyard site. An exciting proposal has been made to restore the Titan crane in Clydebank and to open it as a visitor attraction. Nearly all the funding is in place to achieve that. If we can proceed with that, will the minister be willing to visit the site and to open the visitor centre?

Patricia Ferguson: I am fairly familiar with the area, as I am located not a million miles from it. I am happy to oblige the member in the fashion that he outlines and I look forward to receiving the invitation.

The Presiding Officer: Question 9 is from Eleanor Scott.

Shiona Baird (North East Scotland) (Green): I apologise for Eleanor Scott's absence; she appears to be delayed.

The Presiding Officer: I stress again that, if members do not submit an apology, I regard that as a discourtesy to the Parliament. That is the third such incident in two weeks.

Global Economy

10. Richard Baker (North East Scotland) (Lab): To ask the Scottish Executive what plans it has to counter the anticipated economic slow-down in global growth in 2005. (S2O-5252)

The Deputy First Minister and Minister for Enterprise and Lifelong Learning (Mr Jim Wallace): It is self-evident that the Executive cannot prevent a possible slow-down in global growth, but it has policies in place to help Scottish businesses to remain competitive. Our refreshed "The Framework for Economic Development in Scotland", which was published in September last year, underscores our commitment to creating the necessary conditions to allow enterprise to thrive and flourish. We are investing in skills and in the transport and electronic infrastructure, encouraging and promoting a culture of enterprise and supporting business investment in research and development.

Richard Baker: As the minister knows, organisations including the Institute for International Economics predict a global slow-down in growth in 2005. The Executive obviously cannot prevent that, but what steps is it taking to ensure that Scottish Enterprise and local agencies are prepared to help Scottish businesses to rise to the challenge of a possible slow-down? Has his recent visit to promote economic links with China presented opportunities for Scottish businesses to offset the impact of a possible global economic slow-down?

Mr Wallace: It is important to emphasise that, in an ever more competitive global market, it is vital that Scottish companies are at the cutting edge of competitiveness and that we promote productivity. Those are the objectives of "The Framework for Economic Development in Scotland".

I assure the Parliament that the international arm of Scottish Enterprise and the Scottish Executive, Scottish Development International, works relentlessly to identify opportunities for indigenous Scottish companies to globalise their operations and for attracting inward investment in Scotland. On my recent visit to China, when I led a life sciences delegation, the companies that were involved identified several opportunities in life sciences and a considerable opportunity in waste management, for example. An important point about China is that achieving even a very small proportion of business there in absolute terms can lead to considerable advantages and benefits for Scottish companies.

Laurencekirk Railway Station

11. Alex Johnstone (North East Scotland) (Con): To ask the Scottish Executive what

progress is being made towards the reopening of a railway station at Laurencekirk. (S2O-5228)

The Minister for Transport (Nicol Stephen):

The proposal to reopen Laurencekirk station is being led by Aberdeenshire Council, with funding support from the Scottish Executive. Executive officials will shortly meet the council to discuss the proposal further.

Alex Johnstone: I thank the minister for that indication of progress. Is the station's reopening likely to be associated with an extension of the crossrail proposals for Aberdeen, or will the station be an additional main line station?

Nicol Stephen: The intention is that Laurencekirk should be considered as an additional main line station. The progress of the crossrail proposal, which is being led by the north-east Scotland transport partnership, has had some difficulties, because the Strategic Rail Authority and Network Rail have been unable to introduce improvements to the Orton loop. Last summer, I asked for an interim arrangement to be considered with regard to the Aberdeen crossrail project, which would have allowed progress to be made even before the Orton loop improvements had been introduced. Although the Laurencekirk proposal is separate, it is supported by NESTRANS and Aberdeenshire Council and I hope that good progress can be made on it over the next few months.

The Presiding Officer: That concludes general questions.

Murdo Fraser (Mid Scotland and Fife) (Con):

On a point of order, Presiding Officer. On two occasions this afternoon, questions were called but the members were not present to ask them. That is, as you have said, a discourtesy to the chamber. It is also frustrating for those of us who have come to the chamber to ask supplementaries to find that the original question has not been called. I wonder whether you can give some thought to how such conduct might be improved and, in particular, whether you consider it appropriate to ask business managers to remind members of their responsibilities to the chamber in that regard.

The Presiding Officer: I specifically said that such behaviour is a discourtesy to the Parliament, not to the chair, because members are denied the opportunity to ask supplementary questions. I will discuss the matter with my two colleagues as Presiding Officers and the business managers and hope to issue a note on it. I take your point.

Phil Gallie (South of Scotland) (Con): On a point of order, Presiding Officer. I might have heard wrongly, but I felt that, in response to Shona Robison's supplementary to the second health question, Mr Kerr suggested that Scottish

Executive ministers gave a very low priority to responding to questions. I ask you to study the *Official Report* and either take me to task for mischief making or, if I am right, perhaps take Mr Kerr to task for suggesting discourtesy to the Parliament.

The Presiding Officer: Of course, your offer is terribly tempting, Mr Gallie, and I will look at the *Official Report*. Nevertheless, I will say two things. First, the content of ministerial responses is a matter for ministers, not for me. Secondly, as I heard it, I think that Mr Kerr pointed out that freedom of information rights are available to all, including unspecified members. That is my recollection but, as I said, I will look at the *Official Report*.

Enterprise Grant Awards

The Deputy Presiding Officer (Trish Godman): The next item of business is a statement by Allan Wilson on grant awards—the Scottish Executive expertise, knowledge and innovation transfer programme and the small and medium-sized enterprises collaborative research scheme. The minister will take questions at the end of his statement and there should be no interventions.

15:03

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): Research shows that research and development is a crucial component of high productivity levels in businesses. If we are to succeed in our first priority of growing the economy and meeting the aspirations that are set out in the refreshed “A Smart, Successful Scotland: Strategic direction to the Enterprise Networks and an enterprise strategy for Scotland”, we must improve Scotland’s R and D performance. As a result, I am keen to use this opportunity to report to Parliament on developments with two of our new support schemes that have been set up to help us to progress this key economic development issue.

First, however, I want to put the issue into context. In Scotland, we have a great science base that punches well above its weight in the United Kingdom. The quality of our research is world class and our performance in the commercialisation of that research is improving. Although we have only 8.5 per cent of the UK population, a comparison with UK higher education institutions shows that, in 2002-03, Scottish HEIs filed 17 per cent of all new patents and 17 per cent of all HEI licences and created 12 per cent of all UK academic companies with HEI ownership.

As a result, an important element of our “A Smart, Successful Scotland” strategy is to utilise this tremendous asset by increasing the flow of ideas from our universities into the economy. That is the push side, as it were, of the academia-business interface. However, where we need significant improvement is on the pull side of the equation—the demand from industry. We need to encourage our companies to work with the science base to help to make them more competitive in an increasingly global economy.

Business R and D in Scotland has doubled since 1997. Although that is to be welcomed, we started from a very low base and we still lag behind England and our competitors in Europe and beyond. The gap is clear: only 4.9 per cent of UK

business R and D was undertaken in Scotland in 2002.

I think that we are all agreed that that represents a major challenge for Scotland. It is one that the Executive intends to meet. Over recent years we have introduced or extended several support mechanisms to assist in this work. The small firms merit award for research and technology, or SMART, support for products under research, or SPUR, and SPUR plus have provided £50 million of support to 500 or so companies over the past 10 years, and we have seen record levels of interest in the schemes this year. Almost all our successful technology companies, such as Wolfson Microelectronics plc, Rhetorical Systems Ltd and Optos plc, have had some such support at some stage. The new R and D plus grant scheme that is operated by Scottish Enterprise is beginning to make an impact too.

We introduced the proof of concept fund, which assists researchers to bring discoveries to the marketplace. The fund has delivered 146 projects over the past five years. We are investing £450 million in the intermediary technology institutes, which will ensure that there is business-focused R and D in the life sciences, techmedia and energy sectors.

To complement the range of measures that are already in place, we introduced two new initiatives last year: SEEKIT, which is the Scottish Executive expertise, knowledge and innovation transfer programme, and SCORE, which is the small and medium-sized enterprises collaborative research scheme. They have a combined budget, over three years, of some £9 million. The schemes are aimed at encouraging more Scottish companies to become involved in R and D and at increasing co-operation between our businesses and our science base.

The SEEKIT programme supports universities, research institutes and other public sector bodies to put in place the infrastructure that is needed to facilitate co-operation in R and D and productive knowledge transfer between the Scottish public sector science base and our companies. SEEKIT funds large projects, often costing more than £500,000—usually with co-finance from the European regional development fund.

The key objectives of SEEKIT are to increase the competitiveness of SMEs through their engagement with the science base; to encourage productive knowledge transfer links between the science base and business; and to help to effect wealth creation from the science base. The scheme supports a wide range of knowledge transfer and outreach activities that are intended to have a measurable impact on the business performance of Scottish SMEs.

We are on course to meet our target of funding 10 SEEKIT projects in 2004-05. To date, we have completed five SEEKIT grant awards and a further two have been offered but not yet officially accepted. In total, we have made offers totalling some £2.4 million. The University of Stirling innovation park has been awarded £309,000. The university to SME technology transfer programme—a joint project between the Scottish Optoelectronics Association and Scottish Enterprise—has been awarded £182,000. The sum of £487,000 has been awarded to Heriot-Watt University for its project RADIKAL—research and development, innovation, knowledge, adoption and liaison; and £570,000 has been awarded to the University of Strathclyde for the Strathclyde entrepreneurial network.

I am also pleased to be able to announce today that the fifth SEEKIT award has been made to the University of Stirling innovation park to extend its original project in conjunction with the University of St Andrews. The £264,000 award will help the university to provide improved research, innovation and knowledge transfer support to SMEs in central Scotland. Total expenditure on the projects that have been approved so far will amount to over £4 million.

While SEEKIT assists public sector research bodies to work with Scottish companies, SCORE helps SMEs to fund specific collaborations with the science base. An SME or group of SMEs with a specific technical problem can assign part of the required research to a public sector research body and SCORE will help to pay for it. Financial support is available up to a maximum grant of £35,000 per project.

The objectives of SCORE are to help to increase the level of R and D that is undertaken by Scottish SMEs and to increase their competitiveness through support for product or process development; to encourage increased co-operation between enterprises and research organisations; and to help to effect wealth creation more widely from our science base. SCORE has been designed to be easy to apply for and to have a quick turnaround time, and it has been well received by SMEs. Even at this early stage, the uptake has been encouraging—established SMEs and new start-ups have taken advantage of the flexibility that the new scheme offers. Our target is to make 15 awards this year and we are already on the way to achieving that. We are considering 15 project proposals, eight of which have been supported to date.

Since we publicised the first SCORE award—which was made to Cyclacel Ltd last June—I am pleased to announce that we have made a further seven grant awards. More than £250,000 has now been awarded under the scheme. Grants have

been made to Cyclacel, which will work with the University of St Andrews; Ice Robotics Ltd, which will work with the Scottish Agricultural College; Compound Semiconductor Technologies Global Ltd, which will work with the University of Oxford; Crystal Consortium Ltd, which will work with the University of Paisley; Midland Valley Exploration Ltd, which will work with the University of Glasgow; PRI Ltd, which will work with the University of Stirling; Bugstop Ltd, which will work with the Scottish Agricultural College; and Axiope Ltd, which will work with the University of Edinburgh.

Those SCORE projects involve companies that operate principally in the oil and gas, life sciences, optoelectronics and environmental sectors and which use a range of different technologies. It is encouraging that seven different universities and research institutes are already participating actively as research partners in SCORE projects, that three of the companies are forming new links with their research partners and that only one of the supported projects involves a spin-out working with its parent university.

The importance of collaboration between universities and business was underlined in the findings of the recent Lambert review, to which we will respond shortly. Even though they were devised prior to that review, our two new innovative programmes are fully in line with its recommendations. We like to think that we in Scotland are again ahead of the game in developing new and constructive ways to tackle such issues.

We recognise that all the projects under the two schemes are at a very early stage, but I am confident they will deliver a wide range of benefits for Scottish companies and our economy generally. The task is difficult and long term. No single measure will provide the solution, but I hope that members agree that the addition of SEEKIT and SCORE to what is already a wide-ranging portfolio of support will help us to develop the capacity that Scotland needs for the future. I look forward to reporting on progress in the years to come.

I realise that that was a fairly dry presentation on a complex area, but I look forward to answering as best I can any questions that members have. If I am unable to answer them immediately, I will certainly provide the information that is sought by letter.

The Deputy Presiding Officer: The minister will now take questions on the issues that were raised in his statement. I will allow around 20 minutes for that before I move on to the next item of business.

Jim Mather (Highlands and Islands) (SNP): That was an interesting statement. We agree that

R and D is vital, as there is a proven correlation between R and D and having a high-wage, high-productivity and highly competitive economy. Now that the Executive's initiatives are under way, when does the minister expect us to close the gap on the United Kingdom's R and D performance and what is the short-term target for spend on R and D in Scotland as a percentage of gross domestic product?

Allan Wilson: That was a good question. As the member knows, we are some way behind our counterparts in the rest of the UK and elsewhere in Europe, but we are closing that gap. Recently, there have been very encouraging signs in relation to the additional R and D that takes place in the private sector, which adds to the extensive public sector research that is carried out in our higher education institutions and other research bodies.

I understand that the target for spend on R and D that the European Union is aiming for by 2010 is 3 per cent of GDP. The member will probably know that. It would be great to be able to say that I hope that we will achieve or surpass that target before then, but Mr Mather will be acutely aware of the difficulties in making such predictions. I hope to improve our performance against England year on year as a first step towards making substantial progress. I also hope to reach our European Union target, which is set against other countries in the Organisation for Economic Co-operation and Development, by the 2010 target date.

Murdo Fraser (Mid Scotland and Fife) (Con): On behalf of the Scottish Conservatives, I welcome the minister's statement and thank him for advance sight of it which, with all the acronyms and figures, was extremely helpful.

The minister was right to identify research and development spending as a key concern. Of course, the situation is not helped by the structure of the Scottish economy. We have a large public sector, a large service sector and a shrinking manufacturing sector, which does not help emphasis on R and D, because we would expect the manufacturing sector to invest more heavily in R and D than the other sectors would.

The awards that the minister announced are welcome, but I have two questions for him. Is he aware of the report "Comparison of Exploitation Performance of Scottish Universities with US Institutions", which Edinburgh Research and Innovation Ltd has just published? That report shows that the accumulated value of the research in all Scottish universities is equivalent to that of only one major US university, such as Harvard University or the Pennsylvania State University. It also shows that, in terms of value for money, the performance of Scottish universities vis-à-vis their equivalents in the US is encouraging, and I would

be grateful if the minister would acknowledge the success of Scottish universities in that respect.

Does the minister accept that a key problem in the commercialisation of research is a lack of readily available venture capital in Scotland? Does he also accept that, to have more venture capital, we need more venture capitalists and that, to achieve that, the Scottish Executive must promote policies that are conducive to individuals of high net worth locating and staying in Scotland?

Allan Wilson: I am interested in the north American comparison. In 2002, which is the last year for which comparative figures are available, Scottish expenditure in business R and D was 0.77 per cent of GDP compared with the north American figure of 1.87 per cent. Interestingly, Sweden comes out top of that list. As Murdo Fraser can see, we have some way to go before we catch up with north American levels or those in other parts of Europe, but our position in that league table is improving year on year and has already surpassed Italy's position, for example.

