

Minister for Transport and Infrastructure
Keith Brown MSP

T: 0845 774 1741
E: scottish.ministers@scotland.gsi.gov.uk



Patrick Harvie MSP
Convener of the TICC Committee
The Scottish Parliament
EDINBURGH
EH99 1SP

1 March 2011

Dear Patrick

Thank you for providing the Scottish Government with an opportunity to respond to the Transport, Infrastructure and Climate Change (TICC) Committee's report on the draft Budget 2011-12, as presented to the Finance Committee on 20 January.

The Scottish Parliament passed the Budget Bill 2011-12 on 9 February. In the Cabinet Secretary for Finance and Sustainable Growth's opening statement, he announced that a further £2m has been allocated in 2011-12 for the Freight Facilities Grant (FFG) scheme. I would like to take this opportunity to provide further comments on this, and other recommendations made by the Committee on transport projects and policies. My colleague, the Minister for the Environment and Climate Change, will respond to the recommendations on climate change policy and proposals.

Freight Facilities Grant

The TICC Committee noted concern that the Draft Budget 2011-12 contained a significant reduction in the "Support for the Freight Industry" budget, from £10.3m in 2010-11 to £2.9m in 2011-12, and that the capital Freight Facilities Grant scheme would not accept new applications which would involve expenditure in 2011-12. That decision was made in light of the UK Government's decision to cut the Scottish budget by £1.3bn in 2011-12, and was neither a reflection of our assessment of the effectiveness of the scheme nor of any lack of commitment to encourage the transfer of freight from our roads onto rail and water.

Following the representations made by the Committee and the freight industry, the Cabinet Secretary has allocated a further £2m funding for the Freight Facilities Grant scheme. This additional funding will allow the scheme to continue to operate in 2011-12, ensuring that we continue to encourage a shift in the movement of goods from road to rail and water.

The rail and water Mode Shift Revenue Support schemes and Waterborne Freight Grant scheme will also continue. The 13 operations which are already up and running and are in receipt of operating freight grant support will be prioritised. Examples of these are the Rosyth-Zeebrugge service and the Eddie Stobart Tesco train from the Central Belt to Inverness.

Smartcards

The Committee requested an explanation of how the £9.5m allocated to smartcards will be spent. As the Committee's report states, the Smartcard Programme has now been completed, with over 7,000 smart-enabled ticket machines being rolled out across the entire Scottish bus fleet. No more money will be spent by Transport Scotland on purchasing or maintaining machines. However, we still need to maintain, manage and develop our various back office systems that receive, store and manipulate the transactional data that is generated. Transport Scotland must also pay various charges and fees to ITSO Ltd, which is a DfT sponsored company that hosts the central security system and manages and develops the interoperable standards that apply to this particular smartcard system. All of this amounts to a recurring sum of £4m.

In addition, one of the challenges of being an early adopter of the smartcard technology is that standards change and improve through time. Our key back office system and its associated managed service, known collectively as an AMS-HOPS, is now 5 years old and requires to be updated. The current suppliers have refused to support from October 2011 what is now old technology and without an AMS-HOPS, the entire smartcard infrastructure becomes unusable. A tender competition is current underway for a new HOPS provider which will generate costs of around £5.5m, largely on a non-recurring basis, in 2011-12.

Consideration was given to deferring expenditure from this budget line in 2011-12. We concluded that this option would have an unacceptable impact on the Smartcard scheme, which is not only a necessary part of ongoing business but is also providing us with a real return. Further to the Committee's request, I will ensure that there is greater clarity regarding this budget line in the future.

Road Maintenance/ Winter Maintenance

The Committee's points in relation to the importance of maintaining the trunk road network, the reduction in the some budget lines supporting spending on roads and the potential to be clearer in terms of what specific work is supported by the level three budget headings are noted.

The Committee expressed concerns regarding cuts in road maintenance budgets and are seeking reassurance that the reductions in spending are based on actual projections of need and will not adversely affect the operation of Scotland's road network or lead to problems for spending on roads in the future.

I agree with the Committee that maintaining the condition of our trunk road and motorway network is vital to the economy of Scotland and we will continue to carry out maintenance work on our trunk roads and motorways to ensure they are safe. The recent Audit Scotland Report on Maintaining Scotland's Roads highlighted the challenges faced by Transport Scotland in maintaining our strategic road networks in the face of increasing traffic levels, the recent very severe winters we've witnessed and in the face of Westminster-imposed cuts to the Scottish budget. While highlighting the challenges the report also recognised the progress made into how the Scottish Government through Transport Scotland manages trunk roads and motorways in an efficient and sustainable way to deliver better value from available budgets.