On the second question, it must be said that, in the short time in which I have been Deputy Minister for Enterprise and Lifelong Learning, reports to me about the availability of venture capital in Scotland have varied. If one speaks to venture capitalists and banks that are involved in venture capital lending, they undoubtedly will say that cash is available. Through our proof of concept fund, which stands at circa £40 million, and our co-investment fund, we are trying to supplement whatever capital is available in the private sector to ensure that no project that can be proven to be commercially realisable goes by the board in its pre-development phase as a consequence of an absence of venture capital. Those funds are substantial pots of public money that supplement private capital in that arena. Through R and D plus and the new projects—SEEKIT and SCORE—other grants are available to ensure joint working between our science base, our research base and the wider business community and to ensure that no commercially realisable project goes to the wall because of an absence of support finance.

Shiona Baird (North East Scotland) (Green): I thank the minister for early sight of the statement. The Greens welcome awards for innovative businesses, but will the minister tell us to what extent sustainability plays a part in the conditions of award?

Allan Wilson: SEEKIT sets a number of sustainability benchmarks against which projects are assessed. Those include productive knowledge transfer; marketing; strategic integration with other related activities, which has a read-off into more sustainable development; durability and feasibility, which are critical to a

project's long-term sustainability; partnership and leverage; innovation; value for money; knowledge transfer capacity building; and, interestingly, support for rural enterprises and developments. Around a fifth of all Scots work in a rural environment, so having additional job creation stimulated through SEEKIT and collaboration between the science base and business will lead to a more sustainable future for business development in those areas.

Mike Pringle (Edinburgh South) (LD): I, too, welcome the minister's statement. All of us welcome any extra help for research and development in our universities. There is no doubt that in Scotland we have some of the finest universities in the world. In the University of Edinburgh's campus at King's Buildings, we have one of the best science parks in existence, which is doing a huge amount of good work. I was not aware of the project on which Axiope Ltd is working with the University of Edinburgh and would be grateful if the minister's officials could provide me with information about that.

I would like to know exactly what such projects are doing for employment. This morning we heard that the Executive is trying to create new jobs; this is another way in which it is doing that. Can the minister indicate how many new jobs are being created in science as a result of the SCORE and SEEKIT projects that he has announced today?

Allan Wilson: As I said in my statement, it would be premature for me to claim that X new jobs had been created and were being sustained as a direct consequence of the measures. However, the pipeline of support measures that we provide to commercialise our research base is designed to ensure that there are commercial spin-offs that will create sustainable employment across the country.

As all members know, we compete in a global economy. Our research and science base is critical to our ability as a nation to do that. Unless we have this additional investment and are able to spin out to commercial success the innovative ideas and research in our higher education institutions, we will fall behind the rest of the world in job creation and employment sustainability. It is vital to Scotland's future economic performance and, consequently, to future employment creation that these schemes are available to business and higher education institutions throughout Scotland. I will endeavour to find out how many jobs the schemes support in various sectors and to provide members with that figure.

Christine May (Central Fife) (Lab): I am pleased to hear the minister give such positive news on policies with which I was associated in a past life, such as the co-investment fund, the proof of concept fund and the intermediary technology

institutes. The minister and the chamber know of my interest in renewable energy and coal by-products. Can the minister provide me—either now or at a later date—with information about renewable energy projects that are in the pipeline, especially projects relating to further-from-market technologies and by-products of the use of coal for power generation?

Allan Wilson: I will be happy to provide the member with the details that she requests. As Christine May is aware, we hope that the energy development ITI that was established in Aberdeen will be able to develop new technologically innovative projects in the renewable and wider energy sector that will spin out to commercial development and job creation. I am not aware of any reason why technologies based on, for example, clean coal, co-firing technology or combustion technology more generally cannot be accommodated within the £450 million or thereabouts that is set aside over 10 years for the ITIs. I hope that that process will of itself lead to innovation and technological spin-offs in the energy sector and in particular in the renewables part of that sector.

Richard Lochhead (North East Scotland) (SNP): I am sure that the minister recognises that we will have to do a lot of work to get a greater share of the world's R and D work on alternative energies and clean technologies. Has he conducted a study of our share of that R and D compared with the share that is being achieved by our competitors, which also want to be the renewable energy capital of Europe?

What steps is the minister taking to attract private sector energy-related research to Scotland? Shell has written to me to confirm that by the end of 2005 it will have invested £1 billion globally in developing renewables, but it will not spend one cent in Scotland. Some offshore companies are taking cash out of the North sea but refusing to invest in R and D in Scotland.

Allan Wilson: Last week, I was at the Pilot meeting in London with the Secretary of State for Trade and Industry and the minister of state in the Department of Trade and Industry. When I inquired into the Scottish R and D spend in the energy sector, I was pleasantly surprised to learn that the figure of £15 million represents a huge increase from the 2001 level of only £6 million. There has been a considerable increase in the R and D spend in the energy sector in Scotland. Scottish R and D spend in the sector is £659 per employee. That is admittedly a bit behind the UK figure of £822, but it is interesting that it is approximately 80 per cent of the UK figure; in most sectors the Scottish spend per employee is only about 50 per cent of the UK figure. That substantial increase in R and D spend represents

a success story in the energy sector, which is largely but not exclusively based in the north-east.

As far as renewable energy development is concerned, the marine technology fund that we have established, and which we are discussing with the DTI how best to spend, offers tremendous opportunity for developing our marine renewable energy resource. We hope to have a statement on that in the near future. If wave and tidal power can be developed, Scotland is well placed to be the marine energy capital of Europe. Large companies have invested substantial sums of money and that investment has been supported by public funds in order to develop the technology. I would say that if the companies—some of our largest energy companies and engineering companies—that are currently doing the work in Scotland, which is on a par with anything else that is going on anywhere else in Europe or indeed the world, cannot do it, it cannot be done. I hope that the next two or three years, which will be critical to the development of marine energy technology, will show that it can be done and that Scotland will be the centre of that development.

The Deputy Presiding Officer: I will give ministers a minute to change places before we move to the next item of business.

Local Government Finance (Scotland) Order 2005 (SSI 2005/19)

The Deputy Presiding Officer (Trish Godman): The next item of business is a debate on motion S2M-2318, in the name of Mr Tom McCabe, on the Local Government Finance (Scotland) Order 2005, and one amendment to the motion.

15:29

The Minister for Finance and Public Service Reform (Mr Tom McCabe): The Local Government Finance (Scotland) Order 2005, which we ask Parliament to approve, has significance for all the people of Scotland. The order provides for the distribution of £8.087 billion in grant support for Scottish councils' revenue expenditure in 2005-06, which represents an increase of £419 million, or 5.5 per cent, over the figures for 2004-05 that were contained in the Local Government Finance (Scotland) Order 2004.

That level of resource builds on the substantial sums that have been invested in local government since 1999—an almost 40 per cent increase in Executive grant against an inflation rate of 12.7 per cent. The order confirms our commitment to improve public services for the citizens of Scotland and provides record levels of investment to deliver better public services by, for example, fulfilling our partnership agreements on free personal and nursing care, providing more support for children and families, providing additional investment in policing to make Scotland a safer place, and providing resources to fund the modernisation of the fire service.

On 8 December, I announced provisional increases over the three-year period for every local authority. The order confirms the funding increases for 2005-06 that I announced then. The increase in the revenue grant allocation in 2005-06 will mean an average increase of 5.5 per cent, as I said, and will result in increases for individual councils that range from 3.9 per cent to 9.1 per cent.

Tommy Sheridan (Glasgow) (SSP): The minister set out various priorities, but he did not mention roads maintenance. Does he think that the current allocation system for expenditure on roads is satisfactory? If the system is not satisfactory, how urgently does the Executive consider that it needs to be changed?

Mr McCabe: I confirm that we viewed the bid from the Convention of Scottish Local Authorities with significant seriousness fully to fund the bid. That is contained in the order.

I mentioned increases in previous years. The settlement in 2004-05—of 5.3 per cent overall—was generous. However, I announce that we are adding a further £169 million to that settlement.

Councils will shortly confirm their council tax levels, but I reinforce what I said on 8 December: we expect local authorities to keep rises as low as possible for 2005-06. I say that because we have an average grant increase of 5.5 per cent against the current consumer price index of inflation of only 1.6 per cent. The case is therefore made for asking councils to exercise restraint in setting council tax levels.

Alasdair Morgan (South of Scotland) (SNP): Will the minister give way?

Brian Adam (Aberdeen North) (SNP): Will the minister give way?

Mr McCabe: Perhaps the members will sort out between themselves who will intervene.

Alasdair Morgan: I hear what the minister is saying, but does he agree that an even more appropriate comparison can be made with the consumer price index? There is an even starker difference between the rates of council tax rise that we are witnessing and the consumer price index rate. Why are council taxes increasing so much compared with the CPI, despite the increases in grants? Whose fault is that?

Mr McCabe: Perhaps I was speaking too fast. I referred to an increase of 5.5 per cent against the current consumer price index of inflation of 1.6 per cent—that is the comparison that I made. I repeat my exact words: the case is therefore made for asking councils to exercise restraint in setting council tax levels.

Mr Brian Monteith (Mid Scotland and Fife) (Con): Will the minister give way?

Mr McCabe: Not at the moment; I need to make progress.

The order is for 2005-06, but it is part of a three-year settlement that offers councils the opportunity to plan ahead and to manage their priorities within the available resources.

I am happy to confirm that the substantial revenue grant allocations for 2005-06 include £70 million for the quality-of-life fund. Over a five-year period we will invest £280 million in that area. It would therefore be nonsense to suggest that any year represents a cut: I am talking about £280 million of new money, which was not previously available.

In addition to the revenue funding for core services that I am announcing today, local government will receive about £1.1 billion in revenue grants for specific initiatives in 2005-06—an increase of no less than 11.6 per cent—to fulfil

a number of the Executive's spending commitments. For example, the increase will provide for lower class sizes or deliver new or refurbished schools through the public-private partnership schools fund.

However, we will go still further. Local authorities will receive record levels of support for capital investment. Capital grants will increase in each of the next three years to give a cumulative increase over the period of 32 per cent, which is substantial by any measure. In addition, local authorities will receive loan charge support to provide annually for around £300 million of new capital investment.

Mr Andrew Welsh (Angus) (SNP): The minister announced about £1 billion of extra money to be issued outwith the main financial settlement. Why was that money not included in the main financial settlement? Does the minister accept that the problem is that the councils have to set up bureaucracy to run all the separate schemes, rather than include them in their existing systems? Is that not an ad hoc approach that has in-built problems?

Mr McCabe: There is nothing ad hoc about reducing class sizes or providing new or refurbished schools, for which communities have waited for generations. The money has been made available to ensure that such measures happen. Nor is there anything ad hoc about providing loan charge support for £300 million of capital expenditure in each of the next three years.

In recognition of the crucial part that our city regions play, we will make available more than £40 million for the cities growth fund. We want our city regions to be engines of economic growth that deliver sustainable long-term improvement. We need them to respond to the demands of global competitiveness and to improve the quality of urban life for all citizens.

Des McNulty (Clydebank and Milngavie) (Lab): In the previous period of the cities review, there was a concern that, certainly in Glasgow, the money seemed to be spent almost entirely within city boundaries, although the intent was to improve regional services. Will the minister assure me that, this time, ministers will ensure rigorously that regional services as well as city services are considered in the allocation of resources?

Mr McCabe: I stress the term "city region". In conversations that I have had with city leaders, they have expressed willingness to ensure that the benefits of the fund go beyond the boundaries of cities.

The settlement is about not only the level of inputs, but public sector productivity and what the general public get back for the substantial investment. As I said, the order will distribute £8.1 billion of resources to local government, which is a

£419 million increase on the previous year. However, local government can add to that investment by driving out inefficiency, gaining efficiency savings and delivering increases in productivity. It is important that local authorities demonstrate to the public in Scotland that they are dynamic organisations in their communities and that they have actively pursued and gained efficiency savings over the period. We expect local government to demonstrate how it contributes to the efficient government agenda and how it is working to make Scotland a leader in efficiency, innovation and productivity in public services. When considering future allocations, I must be satisfied that local government has played its part in the drive for efficiency.

My ministerial colleagues and I will work with local government and community planning partnerships towards the common goal of improving quality of life and delivering high-quality public services to all citizens throughout Scotland. We will spare no effort in explaining to the people of Scotland just how much has been invested in local services and we will spare no effort in rebutting any suggestion to the contrary.

I move,

That the Parliament agrees that the Local Government Finance (Scotland) Order 2005 (SSI 2005/19) be approved.

15:39

Mr Brian Monteith (Mid Scotland and Fife) (Con): I am pleased to speak in support of the amendment in my name, which would, even in a small way, help local councils.

The finances of our local authorities require a significant contribution from central funds, so I am pleased to see that the full ministerial financial team is present for today's debate. Tavish Scott missed the beginning of last week's budget debate, which was a pity because his contribution always adds to the occasion. When he was accompanied by his then boss, Andy Kerr, Tavish Scott would play bad cop to Andy Kerr's good cop. Now though, there is some confusion, because with his boss being Tom McCabe, we have two bad cops on the front bench to beat up those MSPs who might speak up for our councils.

I make those observations by way of a compliment. In this month's *Scottish Business Insider*, Peter MacMahon said of Tom McCabe that he has an image

"as a sinister local government hardman".

Compared with that, I am positively effusive about the minister and the work that he does.

Mr McCabe: If those are compliments, I would prefer insults.

Mr Monteith: I shall carry on with compliments.

The minister has earned that reputation as a local government hard man because of his taciturn style, but also because of his commitment to value for money, spreading best practice and finding efficiencies. I welcome the minister's prudent approach in those matters, although members will forgive me if I harbour a suspicion that he takes that approach because, having led a local authority himself, he knows where the bodies are buried or, more euphemistically, where the savings can be found.

What fun it would have been to be a fly on the wall at the McCabe Christmas get-together, when the brothers grim, Tom and Jim McCabe—Tom the minister and Jim the council leader—fought over the turkey leg. Who got the stuffing? Who found the sixpence in the Christmas pud? Who was left empty-handed after pulling the cracker? The atmosphere must have been electric, for we know that councils are preparing for hard times ahead. We have heard today that spending is up to record levels, but we know that the commitments for councils are getting larger and larger. Despite the words of the First Minister, council taxes will go up by more than 2.5 per cent; indeed, the rise will be closer to 5 per cent, with the average band D total breaking through £1,400 a year.

The pain looks set to increase in the years ahead. Peter MacMahon goes on to say:

"McCabe is a subtle and forward-thinking politician"—

the minister said that he would prefer compliments—

"who realises that the unprecedented levels of public spending in Scotland cannot be sustained."

Public spending levels that cannot be sustained: those are the words that the Conservatives have been saying for years about the spending programme. That is why councils are concerned, not so much about this settlement but about the settlement that they will face in future years, and the driving up of commitments that in later years they will not be able to fund.

Bristow Muldoon (Livingston) (Lab): What funding consequences does Mr Monteith expect would follow from the election of Michael Howard as Prime Minister?

Mr Monteith: It is possible that Bristow Muldoon missed the budget debate last week. I gave a guarantee then and I give a guarantee now that, because of the arrangements that have been drawn up by Oliver Letwin, the future Chancellor of the Exchequer, there is no shadow of a doubt that the same Barnett consequential—the same extra funding—that would be made available by Gordon

Brown if perchance he remains as chancellor, will be made available by Oliver Letwin.