Continuing to deliver greater efficiencies through the operating company contracts is one of the ways in which the decrease in budget will be mitigated. In addition to this I have also accepted the central recommendation of the Audit Scotland report to instigate a national review into the management and maintenance of roads in Scotland and believe that this report will provide recommendations on the best way to maintain Scotland's vital roads infrastructure in the face of diminishing budgets.

The Committee also sought reassurance that sufficient funding is available within the budget to deliver the six-point plan. We will continue to implement the six point plan and to explore innovative ways of keeping our transport networks moving and Scotland open for business. As the draft budget was published in November 2010 prior to the onset of the exceptionally severe weather and the development of the six-point plan, no funding had been allocated to deal with the six-point plan in the Spending Review. However, the Scottish Government in consultation with Transport Scotland will review priorities across the Motorway and Trunk Road Programme to ensure that the six-point plan is adequately funded.

Sustainable and Active Travel

The Committee has asked that the Scottish Government increase spending on cycling in order to achieve our vision of a 10% modal share for cycling by 2020. I can confirm that the budget for Sustainable and Active Travel will increase to £25.1m in 2011-12. Current budget plans are for around £8m of the total budget to be allocated to cycling projects through grants to Sustrans and Cycling Scotland. Investment of around £3m will also be made in infrastructure to allow the use of electric and other low carbon vehicles across Scotland which is linked directly to our ambitious climate change target for a 42% reduction in emissions by 2020. In addition to this, the Cycling, Walking and Safer Streets budget will remain ring-fenced as agreed with COSLA. As with all capital grants in the next financial year, there is an average reduction of 18% which reduces the grant available from £9.09m to £7.458m. We will again be asking local authorities to spend at least 36% and if possible 50%, of this grant on cycling.

Rail Services in Scotland

As proposed by the Committee, the Committee will be kept informed of developments in the area of the relative efficiency of Scotland's railways.

Forth Replacement Crossing

With regard to the Forth Replacement Crossing, I will keep the Committee informed of progress on the ongoing discussions with Treasury.

Future of Spending on Ferry Infrastructure

The Committee commented on the 'Vessels and Piers' line of the 'Ferry Services in Scotland' budget. In 2010-11, the budget allocated to 'Vessels and Piers' was £14.8m, the majority of which is being used to pay for the construction of MV Finlaggan, a new major vessel for the Islay routes that will come into service in Spring this year. The Government was also able to make a contribution to the related works being undertaken by Caledonian Maritime Assets Ltd (CMAL) at Port Ellen and Kennacraig following significant Government investment at Port Askaig.

The £8.1m allocated to 'Vessels and Piers' for 2011-12 will be supplemented by an estimated £6.0m in loan repayments from CMAL. The total sum available for investment in vessels and piers will therefore be £14.1m. Of this, there is a final small payment to make for MV Finlaggan but the majority of the funds are available for new projects.

As noted by the Committee, it is intended that this funding will be used to invest in the next generation of CalMac vessels. We have authorised a tender for a new small ferry for the Clyde and Hebrides serviced operated by CalMac. This new vessel will employ innovative hybrid technology, mixing conventional marine diesel propulsion with electric power from on-board batteries charged overnight from on-shore supply. This innovative project is expected to deliver significant savings in fuel costs and carbon emissions and will put Scotland at the cutting edge of low-carbon maritime technology. The procurement of this vessel will also provide competitive opportunities for Scottish shipyards and component suppliers. CMAL aim to launch a tendering exercise in March 2011 and place an order in the autumn, with the vessel scheduled to enter into service in 2012.

The Committee also restated its previous recommendation that the outcomes of the Scottish Ferries Review should be "underpinned by a fully co-ordinated plan for the replacement or refurbishment of vessels and any necessary upgrades to or replacement of ports infrastructure". Future investment in vessels and shore infrastructure will be planned in accordance with the outcomes of the Ferries Review and within the constraints of available funding. In parallel with work on the Ferries Review, officials are working with Caledonian Maritime Assets Ltd and the Scottish Futures Trust to explore potential funding options.

I hope that the Committee finds this response helpful.

Kind regards



KEITH BROWN