I must close, as the Presiding Officer is bearing down on me. It is important that we recognise the difficulties that councils face. It is not enough just for them to improve their collection levels, although they must do that. It is not enough just to ensure that we give more support where we can. Our amendment proposes that. We must loosen and deregulate councils so that ring-fencing constraints on them allow them freedom and manoeuvrability. Local councils need all the help that they can get. That is why we lodged our amendment, which we ask the Parliament to support.

15:45

Alasdair Morgan (South of Scotland) (SNP): I welcome the chance to debate the Local Government Finance (Scotland) Order 2005. This debate has the reputation of being a graveyard slot, but at least the anoraks of the Finance Committee have been joined by some from the Local Government and Transport Committee. If any confirmation were required of the slot's status, one has only to consider the fact that in the same slot in the first week after the recess we will debate the Edinburgh Tram (Line Two) Bill.

I genuinely welcome the debate, because it is one of the few financial debates in the Parliament during which we can talk about the levels of taxation that our citizens pay, even if we cannot decide them. Far too often, we talk about how we are going to spend money rather than about how our citizens pay the money that they contribute to the Exchequer. Today, we can at least talk about the proportion of total taxation that is made up by the council tax, and we should be in no doubt that the level of council tax is largely dependent on the decisions that are made in the order that we are considering today.

Mr McCabe would have it that increases in council tax, other than the most modest ones, are due simply to inefficiencies or choices on the part of our councils. Funnily enough, such inefficiencies seem to be a phenomenon that afflicts all councils throughout the land, be they Labour controlled, Liberal controlled, SNP controlled, independent controlled or coalition controlled. One has to either believe that the level of local profligacy and mismanagement is the same the length and breadth of Scotland or draw the more obvious conclusion that the Executive continues to place more and more burdens on councils while failing to provide the cash to pay for them.

Since the tax year 1996-97, when the Conservatives were last in power, council tax has

increased by more than 50 per cent, yet during First Minister's question time on 7 October 2004 the First Minister had the cheek to say to us:

"I am proud of this Parliament's record of having lower council tax increases every single year since 1999 compared to the increases under the Conservative Government".—[*Official Report*, 7 October 2004, c 11130.]

I would say to the First Minister, first, that that is nothing to do with the Parliament because the Executive makes the decisions, and secondly, that the comparison with the dim and distant history of the Conservatives is, frankly, meaningless.

The significant comparison for every man and woman who is asked to pay the council tax is between the rise in council tax, the rise in the price of goods and the rise in the level of their wages, their pension or whatever other source of income they depend on. When we look at those figures, we get an entirely different picture. I apologise to the minister for mishearing him earlier, but I will use the consumer price index, to which he referred. The figures for council tax rises over the years, as a percentage of the previous year, have been 4.6, 4.8, 6.7, 4.9, 4.9, 3.6 and 3.5. The increases in the consumer price index during the same years were 1.9, 1.6, 0.6, 1.1, 1.3, 1.5 and 1.2. Every year, the council tax has gone up by twice or three times as much as every other price, and sometimes by more. Is it any wonder that council tax payers are, justifiably, beginning to come to the end of their tether?

That leads me to the point that I want to make in closing. We all knew that the council tax was unfair when it was introduced, but because it was a relatively small tax the manifest unfairness—that is, the difference between the level of taxation and the ability to pay—was for the most part tolerable and tolerated, especially in comparison with the odious tax that the previous Conservative Administration had foisted upon us. However, because of mismanagement and the deliberate loading of the consequences of the Executive's decisions on to the backs of the council tax payers, and because of the huge rises that have been inflicted on us every year since the Labour Party came to power, we have arrived at a situation in Scotland in which the unfairness of the council tax is no longer tolerable. Given the pressure on those who are on fixed incomes, the value of whose properties bears no relation to their income or ability to pay the tax, the unfairness is now a national scandal.

Des McNulty: Will the member take an intervention?

Alasdair Morgan: I am sorry, but I am just finishing.

All that the Government does is to hold yet another inquiry and to say how wonderful this

year's settlement is, forgetting that, yet again, council tax will go up by many times the rate of the consumer price index. Of course, all that the Liberal Democrats do under the current arrangement is huff and puff about their local income tax, because they would much rather be in ministerial office than live up to any of their principles.

15:50

Margaret Smith (Edinburgh West) (LD): This is my first speech as the transport and local government spokesperson for my party. In life, there are certain painful experiences that we try to obliterate from our memories. Three of them stick out in my mind. The first is childbirth, about which I will say no more in order to avoid embarrassing everybody; the second is the entire higher chemistry curriculum; and the third is everything that I learned about local government finance in my time as a councillor. Unfortunately, I now have to regain my grasp on that latter subject, which is complex but highly important. Today, the minister has set out the resources that local government will be given by the Executive to perform crucial functions for all our constituents in areas such as education, social work, community care, transport and environmental services. Further, the settlement has a major impact on council tax rates, which we all want to be kept at a reasonable level for as long as council tax remains.

I take exception to the point that was made by Alasdair Morgan, who keeps peddling the myth that the council tax has increased by more than 50 per cent since 1997. Everyone knows that, in the first year of that period, the figure had already been set by the outgoing Tory Government. I think that he is being rather disingenuous.

Alasdair Morgan: Will the member take an intervention?

Mr Monteith: Will the member take an intervention?

Margaret Smith: Come on, guys, give me a chance.

I want local government to have a strong role as a partner of the Executive but with significant freedoms and the ability to work for and serve communities. That will happen only if we have the commitment of both sides to work in partnership and if we have in place a reasonable and realistic settlement. I believe that this year's local government finance order goes some way towards achieving that.

Thanks to the Scottish Executive, in the five years since 1999, local government funding has increased by £2.1 billion, or almost 40 per cent. By the end of the current spending review period,

funding will have increased by more than £3 billion, which is an increase of almost 55 per cent compared with 1999.

The Executive has made a number of changes to the way in which councils receive support. The introduction in 2004 of greater flexibility in capital borrowing, coupled with increases in capital grant, has meant that there has been a 70 per cent increase in local authority capital investment. Total capital support for councils will exceed £2 billion over the next three years, which is a record level.

The introduction of three-year financial settlements has given councils greater certainty and allowed them to plan ahead. However, it would be good if we could ensure that councils passed on that arrangement to the voluntary sector organisations with which they have partnerships.

I agree with the minister that we need to have in place robust outcome agreements to ensure that the key policies that ministers announce in the Parliament are delivered by local government. Crucial to that is the need for the Scottish Executive to fund in full key policy initiatives and strategies. I welcome the minister's comments in that regard.

Councils receive one third of the Executive's budget, therefore it is obvious that they have to play their part in finding efficiencies. I am sure that they can do that through procurement, better collection regimes and so on. However, I understand that the Convention of Scottish Local Authorities has some dispute with the Executive about the way in which the issue has been handled. I hope that the minister will touch on that in his response.

At the risk of being parochial, I would like to raise some Edinburgh issues—that is the main reason why I did not give way to my two colleagues. In giving extra support to Lothian and Borders police, the Executive has gone some way to accepting the argument that the City of Edinburgh Council and Edinburgh MSPs of all shades have made for parity of treatment with the way in which Westminster is treated by the UK Government. I ask the minister to examine that issue further and, for example, to think about how the issue of day visitors might be taken into account in the grant distribution system to recognise the impact that they have on the need for culture and leisure facilities and other services, not only in Edinburgh but in other parts of the country.

In relation to one specific area—care home fees—Edinburgh appears to be getting hit hard. I hope that the minister will listen to the council's concerns on that issue, which is having a detrimental impact on bedblocking in the city.

In my constituency, I have been heavily involved in the campaign to scrap council tax. The Liberal Democrats will continue to say that they believe in a fair local income tax. I have received more than 1,200 petition slips in connection with the campaign from local residents. The council tax remains one of the most unfair and regressive taxes, with increases hitting hardest the elderly and those who are on low incomes. The current discredited system should be swept away. I look forward to the review producing a local income tax alternative—a proposal that was put forward by the Liberal Democrats—in the near future. We will continue to argue for a fairer system that is based on ability to pay, which will lead to a neutral or beneficial position for the vast majority of Scottish council tax payers.

Overall, I believe that the Scottish Executive is committed to working with local government to improve public services in Scotland, and I support the order.

15:55

Michael McMahon (Hamilton North and Bellshill) (Lab): Being a member of the Local Government and Transport Committee, I have spent a lot of time listening to various local government representatives to establish for myself a picture of Scottish local authorities' current financial position. Having also served on the Local Government Committee during the previous session, I remember vividly the situation that we inherited in the late 1990s. I recall COSLA representatives telling us that the gulf between central funding and their assessment of what local government actually needed was in excess of £1 billion.

In my assessment of the current situation, it is clear just how different things are for local government now and how much has improved. On that basis, I welcome the minister's speech today. Brian Monteith asked whether the minister remembers from his time in local government where the bodies are buried. I am not sure about that, but I certainly know where Tom McCabe led to the burying of the Tories and the Scottish nationalists in local government.

I fully endorse the more open and collaborative approach to local government that the Executive has developed. I welcome the focus being turned much more towards accountability to the people whom local government serves and supports. To sustain robust local authorities, we require to share our priorities and to work together to attain and further the highest standards of public service provision. It is vital that we work in partnership to ensure practical results on antisocial behaviour, transport and crime in particular.

Local government will receive many more benefits from its new budget. I am reassured, in particular, that the Executive's commitment to tackling antisocial behaviour has led it to provide money to allow greater support to be given to initiatives in that area, for example the community safety partnerships that have been funded through local authorities, which will help effective warden schemes to operate throughout Scotland. Only through reform and modernisation can we secure best value for every penny that is spent.

Under this budget settlement, the Executive will provide Scotland's local authorities with more than £30 billion in the next three years. That will enable local authorities to make significant progress across the board and will help local government to meet the public's aims. I am especially pleased that the Executive has identified more than £1 billion of revenue grant outwith aggregate external finance for each of the three years of the spending review period. That will assist in such areas as the strategic waste fund, the community regeneration fund and the changing children's services fund. The revenue support for schools will allow for many more improvements in our school infrastructure, which we badly need.

It is always worth remembering that we would not have that support if the anti-private finance elements in this place had their way. The nats and the Scottish Socialist Party would deny our schools many of the positive results that will undoubtedly come from the spending proposals for schools. Those will include not only the provision of new or refurbished schools, but more teachers, smaller class sizes, greater opportunities and more protection for the most vulnerable, with grant-aided expenditure provision increasing in 2005-06 for that purpose.

The aim of spending under the local government heading is to plan public finances and manage them prudently to deliver excellence in public services and support in growing Scotland's economy, which will enable local democracy to flourish—and I have to say amen to that.

The regeneration of our neighbourhoods; the standards of and within our schools; closing the gap between the rich and the poor; making opportunities available to all; improving standards in transport, health, social care and social justice; and making our streets safe places in which to live—that is what local government is all about.

Having listened to my colleagues in local government, I know that some apprehension remains. I urge COSLA to remember where we were only five years ago. In partnership with local authorities and other service providers, and with the resources that we should approve today, we can deliver on all the aspirations that I have

mentioned. I encourage the Parliament to approve the order.

15:59

Mr Andrew Welsh (Angus) (SNP): I fully agree with the comments that have just been made regarding the importance of local government. Indeed, no one should ever underestimate local government's importance. I fully acknowledge the funding increases that have been made. However, it is a question of efficiency and effectiveness in how the resources are used in the provision of core services.

I wish to focus my comments on the practical effects of the settlement on councils, illustrating my concerns through the Angus situation.

The £9.725 million increase in Angus Council's grant allocation looks generous until it is analysed. Some £1.7 million of that total is dedicated to the A92 road project, which is essential for the future economic well-being of the local economy and was initiated and carried through as a result of the foresight of Angus Council. Therefore, the reality is that the £9.7 million increase is actually an £8 million increase. If the £5 million ring-fenced, hypothecated Scottish Executive initiatives and Scottish Executive new responsibilities are added in, there is, in fact, only a £3 million increase in the central Government grant.

Mr McCabe *rose—*

Christine May (Central Fife) (Lab) *rose—*

Mr Welsh: I want to finish the point. The Executive's generous increase is actually a massive financial shortfall if the £7.5 million pressure on services is taken into account—that is even before the effects of inflation, service development and the funding and maintenance of existing provision are considered. It is especially galling that many cost pressures—from, for example, pay awards and centrally directed policy decisions—are outwith the control of Scotland's local authorities. The generous settlement turns out to require £4.5 million of cuts and increased council taxes to meet the difference between what the Government claims and what actually has to be funded.

The picture in Angus is mirrored in local councils throughout Scotland—there will be proof of that when council tax announcements are made. I say to the minister that I am worried that there seems to be less and less correlation between funding and actual local needs or existing services, and that that must be addressed. I am talking about core local services.

I put it to the minister that Angus Council has been one of Scotland's most cost-effective councils and has provided high-quality and

efficient services. Since 1984, it has always had one of the lowest council taxes in Scotland. However, once again, like other councils, prudently managed Angus Council faces the worst of both worlds in council tax rises and service cuts. Every Scottish council is faced with absorbing non-pay inflation cost pressures while having to fund and maintain basic existing service levels.

Mr McCabe: Angus Council has received a 6.8 per cent increase, which is £10.6 million in cash terms. I have seldom heard such a circular argument. If we subtract every line of expenditure, and every line that is mentioned is a council priority, we can argue that there is no increase whatever.

Mr Welsh: That is taking the argument to an absurd level. I am saying that if one analyses the "generous" settlement and considers what services are offered, it will be found that it is less than generous.

The report that accompanies the order has two pages of Government initiatives, many of which are quite good and I support. However, those initiatives are central Government policy, which is being forced on local government, irrespective of local needs and local perceptions. I am concerned about the decision-making powers of local authorities.

There must a radical rethink about the relationship between local and central Government—about their relative powers, duties, status and constitutional positions. Otherwise, the annual ritual financial manoeuvring will continually fail to meet the actual needs and responsibilities that are placed on Scotland's councils. There are so many ex-councillors here that I am surprised that there is not more concern and sensitivity about what councils do.

I accept that set-piece grant distribution formulae will always pose difficulties, but I note that paragraph 6.3 on page 4 of the report states:

"The purpose of the distribution of AEF is to provide local authorities with a level of grant support that would notionally allow all authorities to set the same level of council tax ... provided their planned expenditure was the same as Scottish Ministers' estimate ... and they provided an equal standard of service".

I suspect that that statement will produce laughter and groans in equal measure in council offices throughout Scotland.

Central Government financial dominance has opened up a massive gap between what central Government wants and what local councils need. There must be a much more rational national system that is founded on a strategy that is agreed between local and central Government and based on a concordat that clearly sets out the correct relationships between both democratically elected

bodies. Tearing up local government structures and hobbling its administration is no substitute for a clearly delineated system of competencies and constitutional rights to allow finance to be directed where it is needed, when it is needed. The current system and the grant settlement fail to meet that democratic test.

16:04

Tommy Sheridan (Glasgow) (SSP): In the light of what Mr Monteith said about Tom McCabe being the “local government hard man”, I do not want to be misconstrued—I do not like violence. Nevertheless, I invite the minister to take a walk with me down to Union Street in Glasgow. I would like him to witness the 3,000 buses and 13,850 other vehicles that use Union Street every day and to tell me why that street attracts the same level of central Government expenditure as a single-track road in Aviemore. I invite him to come with me to the Clyde tunnel—I would not want us to go into the tunnel, as we might get knocked down, but we could stand near it—witness the 60,000 vehicles a day that use the tunnel and tell me why it attracts the same level of expenditure as a rural single-track road.

Mr McCabe: There is an important distinction between the overall level of finance that is available to local government and the methodology that is used to distribute that money. I state clearly on the record that, if the Convention of Scottish Local Authorities wishes to discuss changes to that methodology, the Scottish Executive is eager to participate in those discussions.

Tommy Sheridan: The minister will know that I speak on behalf of the area that I represent, which is Glasgow. Glasgow wants that funding methodology to be re-examined because Glasgow does not accept that the four determinants that are currently used—road classification, road length, car ownership and the length of road on poor ground—are good enough. They result in the ridiculous anomalies that I have just cited and in the gross underfunding of Glasgow City Council for roads expenditure. The reality is that the council currently has to spend £9 million a year more on roads maintenance than is allowed for under the Scottish Executive’s funding arrangements—£9 million that is not being spent on social work, education and closing the social exclusion gaps. That is why the spending mechanism has to be addressed.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Tommy Sheridan makes the case for Glasgow City Council being underfunded, yet that council receives far more per head of population in expenditure from the Government than most other local authorities receive.

Aberdeenshire Council has a fair share campaign, as it receives only 90 per cent of the average allocation per head of population. The fair share call for Glasgow must, therefore, be put in perspective.

Tommy Sheridan: I hope that the member accepts that the basis of need should be the most important determinant in the distribution of any funds from the Parliament. Just using population figures overlooks the serious and complex factors that relate to need. The reality is that, given the concentration of deprivation, low pay, low income and educational underachievement that we have in Glasgow, basing Government expenditure simply on a figure per head of population would be a scandal.

Unfortunately, the distribution of expenditure for roads takes no account of the fact that 50 per cent of the commuter traffic in the city of Glasgow is not generated by Glaswegians. Car ownership is taken into account in the distribution mechanism, and we might expect the car ownership figure for Glasgow to lower the level of expenditure that is required, as Glasgow has a lower-than-average level of car ownership. However, our roads are used more by commuters, and 50 per cent of that commuter traffic is generated by those who come into the city to work and earn but then leave the city at the end of the day. That has to be addressed, for the sake of fairness. It is a basic element that the distribution mechanism does not take account of.

Let us look at the difference between Glasgow City Council and, for instance, Highland Council. In 2001-02, Highland Council used only 48 per cent of its road maintenance allocation, whereas Glasgow City Council spent 152 per cent. Although the mechanism takes into account road length as a factor—yes, Highland Council has 6,650km of roads compared to Glasgow’s 1,775km—Highland Council’s expenditure per kilometre of roads was £966, compared to Glasgow City Council’s £8,775. The reason for that difference is the extra usage that is made of Glasgow’s roads, which is not taken into account by the mechanism.

I hope that all members, even those who do not represent Glasgow, will accept that a distribution mechanism should not compare Union Street’s five lanes of traffic and 13,000 vehicles a day or the Clyde tunnel’s 60,000 vehicles a day with a single-track road in Aviemore. For the sake of the city of Glasgow, I ask the minister to address that problem in his reply.

16:11

Christine May (Central Fife) (Lab): Following on from the transport-based theme of Tommy

Sheridan's speech, I am sure that members will be glad to know that I read a report yesterday about a recently launched website that contains the recordings of the engine sounds of various buses. It has had 250,000 hits in its first few weeks of operation. Local government finance tends to be similarly treated, as my Opposition colleague Alasdair Morgan said, as an anorak's subject. However, as I realised when I was first elected as a district councillor in 1988, unless we know how the money works, we cannot make policies, deliver services or find out where we can achieve efficiencies to deliver increased services. That is what we are talking about in today's debate on the local government settlement.

Everybody knows that if we were to redo public sector finance, we would not start from where we are now. Over the years, the settlement has been built up as a delicate balance between competing priorities. It takes account of new pressures as needs and lifestyles change and of costs that do not always rise in line with the retail price index or consumer price index. Although its standard indicators and distribution formulas are not perfect, I can inform Mr Sheridan that they at least take account of more than just population.

I congratulate the Executive. As one who formerly had a particular interest in local government finance—a few years ago, I might have been arguing from the other side of the fence—I can say that the system has changed beyond recognition from what I remember of it when I came into local government.

Brian Adam: Will the member give way?

Christine May: Let me make this point first.

Three-year settlements and capital funding changes have given local authorities the scope to manage services and structural changes. They can now build partnerships to allow for new measures that are introduced.

Brian Adam: Does the member agree that it would be helpful, both for today's debate and in the on-going battle that takes place every year between councils and the Executive, if the Executive always included in its presentation information on what proportion of the increase was for new burdens? That would remove a significant part of the contention between the parties.

Christine May: It is up to local authorities to determine what proportion of the increase is applied to new burdens. As Brian Adam well knows—if he does not, I am happy to give him the 40-hour course—the total settlement takes account of the overall need. In addition, the Executive guidelines are no more than that. The Executive issues guidelines for services, but local authorities make determinations as they see fit.

Certainly, when I was leader of Fife Council, I wanted to be left alone to do that.

Today's announcement is welcome. The £280 million of new money will help to deliver services that are the priorities not just of the Executive but of local people. I have listened to members complaining about Executive priorities putting pressures on local councils. Are they saying that their communities do not want better public safety, improved health, increased quality of life, more jobs and more infrastructure investment?

We have had money for care of the elderly, transport improvements, community safety initiatives, waste management, energy efficiency and extra staff who will be environmental and community wardens or undertake health improvement measures in partnership with health boards and the voluntary sector. In addition, council tax collection levels are increasing, although I accept that room for improvement exists. Money has been made available as a result of efficiencies that were made possible by previous years' investments by the Executive. Community planning priorities have been funded, which means that across a range of public and private sector organisations, better use can be made of money.

Concerns and pressures remain and I have spoken to the minister in the past about concerns that my local authority has raised with me. However, I welcome Mr McCabe's statement that he is willing to work with COSLA and local authorities to take account of those pressures when it can be shown that despite all efforts to achieve efficiencies and to maximise income from the modernising government fund, particular concerns remain. I invite the minister to accompany me, if he has time in his diary, to meet the leader and the finance spokesperson of Fife Council, should a need be identified in years 2 and 3 of the settlement, when I understand that issues may arise over the supporting people programme, for example.

All of us who are elected must make it a priority to ensure that the public and the communities that we serve have the best quality of service for the money that they pay, not only through council tax, but through the taxes that they pay on income and in charges on goods that they buy. We owe them that.

It is wrong to equate inflation rises in a range of goods and services with the percentage rise in council tax. That is easy to do, but the elements are not directly comparable. Members who know anything about the council tax gearing effect will know that such a comparison is wrong.

I welcome the statement. At the end of the debate, which has been good, I hope that

members will support the minister's motion—I certainly do.

16:17

Murdo Fraser (Mid Scotland and Fife) (Con):

We have heard much about bodies being buried. Despite its graveyard slot, the debate is important. That is because it deals with council tax, which is the only tax—apart from business rates—for which the Executive has responsibility, albeit indirectly. I am sure that all members receive regular complaints about the burden of the council tax. As we have heard, the tax has increased by 50 per cent since 1997. The public are becoming increasingly concerned about the level of tax that they pay.

The point has been made that the subject is an issue particularly for those who are on fixed incomes, such as pensioners. They may well live in larger houses, but that does not reflect their income position. The year-on-year increases in council tax rates mean that they continue to be penalised. Sadly, there is no sign that that will end with the current settlement.

In previous years, the Conservatives were part of the administration of Perth and Kinross Council, which is in my area, so they could restrain council tax increases as far as possible. I have no doubt that had it not been for Tory involvement in the administration, the council tax increases would have been much higher over the years. Sadly, the Tories are no longer part of that administration. Instead, we have an unholy alliance of the Liberal Democrats and the SNP. That is bad news for local council tax payers, because the restraint has been removed. We could be heading for a council tax increase of 5.5 per cent, which is well above the inflation rate. That increase will be unaffordable for many people.

One early act of the new Liberal Democrat-SNP administration on Perth and Kinross Council was to create a new special responsibility allowance for an arts and culture spokesman, which was given—surprise, surprise—to a Liberal Democrat member. That was unprecedented and was rightly condemned by opposition councillors from the Conservatives and Labour. Members of the council's administration appear to be more interested in lining their pockets than in working to keep the council tax down.

Mike Rumbles: Will the member give way?

Murdo Fraser: If Mr Rumbles wants to defend his colleagues for lining their pockets, I will be delighted to hear from him.

Mike Rumbles: Are the Conservatives in favour of properly remunerating our councillors? Yes or no?

Murdo Fraser: With respect, I do not think that that is the issue. I simply think that people would view it as rather unsavoury for a party in a new administration suddenly to create all these extra allowances to ensure that every one of its councillors got an additional payment.

The Liberal Democrats and the SNP want to replace the council tax with a local income tax, because they no doubt think that such a stance will serve them well when they come to make a play for the pensioner vote. However, changing the current system in such a way simply robs Peter to pay Paul. A local income tax is a tax on the hard-working families and couples who are already paying income tax and national insurance before they can pay their rent, mortgages, other household bills and all the expenses incurred in bringing up a family. An average working couple in Scotland on average earnings will pay £1,053 for the average band D council tax bill. However, under the Liberal Democrats' proposed local income tax, that same couple will pay £1,224, which is £174 more than they pay at present. That is equivalent to a 16 per cent increase in the average band D council tax rate.

Margaret Smith: I am interested to hear the member's solution to the problem.

Murdo Fraser: I am coming to that.

Margaret Smith: After all, between 1993 and 1997, the Tories increased the council tax by 40 per cent. What does the member say, for example, to the elderly people in my constituency who live in very large houses and whose council tax payments are literally going through the roof?

Murdo Fraser: As I said, I will come to my solution directly. However, I should point out that the member's party is proposing simply to shift the burden of that taxation from one set of taxpayers to another.

Under SNP proposals, the situation would be even worse, because the average working couple I mentioned would have to pay £181 extra, which is equivalent to a 17 per cent increase in council tax. Of course, the increase would be even greater for people who earn more—so much for trying to encourage people to live in Scotland.

Moreover, no one has yet given a satisfactory answer to the on-going problem of council tax benefit. Without the £294 million that councils receive from the Department for Work and Pensions, the local income tax would be even higher.

I suspect that the real issue about the council tax is not the system itself but the size of the bills that people have to pay. Indeed, Alasdair Morgan acknowledged as much in his opening remarks. That is why the Conservatives' plan to reduce

council tax bills and transfer education funding to central budgets would have such a beneficial, immediate effect. Such a measure would allow us to reduce council tax by an average 35 per cent, which would make it more affordable across the board, and the £600 million that it would cost could be easily afforded within the efficiency savings that the Executive has already identified. This is not, as some ignorant or stupid individuals have said, a cut in the education budget, but a transfer of funds from one budget to another.

Christine May: Will the member give way?

Murdo Fraser: I am sorry—I am in my last minute.

The council tax is a stealth tax. Nevertheless, it hurts far too many people who can ill afford to pay it. As we face yet another round of well-above-inflation increases, it is time to address the central problem of the very high level charged for the tax. Such a solution is far better than changing the current system which, as I have said, would simply transfer the burden from one set of taxpayers to another.

I have pleasure in supporting Brian Monteith's amendment.

16:23

Stewart Stevenson (Banff and Buchan) (SNP): As we are in some danger of indulging in navel-gazing, I want to begin by quoting an external view from the most recent edition of *Holyrood* magazine. It says:

"As expected by some, the establishment of the Parliament has resulted in the centralisation of power,"

which, as we have just heard, is firmly supported by Murdo Fraser,

"an increase in"

ring-fencing

"to develop the Executive's priorities and a growth in central dictat."

The article continues:

"This year will also see the Executive squeeze local government for a disproportionate share of efficiency savings."

Those are not my words; they belong to an analyst who is outside the narrow confines of this debate.

Mike Rumbles: Name him.

Stewart Stevenson: Interestingly, the article does not come with a name. I, too, will be interested to find out who wrote it. The point, of course, is not who wrote the article, but the fact that someone outside the Parliament who observes what we do is seeing the same things that we see.

The whole subject of local taxation is under review by a very excellent fellow called Peter Burt, who used to be my boss. I am reminded of a question I was asked a few years ago, when the Scottish Parliament had just been established. Peter Burt's colleague Gavin Masterton—who subsequently became the boss of the bank—asked me whether he should join a Government task force. I said, "Yes, of course you should, Gavin. To keep an eye on the"—I cannot repeat the word that I used, because the rules of parliamentary language forbid it. However, engagement between business and Government is certainly appropriate.

I love to see Peter Burt's signature—especially on banknotes, rather than reports. Let me warn the minister that Peter Burt is a dangerously innovative man. It will be fascinating for the minister to hear what he says. I have sat and discussed taxation and private finance initiatives with him. PFI projects, in general, lock in a payment stream for 25 or 30 years. However, in this morning's debate and in parliamentary answers that I have received, I have heard from various ministers that the Government does not know what will happen even 10 years from now. Does local government have psychic powers meaning that it can be forced to plan its expenditure 30 years ahead? Is such an approach common?

The SNP would use a different financing model that would raise the money in a different way. When we consider the PFI payments that local government has to pay, should we not align them as far forward as we are able to foresee? In France, for example, *la concession*—which is the French equivalent—is generally for a period of between seven and nine years, rather than for a period of 30 years.

On 8 December, the minister and I had a little exchange on collection rates in local government. The minister suggested that one thing that local government could do to improve its income would be to step up the collection rate. That was an absolutely fair comment, but, of course, the minister was making no allowance for the fact that some councils are relatively efficient. I am sure that the minister will be glad to be reminded that the Lanarkshire councils are doing pretty well. Some of the McCabes can get some things right some of the time.

However, councils that have been highly efficient have less scope and less headroom to improve their performance. The minister and the Executive are looking for significant efficiency savings from councils, but the playing field out there is not level. We are in danger of penalising the very people who have been successful.

The law of unintended consequences also applies to the subject of roads. I do not necessarily come at this issue from the same position as Tommy Sheridan, although I welcome—as would Tommy—the minister's preparedness to sit down with local government to discuss the way in which distribution of money is worked out.

Aberdeenshire has a rather high proportion of roads that are unadopted and therefore not the responsibility of the council. Quite properly, those roads are not taken into account in considerations of the money that the council should receive. However, many of those roads are important roads for public services. For example, several of them are privately owned unadopted roads that are the only access to schools. The paradox is that the council is unable to take into public care roads that are used for public purposes.

I note that we are increasing the hardship fund for white-fish relief by the grand sum of £28,000. The reality is that we are paying out very little.

We have to look into the power ratio between central Government and local government. We passed a very useful act that created the power of well-being. However, I say to the minister that that phrase has a very hollow ring as long as we control the purse strings as we do. We should give councils limited financial independence. It is time to look at the system again.

16:29

Paul Martin (Glasgow Springburn) (Lab): As someone who was born and raised in the Springburn area of Glasgow, I genuinely do not fear the so-called hard-man reputation of Tom McCabe—or, for that matter, that of Tavish Scott. If that is Peter MacMahon's representation of a hard man, he should get a life.

I have never claimed that Glasgow has had a fair deal. I do not know whether it is because I am a Glaswegian, but I think that our city faces severe and complex challenges. A large number of studies on Glasgow have been carried out by underemployed consultants. I respectfully suggest that they should consider how services in Glasgow could be delivered more effectively instead of telling us the problems of which we are all well aware. We need to examine how to tackle the problems.

Although Alasdair Morgan finds it difficult to do so, we must remind ourselves of the Tory years. I make no apologies for doing that, because the people of Glasgow suffered during those years. In 1996, a massive secondary school building project was required. That was delivered in 2004, when 29 brand new secondary schools were built in Glasgow. In 1996, there were no proposals on investment in Glasgow's housing stock. In 2004,

£700 million was provided for that. In 1994, full employment was a fantasy for politicians in Glasgow, but in 2004-05 it is a reality—we can deliver full employment. In 1996—the year before Labour came to power—the increase in council tax in the Glasgow City Council area was 19 per cent; in 2004-05, the corresponding increase was 1.9 per cent. When I was preparing my speech, my researcher asked whether 19 per cent was the correct figure for this year. I had to ask that the point be put in.

Let us continue to move forwards. We must keep an eye on the Tories, who were the constant enemies of local government services. Councils strove to deliver front-line services in our communities in spite of the predatory approach that the Tories took to them during their years in Government.

The balancing act that the Minister for Finance and Public Service Reform has to perform is a serious challenge. He has committed to scrapping the bridge tolls for the 12,000 inhabitants of Skye, but when he makes such decisions, he has to take into account the fact that he is removing the opportunity to provide additional funding for Glasgow to deal with the serious challenges that it faces. I am conscious of the balancing act that the minister has to carry out, but I think that he should take into account the complex problems that Glasgow faces, such as the serious health situation that the statistics remind us of daily.

I welcome the commitment to provide an additional £64 million to police forces throughout Scotland. However, on a number of occasions I have called for a top-to-bottom review of how police services are delivered in our communities. It is all very well to provide additional investment for police officers and to use the buzz words, but it is important that local elected members have a role in examining how policing is delivered. It is crucial to ensure that the investment that is made in the police force is used to best effect.

I welcome the additional £227 million increase in funding for education. As I have said, I welcomed the investment that resulted in the building of 29 brand new secondary schools in Glasgow, five of which are in my constituency. That has resulted in a significant improvement in pupil and teacher morale in those schools. It is now time to consider primary school provision in Glasgow, so that we can raise educational attainment in that area. In my constituency, the number of people who leave school with no qualifications is 240 per cent above the Scottish average. We must invest in our primary school education to ensure that we deal with that issue.

The debate has been welcome. I welcome Brian Monteith's after-dinner speech, but it is unfortunate that, like the other Opposition

members, he was unable to provide proposals for alternative, more effective means of funding local government. It is time that the Opposition put up or shut up and allowed us to get on with the job of delivering for local government in our communities.

16:35

Bristow Muldoon (Livingston) (Lab): Before I respond to points that were raised in the debate, I will spend a bit of time considering what the settlement means for local government. It means a commitment of £30 billion funding over the next three years. The aggregate external finance will be £8.1 billion in the forthcoming financial year, £8.3 billion in 2006-07 and £8.5 billion in 2007-08. In addition, there are additional revenue grants of more than £1 billion per year, and resources from prudential borrowing will be available to local authorities, as will capital grants of in excess of £1.2 billion over the three years.

The resources are only one side of the coin. Many members have spoken about what we intend to do with those resources, which is the more important point. The resources will allow local authorities to address priorities that are not only the Executive's but those that are shared by most of local government in Scotland. There will be £227 million—5.7 per cent—extra investment in education and young people, which will allow local authorities to continue to provide new schools, more teachers and greater opportunities. An additional £96 million will go into community care, which will allow an extra 6.1 per cent of funding for care services. There will also be additional resources for police services, which will allow for more police and safer communities in Scotland. That is to touch on only a few of the priorities.

I welcome the fact that, in his opening speech, the minister added a further £169 million to the figures that had been previously announced. He also rightly stressed the need for us continually to improve efficiency in government at all levels, which includes local government.

Brian Monteith's amendment shows how little the Tories value devolution, as it calls yet again for the automatic transfer of the additional resources that follow any increase in grant to English and Welsh local government without the Executive or the Parliament expressing a view as to what those resources should be used for. It might be the case that those resources would be addressed to priorities that we share with local government, but it is right that the Parliament decides on the use of the resources that are made available to it through the devolution settlement.

Mr Monteith: Is Bristow Muldoon saying that those Labour-controlled local authorities that also

say that Barnett consequential funding that would have been earmarked for local authorities should go to them are disparaging devolution?

Bristow Muldoon: All local authorities that complain about the current financial settlement should think back 10 or 12 years to when Mr Monteith's party was in power and ask themselves seriously whether they want a return to those days or whether they recognise the considerable support that the Executive gives to, and the considerable investment that it is making in, local government. Mr Monteith appeared to guarantee local government that it would be spared the sword in the unlikely circumstances of Mr Howard's coming to power. Does that mean that he is giving an absolute guarantee that Scotland would be spared the sword of any reductions that are planned by the shadow chancellor if the Tories were to come to power? If that is not the case, what other services in Scotland would be cut to provide the guarantee that he appeared to offer? I suspect that it is a hollow promise.

Mr Monteith rose—

Bristow Muldoon: I do not have time to give way again, and, given Mr Monteith's jocular response when I intervened on him, I do not think that even he believes that the Tories will come to power in the forthcoming general election.

The Scottish National Party's position is equally intellectually dishonest. Again and again, speakers from the SNP complained about the level of council tax and the pressures on local government finance, but failed to identify what alternative funding priorities the SNP would have. The SNP members' only answer was the introduction of a local income tax, which many with considerable wealth, but hidden income, would potentially be able to evade, thus leaving the pressure on many middle-income earners who pay tax through pay as you earn. The Conservatives made an interesting point about the impact of the SNP's plans. It will be interesting to see exactly how much attention the SNP gives to its policy in the former Tory seats that it will defend in the forthcoming general election—not a great deal, I suspect.

I apologise to the speakers whom I have not mentioned. The choice today is clear. As usual, it is a choice between investment in opportunity, as delivered by the priorities that the Labour and Liberal Democrat Executive has set, and cuts and abandoned communities, as promised by the Conservatives or the Scottish National Party. I am confident that today Parliament will make the right choice and support the Executive on the Local Government Finance (Scotland) Order 2005.

16:40

Mr Ted Brocklebank (Mid Scotland and Fife)

(Con): Clearly, an election is coming. It is fascinating that only two months ago Tom “the enforcer” McCabe was telling councils that they had to cut their coat according to their cloth and that council tax increases for the forthcoming year should be pegged or capped at about 2.5 per cent. If I have understood correctly the figures that he has provided, it now seems that an extra £419 million is available to them.

Mr McCabe: That is correct.

Mr Brocklebank: That figure has been magicked, apparently out of thin air, to support local councils at new record levels for next year alone. Tom McCabe and Tavish Scott tell us that councils must use the money wisely and efficiently. However, as Brian Monteith pointed out, we can be absolutely sure of one thing. Despite all the extra money, council taxes will inevitably go up, as more and more burdens are being placed on councils. That is as sure as death and taxes.

Alasdair Morgan drew attention to the alleged misdeeds of all local councils, whatever their political persuasion. Although he did not offer many solutions, he was right to point out that the problems of council tax are first and foremost the problems of the Scottish Executive. When more burdens are placed on councils, their knee-jerk reaction is to employ more people. The biggest employer in Fife, the council area in which I live, is Fife Council, which now employs nearly 17,000 workers—more than any local authority in Scotland outwith the city of Glasgow. I hope that Tom McCabe will take up Christine May’s invitation to visit Fife, to find out whether all of those 17,000 workers are gainfully employed—on behalf of council tax payers, rather than on behalf of themselves.

The most recent quarterly figures show that the number of local council workers in Scotland has rocketed to the quarter of a million mark. An extra 7,230 staff were employed in the latest quarter, and staffing levels have increased in every quarter since 2000. Margaret Smith, who is no longer in the chamber, disputed the figure of 50 per cent that is given for the increase in council tax rates since 1997, when Labour came into office. By 10 February this year, they will have increased by 56 per cent. However, the member was right to say that we should encourage council efficiencies. That includes encouraging local authorities to improve their council tax collection rates. The latest figures show that councils in Scotland collected just over 91 per cent of taxes, leaving more than £150 million uncollected. If Scottish councils improved their collection rate to that of

councils in England, nearly £60 a year could be shaved off the average band D council tax.

Both Margaret Smith and the “dangerously innovative” Stewart Stevenson, from one of his many previous incarnations, saw local income tax as providing a solution. However, as Murdo Fraser pointed out, local income tax immediately becomes a tax on hard-working families and couples in which both persons are working and already pay income tax and national insurance. Under the Lib Dems’ proposed local income tax rate, a young couple on average male and female weekly earnings would have to pay a further £1,224 pounds a year in local tax. That is £171 more than they pay at present—a 16 per cent increase in band D council tax. As Murdo pointed out, under the SNP’s similar LIT scheme, a couple on average earnings would pay £181 more than they currently pay.

Brian Adam: Murdo Fraser’s figures are, as usual, baloney. Under the SNP’s proposals a working couple in a band D property across the range of local authorities in Scotland would save money. There would be a reduction in their council tax.

Mr Brocklebank: From our understanding—Brian Adam can get the SNP’s researchers to talk to our researchers—that is not the case for people on average earnings. That is what we are talking about.

A change to the council tax system will inevitably produce losers as well as winners. We are saying that it is sensible to have a broadly-based tax system with a combination of income, consumption, capital and property taxes rather than a system that is based solely on income.

I must say that Tommy Sheridan is right about one thing—local government in Scotland is scandalously unfair to many people and scandalously inefficient. We are not convinced by hard words from a tough minister about the need for councils to cut their cloth while he simultaneously throws more and more public money at them to allow them to build up ever more bloated numbers of local government workers.

16:46

Brian Adam (Aberdeen North) (SNP): The local government finance debates are always interesting. Many members have experience of running councils and proposing alternatives to council budgets. Local government budgets will be set next week and I suspect that the public at large will be much more interested in what the local councils have to say than in what we have to say, because that will directly affect them whereas today’s deliberations will affect them indirectly.

The report that the Minister for Finance and Public Service Reform has laid before Parliament gives us the background as to how GAE and AEF is worked out. It might be interesting for us to look at appendix C, which points out that a client group approach has been taken. That is an objective method used to estimate GAE for local authorities that takes into account a whole variety of things. The complexity of local government finance is probably not well understood and a series of anomalies arise; members have highlighted some in the debate. Tommy Sheridan raised the anomaly in connection with roads. I will raise another obvious one, which is the social work budgets, particularly for demand-led children's services.

I hope that the Executive will not dismiss Professor Arthur Midwinter's recent report out of hand but consider it seriously, not only with COSLA—such discussions are usually local authorities squabbling among themselves about how they will come up with a solution. This objective report highlights that most councils are spending way above GAE on social work and on children's services in particular. We must seriously examine that issue, which particularly impacts in the city of Aberdeen, where I represent many folk. Councils have no control over the demand-led side and therefore cannot manage their priorities, and they have to pick up the consequences.

Some members invited various ministers to take walks or join them in their constituencies. I happened to notice that a number of Executive ministers were in a close huddle with the political leadership and a number of officials from Aberdeen City Council. I hope that the representations that were being made by Aberdeen City Council did not fall on deaf ears, because they have done up until now. However, the problem that I have highlighted with regard to demand-led children's services is not exclusive to the city of Aberdeen and it is worthy of consideration by the Executive.

I note a point about which the Executive parties are extremely sensitive. The point is that since Labour has come to power council tax has risen by 50 per cent. Protests about that point come from the Liberal Democrats because the Tories set the rate in the first year. However, Labour could have changed that; it had the power to do so, but it did not exercise that power. Even if we ignore the year when rates were set very high, council tax has still risen by 34 per cent against an inflation rate of only 9 per cent—a 25 per cent difference.

There is nothing mysterious about all that; it is all about shifting the blame for higher taxes on to local authorities and protecting the interests of central Government. We are not getting clear, transparent policies from the Executive. On a

number of occasions the Executive has been asked clearly to separate out the element of the increase that is due to new burdens, which would enhance debate and remove at a stroke the principal complaints of local authorities about ministers who say, "You are getting a rise of 6 per cent", only to turn round and say, "Oh, no—you've really only got a rise of one point whatever." By separating out that element of the increase, the Executive would help to ensure the transparency that the Parliament was set up to deliver. The separation of the figures in the way that I described is well within the Executive's powers and the fact that it has not been done indicates that it is to the Executive's political gain not to do so—to the Executive's shame.

The Deputy Presiding Officer (Murray Tosh): You have one minute left.

Mr Welsh: I compliment whoever drafted the order on the clarity with which the structure of what is happening has been laid out. However, perhaps the order lacks a narrative that explains the Government's goals and targets and indicates how outcomes will be measured. The structure is vastly improved, but a narrative that explained the Government's point of view would have enhanced the order.

The Deputy Presiding Officer: You have half a minute left, Mr Adam.

Brian Adam: I whole-heartedly agree with my colleague.

It was amusing to learn that the Conservatives have a new speech writer. I am delighted to learn that Peter MacMahon found it easy to move from new Labour to the Tories, although the distance is not very far these days. Perhaps Brian Monteith will be happy to offer Peter MacMahon a position with the Conservative group.

I am always delighted to take part in finance debates. I invite the minister to provide, if not during the debate then in writing, a detailed analysis of how the Scottish Executive calculations for the two years that succeed this one will be such that council tax rises will be no more than 2.5 per cent—

The Deputy Presiding Officer: You must close now.

Brian Adam: There is a considerable body of independent thought on the matter. For example, Professor Bramley—

The Deputy Presiding Officer: Mr Adam, your time is up.

16:52

The Deputy Minister for Finance and Public Service Reform (Tavish Scott): From the outset of the debate, there has been considerable

discussion about good cops and bad cops. The finance ministers and the justice ministers are very keen to be good cops, which is why we have put 17 per cent more funding—£64 million, as Paul Martin rightly said—into policing and police resources over the period that we are discussing. I hope that Mr Monteith will regard that as a good-cop approach to life.

Mr Monteith: Is the minister aware that the Executive seriously underestimated the funding of police boards this year? Councils from Dundee, Clacks and Stirling to Lothian and the Borders are facing a serious shortfall. Councils had planned their budgets but must find more money because Executive departments underestimated how they should be funded.

Tavish Scott: Mr Monteith is sadly wrong. The 17 per cent increase that the Minister for Justice sought and secured through the spending review and the local government settlement that we are discussing represents exactly the kind of approach that is necessary in meeting the requirements that have been laid out in partnership with the appropriate authorities.

Mr Monteith's amendment is the same as the one that he lodged last year. In fairness, he is nothing if not consistent. However, it is important to acknowledge that the pre-budget report consequentials are for one year only and amount to just £12 million, compared with the £419 million in 2005-06 that the Executive is investing in local authorities.

I hope that Stewart Stevenson and others who mentioned ring fencing—and always raise the issue—will acknowledge that only 9 per cent of the 2005-06 settlement will be ring fenced and that more than 70 per cent of the 9 per cent figure represents police specific grant.

I did not quite follow the tenor of Andrew Welsh's argument. He spoke about a generous settlement but then appeared not to support particular measures in Angus. I am sure that he supports those measures; indeed, he said that he supported the new road initiative in his constituency and a number of other areas in which Government policy is taking issues forward.

I will quote Mr Welsh's colleague Mr Ingram, who on the radio this morning said:

"No, it's a local authority responsibility".

In fairness, he was talking about education. He added that local authorities

"get a large package of money into education. How they split it up between the various priorities in education is down to the councils."

I am sure that Mr Welsh will be happy to discuss that with his colleague. Mr Welsh also mentioned the need for a narrative—he will find all the

narrative that he wants in the Budget (Scotland) Bill.

We have had considerable discussion about methodologies, an issue that was raised by Tommy Sheridan, Christine May, Mike Rumbles, Paul Martin and others. I hope that Mr Sheridan will accept that the road maintenance distribution methodology includes a secondary indicator to allow for the number of vehicles that use the roads. Just as we can have a series of suggestions in relation to urban deprivation, we can have a series of suggestions that relate to sparsity.

Murdo Fraser came up with the new concept of the council tax as a stealth tax; it must be the only stealth tax that comes in a brown envelope through the post. To Mr Brocklebank, I say gently that it is not appropriate to say that all council workers in Fife are interested only in themselves; that is just a cheap shot at council workers. We expect better of the Tories.

I inform Mr Adam that we are analysing the report by Professor Midwinter that he mentioned and that we take it seriously. However, as Mr Adam knows, Professor Midwinter recommends several actions that councils can take to improve services and deliver the more effective use of resources.

Brian Adam *rose*—

Tavish Scott: I have dealt with the point.

Councils in Scotland already benefit from the three-year local government settlement that we have introduced. In the next three years, local authorities will benefit from a cumulative increase of 10.4 per cent in Scottish Executive core revenue support. As Bristow Muldoon, Margaret Smith and others mentioned, since 1999, local authorities have benefited from an increase of £2.1 billion, or 40 per cent, in revenue funding, which is surely a significant advance in any terms.

Margaret Smith, Michael McMahon, Bristow Muldoon and others mentioned the range of positive initiatives that we have taken in relation to local government. I will add to the list: we have introduced the three-year revenue and capital allocation, the prudential borrowing regime, the abolition of spending guidelines, revenue grant increases, council tax powers over second homes and the independent review of local taxation, which are all positive developments for local authorities in Scotland.

If SNP members sorted out their views, I might have some sympathy for them. Once again, we got calls on the one hand for spending and on the other hand for lower tax. They never can sort out their views. As we know, the SNP wants lower corporation tax, business rates and water rates—

the list goes on—and yet we are now told that it wants a nationalised cap on the council tax, which of course means national control and a cut in real terms in the money that is available to local authorities. It is time for a rethink of nationalist thinking on an issue that the nationalists simply do not understand.

By approving the Local Government Finance (Scotland) Order 2005, the Parliament will confirm the revenue grant support for each council for the coming year. The allocations within the order will enable councils to keep council tax rises in line with previously published estimates for the coming year. I urge councils to keep those increases as low as possible. The order will deliver better services for our citizens and a fair deal for local taxpayers. I commend it to the Parliament.

Inquiries Bill

The Presiding Officer (Mr George Reid): The next item of business is consideration of motion S2M-2242, in the name of Cathy Jamieson, on the Inquiries Bill, which is United Kingdom legislation.

Motion moved,

That the Parliament recognises the benefits of a modern statutory framework for the holding of inquiries into matters of public concern and agrees that the provisions in the Inquiries Bill, so far as they relate to matters within the legislative competence of the Parliament or to the executive competence of the Scottish Ministers, should be considered by the UK Parliament.—[*Hugh Henry.*]

16:59

Mr Stewart Maxwell (West of Scotland) (SNP): I oppose the Sewel motion, because a Scottish bill should have been introduced to cover Scottish inquiries. The Deputy Minister for Justice told the Justice 2 Committee that that was entirely possible and that the matter fell under devolved competence. His defence of the use of the Sewel motion was twofold. First, he argued that it will save time for this Parliament if Westminster legislates. The logical extension of that argument is that we should just send everything to Westminster; we could save a lot of time and not bother with this place at all. Of course, that is perhaps exactly what he intends.

The minister's second defence of the use of the Sewel motion was that some inquiries could be cross-border and that we should therefore allow Westminster to produce UK legislation on the matter. The logical extension of that argument is that, instead of our allowing Westminster to legislate, Westminster should allow Europe to legislate because—of course—inquiries could be transnational and go across national borders. For example, England and France would be affected by an oil spill in the English channel, or the UK and Ireland would be affected by an accident at Sellafield.

Of course, the Executive is not suggesting that we send powers from Westminster to Europe; it is, quite rightly, suggesting that cross-border working arrangements can be put in place to deal with transnational matters. If perfectly acceptable arrangements can be put in place to deal with cross-border inquiries when it comes to working with countries such as Ireland or France, it should also be perfectly possible and entirely acceptable to do the same for the small number of cross-border inquiries that take place in the UK. Scottish administrative justice should be protected in the same way as civil and criminal justice is. At First Minister's question time today, the First Minister said that he did not want to give away

responsibility, but to take it. Well, now is his chance: vote no to the Sewel motion.

17:01

The Deputy Minister for Justice (Hugh Henry): It is hard to know where to start, so I will begin with the fundamental hostility that the Scottish National Party has to Scotland's being part of the United Kingdom and, indeed, to the devolution settlement that was voted for by the people of this country. The SNP does not want the settlement to work, and it sees anything that is connected to the rest of the United Kingdom as alien. That is a position of principle for the SNP; personally, I think that it is silly in the extreme. However, the SNP takes that silliness further by opposing policies that are, on the face of it, eminently sensible.

I mentioned at the Justice 2 Committee a number of examples in which it would make eminent sense to hold inquiries between two jurisdictions. The Dunblane inquiry, in which there were issues to do with firearms offences but also profound issues to do with child safety and security, was one such example.

Margo MacDonald (Lothians) (Ind): I seek two points of clarification. The first concerns section 14 of the Inquiries Bill, which relates to the

"Power to convert other inquiry into inquiry under this Act".

I refer of course to the question—on which the minister has already given an opinion to Bill Butler—whether the Fraser inquiry could be converted. Will he confirm that his opinion remains as it did at committee? Secondly, I wonder whether the minister could give us any hint as to the possible enactment date of the bill, since the Scottish Parliamentary Corporate Body is now in court defending itself and may wish to seek access to tapes for the record.

Hugh Henry: On the first point, I am happy to confirm that Bill Butler did indeed press me on the question of the Fraser inquiry, and I repeat that the advice that I have been given is that, if the bill had been in force at the time, the BBC and IWC Media would have been obliged to release the tapes. Any future inquiry will have a power of compulsion that was not available to Lord Fraser.

As for the implementation date, that is a matter for the UK Parliament. The bill will need to go through due process there, and thereafter will follow the normal enactment. I am not in possession of a specific date.

Essentially, it is an eminently sensible proposal that is before us. It is one that will benefit Scotland—not just Parliament but the Scottish people. The SNP is now on record as saying that it is opposed to motions that give more powers to

Scottish ministers or to the Lord Advocate. I would have more respect for the SNP if it said that it was a matter of principle; however, it cannot be a principle because the SNP supports some policies and opposes others, some of which would transfer powers to this Parliament. What we now have with the SNP is a party that is bereft of ideas, bereft of leadership and, sadly, bereft of common sense.

Business Motion

17:04

The Presiding Officer (Mr George Reid): The next item of business is consideration of business motion S2M-2346, in the name of Margaret Curran, on behalf of the Parliamentary Bureau, setting out a timetable for legislation.

Motion moved,

That the Parliament agrees—

(a) that consideration of the Protection of Children and Prevention of Sexual Offences (Scotland) Bill at Stage 1 be completed by 18 March 2005; and

(b) that consideration of the Further and Higher Education (Scotland) Bill at Stage 2 be completed by 18 March 2005.—[*Ms Margaret Curran.*]

Motion agreed to.

Decision Time

17:04

The Presiding Officer (Mr George Reid): There is a maximum of eight questions to be put as a result of today's business. In relation to this morning's business, I remind members that if the amendment in the name of Jim Wallace is agreed to, the amendments in the names of Murdo Fraser, Shiona Baird and Frances Curran will all.

The first question is that amendment S2M-2361.3, in the name of Jim Wallace, which seeks to amend motion S2M-2361, in the name of Nicola Sturgeon, on the economy, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Alexander, Ms Wendy (Paisley North) (Lab)
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Richard (North East Scotland) (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)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 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)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Maclean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 May, Christine (Central Fife) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 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)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

AGAINST

Adam, Brian (Aberdeen North) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Baird, Shiona (North East Scotland) (Green)
 Ballance, Chris (South of Scotland) (Green)
 Ballard, Mark (Lothians) (Green)
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
 Byrne, Ms Rosemary (South of Scotland) (SSP)
 Canavan, Dennis (Falkirk West) (Ind)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Frances (West of Scotland) (SSP)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
 Fox, Colin (Lothians) (SSP)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Gibson, Rob (Highlands and Islands) (SNP)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Johnstone, Alex (North East Scotland) (Con)
 Kane, Rosie (Glasgow) (SSP)
 Leckie, Carolyn (Central Scotland) (SSP)
 Lochhead, Richard (North East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Margo (Lothians) (Ind)
 Martin, Campbell (West of Scotland) (Ind)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Mather, Jim (Highlands and Islands) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 Maxwell, Mr Stewart (West of Scotland) (SNP)
 McFee, Mr Bruce (West of Scotland) (SNP)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McLetchie, David (Edinburgh Pentlands) (Con)
 Milne, Mrs Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mundell, David (South of Scotland) (Con)
 Neil, Alex (Central Scotland) (SNP)
 Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
 Scanlon, Mary (Highlands and Islands) (Con)

Scott, Eleanor (Highlands and Islands) (Green)
 Scott, John (Ayr) (Con)
 Sheridan, Tommy (Glasgow) (SSP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Tosh, Murray (West of Scotland) (Con)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)

ABSTENTIONS

Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)

The Presiding Officer: The result of the division is: For 66, Against 56, Abstentions 1.

Amendment agreed to.

The Presiding Officer: The second question is, that motion S2M-2361, in the name of Nicola Sturgeon, on the economy, as amended, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Alexander, Ms Wendy (Paisley North) (Lab)
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Richard (North East Scotland) (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)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 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)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Maclean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 May, Christine (Central Fife) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McMahan, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 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)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

AGAINST

Adam, Brian (Aberdeen North) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Baird, Shiona (North East Scotland) (Green)
 Ballance, Chris (South of Scotland) (Green)
 Ballard, Mark (Lothians) (Green)
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
 Byrne, Ms Rosemary (South of Scotland) (SSP)
 Canavan, Dennis (Falkirk West) (Ind)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Frances (West of Scotland) (SSP)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
 Fox, Colin (Lothians) (SSP)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Gibson, Rob (Highlands and Islands) (SNP)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Johnstone, Alex (North East Scotland) (Con)
 Kane, Rosie (Glasgow) (SSP)
 Leckie, Carolyn (Central Scotland) (SSP)
 Lochhead, Richard (North East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Margo (Lothians) (Ind)
 Martin, Campbell (West of Scotland) (Ind)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Mather, Jim (Highlands and Islands) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 Maxwell, Mr Stewart (West of Scotland) (SNP)
 McFee, Mr Bruce (West of Scotland) (SNP)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McLetchie, David (Edinburgh Pentlands) (Con)
 Milne, Mrs Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mundell, David (South of Scotland) (Con)
 Neil, Alex (Central Scotland) (SNP)

Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, Eleanor (Highlands and Islands) (Green)
 Scott, John (Ayr) (Con)
 Sheridan, Tommy (Glasgow) (SSP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Tosh, Murray (West of Scotland) (Con)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)

The Presiding Officer: The result of the division is: For 67, Against 56, Abstentions 0.

Motion, as amended, agreed to.

Resolved,

That the Parliament welcomes the progress that the Scottish Executive is making towards delivering the priorities of *Framework for Economic Development in Scotland* by working to improve productivity throughout the economy; welcomes, in particular, the record investment in Scotland's transport and electronic infrastructure, world-class universities and colleges and in the wholesale modernisation of Scotland's schools; notes that the Financial Times' fDI European Region of the Future accolade was awarded to Scotland because of this public investment, favourable business environment, level of skills and quality of life; believes that raising Scotland's rate of economic growth sustainably over the long term requires a focus on improving skills, regenerating communities and supporting companies and others to internationalise and invest in research, and recognises that a drawn out and messy separation from the rest of the UK, and prospectively the EU, would undermine these strengths, play into the hands of Scotland's competitors and provide Scotland with a lasting legacy of cost, bureaucracy and barriers to trade.

The Presiding Officer: The third question is, that amendment S2M-2318.1, in the name of Brian Monteith, which seeks to amend motion S2M-2318, in the name of Tom McCabe, on the Local Government Finance (Scotland) Order 2005, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (Aberdeen North) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Gibson, Rob (Highlands and Islands) (SNP)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Johnstone, Alex (North East Scotland) (Con)
 Lochhead, Richard (North East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)

Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Mather, Jim (Highlands and Islands) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 Maxwell, Mr Stewart (West of Scotland) (SNP)
 McFee, Mr Bruce (West of Scotland) (SNP)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McLetchie, David (Edinburgh Pentlands) (Con)
 Milne, Mrs Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mundell, David (South of Scotland) (Con)
 Neil, Alex (Central Scotland) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Tosh, Murray (West of Scotland) (Con)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)

AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Baird, Shiona (North East Scotland) (Green)
 Baker, Richard (North East Scotland) (Lab)
 Ballance, Chris (South of Scotland) (Green)
 Ballard, Mark (Lothians) (Green)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Byrne, Ms Rosemary (South of Scotland) (SSP)
 Canavan, Dennis (Falkirk West) (Ind)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Frances (West of Scotland) (SSP)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Fox, Colin (Lothians) (SSP)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Harvie, Patrick (Glasgow) (Green)
 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)
 Kane, Rosie (Glasgow) (SSP)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Leckie, Carolyn (Central Scotland) (SSP)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Maclean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Campbell (West of Scotland) (Ind)
 Martin, Paul (Glasgow Springburn) (Lab)
 May, Christine (Central Fife) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)

McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 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)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
 Scott, Eleanor (Highlands and Islands) (Green)
 Scott, Tavish (Shetland) (LD)
 Sheridan, Tommy (Glasgow) (SSP)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

ABSTENTIONS

MacDonald, Margo (Lothians) (Ind)

The Presiding Officer: The result of the division is: For 41, Against 80, Abstentions 1.

Amendment disagreed to.

The Presiding Officer: The next question is that motion S2M-2318, in the name of Tom McCabe, on the Local Government Finance (Scotland) Order 2005, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (Aberdeen North) (SNP)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
 Baillie, Jackie (Dumbarton) (Lab)
 Baird, Shiona (North East Scotland) (Green)
 Baker, Richard (North East Scotland) (Lab)
 Ballance, Chris (South of Scotland) (Green)
 Ballard, Mark (Lothians) (Green)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Canavan, Dennis (Falkirk West) (Ind)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)

Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Gibson, Rob (Highlands and Islands) (SNP)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grahame, Christine (South of Scotland) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lochhead, Richard (North East Scotland) (SNP)
 Lyon, George (Argyll and Bute) (LD)
 MacAskill, Mr Kenny (Lothians) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 MacDonald, Margo (Lothians) (Ind)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Maclean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Campbell (West of Scotland) (Ind)
 Martin, Paul (Glasgow Springburn) (Lab)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Mather, Jim (Highlands and Islands) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 Maxwell, Mr Stewart (West of Scotland) (SNP)
 May, Christine (Central Fife) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McFee, Mr Bruce (West of Scotland) (SNP)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morgan, Alasdair (South of Scotland) (SNP)
 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)
 Neil, Alex (Central Scotland) (SNP)
 Oldfather, Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
 Scott, Eleanor (Highlands and Islands) (Green)
 Scott, Tavish (Shetland) (LD)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)

Stephen, Nicol (Aberdeen South) (LD)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

AGAINST

Aitken, Bill (Glasgow) (Con)
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
 Byrne, Ms Rosemary (South of Scotland) (SSP)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Johnstone, Alex (North East Scotland) (Con)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McLetchie, David (Edinburgh Pentlands) (Con)
 Milne, Mrs Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Mundell, David (South of Scotland) (Con)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Tosh, Murray (West of Scotland) (Con)

ABSTENTIONS

Curran, Frances (West of Scotland) (SSP)
 Fox, Colin (Lothians) (SSP)
 Kane, Rosie (Glasgow) (SSP)
 Leckie, Carolyn (Central Scotland) (SSP)
 Sheridan, Tommy (Glasgow) (SSP)

The Presiding Officer: The result of the division is: For 100, Against 18, Abstentions 5.

Motion agreed to.

That the Parliament agrees that the Local Government Finance (Scotland) Order 2005 (SSI 2005/19) be approved.

The Presiding Officer: The next question is, that motion S2M-2242, in the name of Cathy Jamieson, on the Inquiries 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)
 Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
 Brown, Robert (Glasgow) (LD)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)

Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
 Finnie, Ross (West of Scotland) (LD)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Gorrie, Donald (Central Scotland) (LD)
 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)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Maclean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 May, Christine (Central Fife) (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)
 McLetchie, David (Edinburgh Pentlands) (Con)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Milne, Mrs Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Mundell, David (South of Scotland) (Con)
 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)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Scott, Tavish (Shetland) (LD)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Tosh, Murray (West of Scotland) (Con)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)

AGAINST

Adam, Brian (Aberdeen North) (SNP)
 Baird, Shiona (North East Scotland) (Green)
 Ballance, Chris (South of Scotland) (Green)
 Ballard, Mark (Lothians) (Green)
 Byrne, Ms Rosemary (South of Scotland) (SSP)
 Canavan, Dennis (Falkirk West) (Ind)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Frances (West of Scotland) (SSP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Fox, Colin (Lothians) (SSP)
 Gibson, Rob (Highlands and Islands) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Kane, Rosie (Glasgow) (SSP)
 Leckie, Carolyn (Central Scotland) (SSP)
 Lochhead, Richard (North East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 Martin, Campbell (West of Scotland) (Ind)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Mather, Jim (Highlands and Islands) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 Maxwell, Mr Stewart (West of Scotland) (SNP)
 McFee, Mr Bruce (West of Scotland) (SNP)
 Morgan, Alasdair (South of Scotland) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
 Scott, Eleanor (Highlands and Islands) (Green)
 Sheridan, Tommy (Glasgow) (SSP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)

ABSTENTIONS

MacDonald, Margo (Lothians) (Ind)

The Presiding Officer: The result of the division is: For 83, Against 39, Abstentions 1.

Motion agreed to.

That the Parliament recognises the benefits of a modern statutory framework for the holding of inquiries into matters of public concern and agrees that the provisions in the Inquiries Bill, so far as they relate to matters within the legislative competence of the Parliament or to the executive competence of the Scottish Ministers, should be considered by the UK Parliament.

Local Benefits Services

The Deputy Presiding Officer (Trish Godman): The final item of business is a debate on motion S2M-1916, in the name of Brian Adam, on cuts in local benefits services. The debate will be concluded without any questions being put.

Motion debated,

That the Parliament expresses great concern about the impact of the proposed cuts by the Department of Work and Pensions in local provision of benefits advice; regrets the likely reduction in benefits uptake by many vulnerable people; deplores the unfair geographical spread of the cuts, leaving Grampian, Tayside and Fife without any local offices; recognises the consequential increased workload that will fall on local authority and voluntary sector money advice services, and believes that the Scottish Executive should make representations to protect the interests and incomes of the vulnerable in Scotland.

17:12

Brian Adam (Aberdeen North) (SNP): The reason for the debate is a set of proposals that was produced by the Department for Work and Pensions in October last year. Obviously, benefits and the remit of the Department for Work and Pensions are the responsibility of the Westminster Government, but there are serious implications for our constituents and for organisations that deliver services that are directly or indirectly under the control of the Executive, or which depend on the Executive for financial support.

I suggest that what the Department for Work and Pensions has suggested is a consequence of the silo approach to Government, which is to do with people deciding to look after their department's interests rather than considering all the implications of a proposal. In the situation that we are discussing this evening, a minister or perhaps an ambitious civil servant has determined to shed loads and loads of jobs in the Department for Work and Pensions in an attempt to appeal to *Daily Mail* readers in middle England. However, the consequences of the action are significant for those who have to go through the process of applying for benefits.

As I understand it, the proposals could well mean that benefits processing will be a black hole between Inverness and Bathgate and that no benefits processing will be done in Department for Work and Pensions premises in Grampian, Tayside and Fife. Direct access to the DWP for advice on benefits matters will be through a telephone call made by the claimant to an 0845 number. Allegedly, that is a low-cost call, but I am sure that Mr Stevenson will explain in his speech exactly why it is not a low-cost call. In the light of submissions that I have received from citizens advice bureaux, which have made representations to me and to other members, the cost could be

significant, especially when people are trying to get the details that have been given to the DWP over the phone. That is not a five minute or 10-minute job; the call might take considerably longer, and I stress that its cost is to be borne by the claimant who is applying for benefit.

The potential impact in the north and north-east could well be that—to use Banff and Buchan as an example first—the Banff office, the two offices in Peterhead and the one in Fraserburgh could all go, as far as benefits processing is concerned. The office in Aberdeen, the one in Dundee, the one in Perth and the offices that serve Fife could all lose the same facility.

Many of us will remember the problems that arose—some of which continue—when the DWP decided, in its interests and, allegedly, in those of the country, to move away from the pension arrangements whereby pensioners received payments through benefit books, which means that they have to go to banks. To deal with that, pensioners had to phone a Dundee telephone number, but the system just did not work. Pensioners experienced great difficulty as a result.

On the face of it, the DWP made significant savings, but the department was really only transferring the costs elsewhere in the system, in particular to other agencies that offer advice. That advice may be given through local authorities, and it may well be that Mr McCabe will hear appeals from local authorities for additional finance over the coming years to support welfare rights advice.

Citizens advice bureaux might also be concerned. Information has been given to us that suggests that perhaps a third of the work that is done by Citizens Advice Scotland across the board is related to benefits advice. Staff who work in the citizens advice bureau in Aberdeen tell me that benefits advice accounts for about 20 per cent of their new work. I suspect that that proportion will increase significantly. The bureau is already stretched in delivering its services, and the consequences of the DWP's actions, if they proceed, are that additional burdens will be placed on citizens advice bureaux.

It is not just about citizens advice bureaux and the people who work in them, who are able, articulate and organised—indeed, they have provided us with briefings on this subject. There are also many community-based projects that give welfare rights and benefits advice. The cuts will significantly impact on those services, too. Both the voluntary sector and local government will be approaching the Executive and saying that, as a consequence of the cuts, they need more money to support the advice services that they offer. Claimants will not be able to get the face-to-face response that they currently get, and which they deserve.

I do not know whether it is an intended or unintended consequence of the cuts, but I strongly suspect that fewer people will make claims, especially when they are going in and out of work, which is a particular feature in the Aberdeen area, where people might take on a few weeks of casual work before going back on benefits. Those include indirect benefits as well as direct benefits. The consequences for council tax benefit and housing benefit are significant. If people cannot get their claims sorted out fairly quickly, they lose those benefits. I suspect that one unintended consequence will be a significant drop in the amount of benefits that are claimed and delivered, particularly on the east coast.

I will leave the rest of the time available to the many other members who wish to take part in the debate.

17:20

Mr Mark Ruskell (Mid Scotland and Fife) (Green): I thank Brian Adam for lodging the motion for debate.

The issue is big in Fife because 180 jobs at social security offices in Leven, Kirkcaldy, Cowdenbeath and Dunfermline are threatened. Recently, Alistair Darling said in Westminster that social security offices need to be in the right places and that they need to be convenient. We have that in Fife—there are social security offices in the right places and they are convenient for centres of population. Claimants need an accessible good-quality service, which means face-to-face interaction with a benefits adviser. How can a personal adviser give personal advice on a sensitive benefits issue over the phone? Advice and referrals work in Fife is being done increasingly in a multi-agency way—there is lots of partnership working, for which social security staff are needed on the ground.

Tommy Sheridan (Glasgow) (SSP): Does the member agree that areas such as Fife and other deprived communities throughout Scotland will potentially lose millions of extra pounds that are generated via one-to-one interviews with social security advisers?

Mr Ruskell: Yes. That is a serious concern. We must keep offices open because one problem with telephone or automated-system advice is that many of the most vulnerable people in society do not feel comfortable using telephones or are simply unable to use them. Many benefits advisers find that automated systems simply do not work. The current system for crisis loans is a helpline that is impossible to use. Serious issues are involved.

One problem is that there is a mismatch between the policy at Westminster and the

Scottish Executive's policy. In response to a question from Brian Adam in December, McConnell said that we need to

"redirect resources from the back office to the front line".—[*Official Report*, 2 December 2004; c 12537.]

There is evidence that the Executive is doing that. It is putting an extra £3 million per annum into money advice services, but Westminster is bringing in cuts to social security offices. The Executive must waken up because it is in effect subsidising Westminster's cuts, which will disadvantage the most vulnerable people in society. In turn, that will increase pressure on the voluntary sector, which the Executive is seeking to help.

17:23

Richard Baker (North East Scotland) (Lab): I welcome the fact that Brian Adam has raised the issue that we are discussing, as I am sure that we all agree that access to benefits advice is crucial—Mark Ruskell mentioned that. All of us in the north-east want there to be adequate access to such services in our region.

I want to focus on two aspects of the debate. First, I want to discuss what the Executive has done to ensure that benefits take-up is maximised—again, Mark Ruskell touched on that matter. Secondly, the motion strays into reserved areas and I want to tell members about the work that our local members of Parliament have done.

In general terms, the Executive has invested in more money advice services—Mark Ruskell spoke about that, too. An extra £4 million was invested in such services last year and Aberdeen shared in the £2 million of Executive funding for extra services that was announced in October. I am sure that the minister will tell us more about that.

Of course, local MPs at Westminster have been concerned about the matter. I assure members of the Scottish Parliament that MPs have taken their concerns about the reorganisation of services by the Department for Work and Pensions to that department and have successfully negotiated with it to maintain jobs and services in their areas. In Dundee, Iain Luke and Ernie Ross have pressed ministers on the issue. Following that, the Minister of State for Pensions, Malcolm Wicks, announced that Dundee will be the location for one of the 12 pension centres in Britain, which will receive additional investment to provide customers with better and more efficient services by 2008.

Brian Adam: I certainly welcome the opportunity to have Government jobs in Dundee, but how exactly will that help to deliver benefits advice in Dundee or, indeed, in any of the other areas in which there are likely to be cuts?

Richard Baker: I have mentioned the work that the Executive is doing on front-line advice services. I will move on to the issues that MPs have taken up. I am glad that Brian Adam welcomes what is happening in Dundee, as it is a positive announcement of jobs and services for the area.

There has been progress in Aberdeen, too. As Brian Adam knows, the benefits staff in Aberdeen do a great job, with particular successes for Jobcentre Plus. The dedication of the jobcentre staff was shown in the wake of the closure of Richards of Aberdeen. Brian Adam will know all about that, as the company was in his constituency. When workers were told that they were going to lose their jobs, Frank Doran, the MP for Aberdeen Central, was in touch with the jobcentre to find out what assistance could be given. Members of staff from jobcentres throughout the north-east, not just from Aberdeen, gave up their time at weekends to give jobs advice, arrange crisis loans and organise a jobs fair. Nobody would disagree that we are talking about excellent staff and excellent services.

Aberdeen MPs have been active in liaising with ministers at the DWP on the service reorganisation, relaying some of their concerns. Anne Begg and Frank Doran met Alan Johnson, the Secretary of State for Work and Pensions, to discuss employment for staff in the benefits advice service in Aberdeen and maintaining the excellent provision of benefits advice services for people in Aberdeen. At that meeting, Alan Johnson recognised the high quality of work that is carried out by benefits advice staff in the city and agreed that there will be a significant transfer of jobs to front-line benefits advice services in Aberdeen. That will significantly reduce the number of likely redundancies. We should congratulate Frank Doran and Anne Begg on their successful efforts to maintain benefits jobs and services in Aberdeen.

I welcome the opportunity that the debate has given members from all parties to congratulate benefits advice staff on their excellent work and to highlight the great need for those services and for more awareness among people in Scotland of their benefits entitlements.

17:27

Stewart Stevenson (Banff and Buchan) (SNP): I listened with considerable interest to Richard Baker's speech. He said many interesting and valuable things. Of course, the Jobcentre Plus staff are committed and engaged. During the recent problems at Richards, they went beyond the narrow brief of their job. That is an example of why the public services, in many instances, have an advantage over the services that are provided

by private companies. The problem is that the proposed changes put at risk the public service ideal. I am sad that Richard Baker was unable to sign the motion in Brian Adam's name, but I take it that he is supportive of it. If MPs failed to relay their constituents' concerns, whatever their individual views, they would reap the whirlwind. If those MPs are part of the Administration that is making changes that could potentially disadvantage their constituents, they will be judged not on their ability, but on their achievement.

There are some important general issues around all this. We must consider innovative ways of delivering benefits and ensuring that people in our community are able to access the benefits to which their situation entitles them. In Aberdeen, there are encouraging signs and, in some places, one can go to one address and access a range of services. However, it appears that the changes that are envisaged might well put that at risk and mean that people will have to visit many doors to get the same support as they received before.

We should not underestimate the real difficulties that people have with paperwork. My wife, like me, is a mathematician, who has made a successful business career for herself. However, like many others, faced with her tax form, she kept it right to the end until, finally, on 25 January, she said, "I need your help." By the way, I refused to give her help, on the basis that she is at least as intelligent as I am—and probably more intelligent—and that she might blame me for making a mess of it. The point is that the people who most need the support of a range of benefits are those who are least able to deal with the paperwork.

If we take that further, it is obvious that moving support to the telephone will create more barriers. As my colleague Brian Adam mentioned, it will create an economic barrier because the 0845 dialling code, which was originally introduced as a local-rate call that could be delivered nationally, is now tied to a fictional local rate that no telephone company charges that now exceeds what the telephone companies charge for national calls. The practice has been severely criticised in a recent Office of Communications report, which also criticised the charges for 0870 numbers, so I hope that we will see some change on that.

However, the proposed closures will also remove the essential across-the-desk contact that allows the adviser to see the body language of the person who is seeking help and the recipient to get feedback. Those with the greatest needs are precisely the people who will not get what they need without human access. Like other members, I suspect, I have used the services of DWP staff for many of my constituents who I thought would benefit from the benefits check facility that is

available. That service is put at risk by the proposed changes across Scotland.

I say yes to innovation and to delivering services through a single door. However, simply paying off staff and closing offices will contribute nothing to addressing social exclusion.

17:31

Tommy Sheridan (Glasgow) (SSP): I will not repeat points that have been made, so my speech will be brief.

I remind members of the problems that people face in accessing public agencies, quangos or companies that were formerly public agencies. If members have recently tried to contact BT, they will know that they need a lot of time and patience and not a bad memory. On eventually getting through to the menu of choices, the caller is told, "You now have six choices." By the time that I was told the sixth option, I had forgotten what the first two were. I had a similar experience recently when I had to contact the Driver and Vehicle Licensing Agency on a number of issues. DVLA has used a similarly complex network of phone messages to try to streamline its business.

Such experiences are bad enough for those who are seeking services from the former public agencies that I have given as examples, but for people who are seeking help with dealing with the complexity of the income on which they must live, it is not good enough that they must press this button and that button. It is not good enough that, if they press the wrong button, they must try and make do with the lesser amount of money with which they will end up every week or for a month or for a year. That is why we need to point out the loss that will result from losing DWP staff's professionalism, skills and compassion. The loss of that human touch must be opposed. Brian Adam should be congratulated on bringing the matter to the Parliament's attention.

We should line up with the citizens advice bureaux, the Public and Commercial Services Union—which is the trade union concerned—and all the pensioners organisations and youth groups. They have made the point that the loss of human contact could lead to millions of pounds each year being lost by people who could rightfully claim that finance but who do not have the communication skills or understanding to be able to access it.

When the Minister for Communities replies to the debate, I hope that he does not simply hide behind the settlement of the Scotland Act 1998. The motion asks him to contact Westminster on our behalf, and that is not barred by the act. Given Malcolm Chisholm's reputation and background, he must recognise the potentially damaging effects that the loss of such services would have.

Let us not dress up the proposals as efficiencies or streamlining. They are cuts. We need to oppose them.

I hope that the minister will take the opportunity when he sums up to say that he will contact Westminster on the Parliament's behalf to insist that services should not be lost in the areas that require them.

17:34

Mary Scanlon (Highlands and Islands) (Con):

I, too, thank Brian Adam for the opportunity to speak in the debate, which is on a reserved issue. It would be wrong to assume that the proposals have no impact on the current provision of the service, on the voluntary sector, on other sources of advice and on people who seek benefits advice.

I do not measure the proposals by the number of offices that are to be closed or the number of staff who will, I hope, be redeployed elsewhere in the civil service. Any assessment of the impact of the proposed benefit office closures should relate to the quality of advice that is given and the accessibility of that advice for people, including the many vulnerable people whom the motion mentions. If the consequential increased workload falls on local authorities and voluntary sector money advice services, it will be crucial for the Parliament to acknowledge that and to put such centres on a secure and stable financial footing.

In the interests of fairness, and given that the First Minister cannot participate in the debate, I will quote what his colleague Frank Roy said in a Westminster debate on 26 October 2004—given what Richard Baker, who has left the chamber, said, there may have been an update since then. Frank Roy said:

"the jobcentre roll-out programme in Lanarkshire has been renamed the jobcentre wipeout plan".

As no Liberals are present, I will quote John Thurso, who asked about the office in Wick. He asked the Secretary of State for Scotland to

"explain to those employed there why their jobs are under threat, in an area that is already economically depressed and where, because of the distances involved, that threat will make it more difficult to deliver a good service".— [*Official Report, House of Commons, 26 October 2004; Vol 425, c 1276.*]

Having done my bit for old Labour and the Liberal aristocracy, I will move on to the fully justified concerns of Citizens Advice Scotland, which says:

"The increased remoteness of the ... network will make it more difficult for those in an emergency situation to access ... support"

and that more claimants will turn to citizens advice bureaux, which will

“create additional demands on an already under-resourced service.”

As Brian Adam said, the organisation asks the Scottish Executive to make representations to Westminster to require the need for additional advice to be taken into consideration as part of the planning process. It also says:

“For many benefits, clients already experience delays of two to three months and many millions of pounds of benefits go unclaimed every year”,

as Tommy Sheridan said,

“because people lack the help and advice they need to make a claim.”

Mr Ruskell: The plans for reform that the member’s party launched last month include the intention to privatise jobcentres. Is she confident that the Conservatives can secure a good service for claimants under a privatised service?

Mary Scanlon: Yes—I am absolutely, totally confident. I would be happy to debate that with the member at any time, but tonight I am addressing Brian Adam’s motion.

Citizens advice bureaux provide an excellent service. They give advice on a range of issues, of which benefits are one. More than 30 per cent of those who approach citizens advice bureaux are looking for social security benefits and £35 million in financial gain was won in the past financial year in Scotland alone for people who visited citizens advice bureaux. CAB support for debt management is first class and debt clients can have regular appointments over many years to tackle and manage debt, which is at an all-time high in Scotland. Will local advice bureaux be given the resources to advise those who will be unable to access benefit offices in person or by telephone? Such services are under threat, particularly those that require home visits, as many do in the Highlands, given the time that is required.

I put on record the commitment of the volunteers and salaried staff at citizens advice bureaux, the excellent training that is provided and the fact that their experienced staff give the highest quality of benefits advice. The commitment to invest in and build on that service with consistent long-term funding is crucial to the debate and falls within the responsibilities of the Parliament and the minister who is present.

17:39

Roseanna Cunningham (Perth) (SNP): I congratulate Brian Adam on securing the debate. Although the issue in question is decided at Westminster, we in the Scottish Parliament must have a say because the decision will have a huge impact on the communities that we represent. The

Parliament does what it can to promote social justice and economic development in our communities, and it is quite unhelpful for Westminster then to come along and pull the economic rug from under us as the DWP is doing with these closures. We should not be afraid of saying so.

The DWP proposes to close down the local social security office in Perth completely with the loss of 54 jobs. That is a shoddy way to treat people. The staff who are affected by such cuts are not faceless bureaucrats sitting in back offices; they are hard-working front-line staff who are involved in service delivery. Many of them have families and other commitments and will find it extremely difficult to relocate—even if relocation were on offer, which does not look likely.

The announcement of these cuts was made in a written statement in the House of Commons and was listed on the order paper in the middle of 32 other items under the heading “departmental efficiency”, which seems to have been given without any obvious appreciation of the irony. However, efficient is something that the DWP certainly is not.

Richard Baker was quite right to mention the work of local MPs on this matter. My colleague Annabelle Ewing MP has also been pursuing the matter. The DWP is so efficient that two different ministers sent her two different letters on the same subject, which were both dated 6 October 2004 and which said two different things. The first, from Maria Eagle MP, the Parliamentary Under-Secretary for Work and Pensions said:

“Perth Social Security Office will close and the Benefit Processing Centre in Grampian and Tayside District will be located in Inverness”.

The other letter, from Jane Kennedy MP, the Minister of State for Work, said:

“The Benefit Processing Centre taking claims from Grampian and Tayside District will be operational by the end of the 2005/06 financial year and benefit processing in ... Perth, will move to Greenock.”

Greenock, Inverness, Perth—it is probably all the same to Whitehall. However, it makes a bit of a difference to people who live in Perthshire. It really does not engender much confidence to see what is coming out of the DWP.

As other members have pointed out, the plan is certainly not good for the staff who will be directly affected, nor will it provide a better service for the people who use it: the benefits applicants, who include some of the most needy people in our society. We should not be making it even harder for them to access the benefits to which they are entitled.

Indeed, in a very recent written answer that was published in *Hansard* on 1 February 2005, Jane Kennedy had the brass neck to say:

“These changes will not impede or hinder access to face-to-face interviews”—[*Official Report, House of Commons*, 1 February 2005; Vol 430, c 808W.]

How on earth can removing the service from Perth or other areas to Inverness and/or Greenock, whichever it might turn out to be, not in some way impede

“access to face-to-face interviews”?

Who is she kidding? Although claimants might still be able to go into a local office to make a claim, it will be sent away to be processed and it will no longer be possible to have easy access to the individual who processes it. The truth is that the whole system will become more impersonal and inflexible than it already is—and that is not to mention the knock-on effect for advice agencies, which are of course a devolved issue that the minister will have to address.

There is outrage across all parties and at all levels of society in Perth at the proposal and what it will mean for the poorest in our society. I hope that the minister will listen to the anger and frustration that members have expressed today and that he will convey those feelings to the ministers at Westminster who are responsible for making the decision. I also hope that the minister will say to his Westminster counterpart that he, too, agrees with that sense of anger and frustration.

17:44

The Minister for Communities (Malcolm Chisholm): I congratulate Brian Adam on securing this debate and acknowledge his concerns over how the DWP will deliver a progressive and effective service in Scotland. The matter is, of course, reserved and I shall speak only about the intention behind the plans. However, I recognise that there is a distinction between benefits processing and the front-line delivery of face-to-face help and assistance and, from where I am sitting, it appears that those two aspects have become quite confused during the debate.

The DWP plans are intended, for example, to release more staff for front-line delivery, providing face-to-face help and assistance, and to give personal advisers nearly a fifth more time to work with each individual. The plans are also intended to enable those who struggle to reach offices—such as the sick and disabled—to gain help in their homes and local communities and therefore to have improved access. The plans are intended to enable more services to be delivered in local

surgeries and to be delivered jointly with local authorities in local communities.

Stewart Stevenson: The minister's integrity and commitment are well recognised, especially by me. However, does he acknowledge that, when a person behind a desk is putting data into the computer system—in a complex environment in which advisers themselves sometimes have gaps in their knowledge—immediate feedback about difficulties with the data is lost when the form is sent to a remote office? Only at that point are difficulties with the data identified. That is the core problem—among others.

Malcolm Chisholm: I do not claim to be an expert in this area; I am merely highlighting the fact that face-to-face help and assistance will be available. That is important to people. I leave it to others who are more immersed in this subject than I am to judge whether that is the whole story.

I was talking about joint services with local authorities. A prime example is West Lothian connected—a multi-agency, one-stop shop in the Almondvale shopping centre that brings together organisations such as Jobcentre Plus, West Lothian Council, Lothian NHS Board, the Inland Revenue and West Lothian College. That illustrates how a wide range of services can be brought together to support our communities.

Brian Adam specifically mentioned Grampian, Tayside and Fife as areas without any DWP local offices. However, there are, and will remain, customer-facing offices in Fife at St Andrews, Cupar, Leven, Glenrothes, Kirkcaldy, Cowdenbeath and Dunfermline. Grampian and Tayside have, and will continue to have, customer-facing offices in Aberdeen, Banff, Arbroath, Fraserburgh, Peterhead, Forfar, Montrose, Dundee, Blairgowrie and Perth.

Brian Adam: I did not at any point say that there would be no local offices. I said that there would be no benefits processing in those offices and that the direct link between the person doing the processing and the individual seeking benefits would be lost.

Malcolm Chisholm: I accept that what Mr Adam says has become the point that has been most emphasised in the debate. I am merely trying to redress the balance, because there has been confusion between the benefits processing issue and the wider issues of money advice and assistance, which I shall talk about shortly. Those things will not be lost because of the change. Mr Adam has a point, but some people have strayed rather from that specific point to imply that there would be far wider changes to the availability of face-to-face help and assistance.

The efficient use of resources in delivering front-line services is, of course, for the DWP to manage.

However, I want to talk a little about how the changes will work together with our action in Scotland to close the opportunity gap. The motion mentions the provision of money advice by local authorities and the voluntary sector. The Executive acknowledges that money advice is an important part of the strategy to combat financial exclusion. We greatly value the important role that money advisers play in providing impartial advice and support when they are needed most. That helps people to deal with pressing debts and ensures that they are getting all the benefits to which they are entitled and can maximise their disposable income in other ways.

Two weeks ago in the chamber, Johann Lamont and I spoke about our financial inclusion action plan. It outlines the action needed to help the people of Scotland to take control of their own finances. That, of course, is part of the way out of poverty. The plan clearly acknowledges the role that money advice services play. It pledges that we will encourage the provision of advice that addresses all the interlinked difficulties that people face in their financial and legal affairs and in housing, employment and other matters. That is why we continue to support the money advice sector via direct funding.

We have already committed £3 million per annum, resulting in 120 front-line money advisers—half of whom are based in the voluntary sector. Those advisers are now in place. An additional £2 million per annum will be set aside from April 2005 for face-to-face money advice that will be distributed via local authorities. It is expected that that will create a further 70 front-line money advisers in addition to the 120 that I just mentioned.

We want to ensure that money advice is available to everyone, especially the most vulnerable members of our society. We are therefore investing a further £2 million over two years in a range of projects that explore the needs of specific groups such as lone parents and minority ethnic groups in accessing money advice.

Mary Scanlon: Given the wonderful value for money that the CABx provide, will some of that generous allocation be made available to the CABx as well as to local authorities?

Malcolm Chisholm: Indeed. Of the money that has already been allocated, 44 per cent has gone to the voluntary sector. I am sure that that will continue to be the case with the money that is provided in the new financial year.

A key part of our closing the opportunity gap approach is to break the cycle of poverty by helping people into sustained employment. There are two key examples of how we are working with the DWP to make that aspiration a reality.

Roseanna Cunningham: I am glad that the minister talks about the need to get people into employment. Does that include those who are about to be made unemployed by the DWP?

Malcolm Chisholm: I am obviously concerned about anyone losing their job. I hope that the process to which the member refers will not result in any compulsory redundancies.

With the DWP, we are committed to delivering our first closing the opportunity gap target, which focuses on reducing the number of workless people who are dependent on DWP benefits in seven key areas of unemployment in Scotland. A number of money advice projects are working in partnership with the DWP to help long-term benefit claimants make the transition to sustained employment. They include the pathways to work projects that are based in Renfrewshire, East Renfrewshire, Inverclyde and Argyll and Bute and the two working neighbourhood pilots in Glasgow.

Demand for money advice grows daily. We want to help to ensure that the infrastructure behind services can adapt to cope with the new demands that are placed on them, so we are investing in second-tier advice and training for money advisers; accreditation for specialist advisers who draw up debt arrangement schemes; and a common information technology structure for the sector.

In his motion, Brian Adam mentioned Grampian, Tayside and Fife. He might be interested to hear that Fife Council, for example, will receive £100,000 of the new money. That will boost its annual funding for money advice to more than £250,000. That is in addition to Executive support for its financial inclusion project, which links with a range of partners, including banks, credit unions and business support agencies, to deliver financial education and advice at a local level. The authorities that cover the areas of Grampian and Tayside will collectively receive almost £700,000 in the next financial year.

Brian Adam: I am delighted that the Executive has taken some steps, but it was not against that background that the DWP's announcement was made. Given that concerns have been expressed across the board—even by members of his own party—will the minister make representations on the matter to his colleagues at Westminster?

The Deputy Presiding Officer: You should wind up now, minister.

Malcolm Chisholm: I will do so.

Two things have emerged from the debate. Of course I will pass on the views of members, but the range of speeches that we have heard has made me want to do some further work, even though the area is reserved. Members have

expressed concerns but, as I have tried to indicate, I think that there is another side to the story. However, I will investigate the specific issues that have been raised and will convey those concerns to my colleagues at Westminster.

I hope members will appreciate that the Executive is committed to ensuring that the most vulnerable people in Scotland get the advice and support that they need. I assure members that we will continue to work with the UK Government to ensure that that is the case.

Meeting closed at 17:54.

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