TRANSPORT AND THE ENVIRONMENT COMMITTEE

AGENDA

27th Meeting, 2001 (Session 1)

Friday 9 November 2001

The Committee will meet at 10.30 am in the Council Chamber, Aberdeen Town House, Broad Street, Aberdeen, to consider the following agenda items:

1. **Lines of Questioning (in private):** The Committee will consider possible lines of questioning for the witnesses on the Water Industry (Scotland) Bill.

   *Not before 10.40 am*

2. **Item in Private:** The Committee will consider whether to take item 6 in private.

3. **Integrated Transport Issues in Aberdeen Area:** The Committee will take evidence on integrated transport issues in Aberdeen and the surrounding area, and on Petition PE357 by Aberdeen City Council, from—

   - Councillor Len Ironside, Leader, Aberdeen City Council
   - Councillor Alison McInnes, Chair, Infrastructure Services Committee, Aberdeenshire Council
   - Ed Gillespie, Chief Executive, Scottish Enterprise Grampian
   - Amanda Harvie, Chief Executive, Aberdeen and Grampian Chamber of Commerce

4. **Subordinate Legislation:** The Committee will consider the following negative instruments—

   - The Fossil Fuel Levy (Scotland) Amendment Regulations 2001, (SSI 2001/335)

5. **Aquaculture Inquiry:** The Committee will receive an interim report from the reporters on the Committee’s inquiry into aquaculture.

6. **Aquaculture Inquiry:** The Committee will consider possible witnesses on its inquiry into aquaculture.

*Not before 12.45 pm*

7. **Water Industry (Scotland) Bill:** The Committee will take evidence at Stage 1 on the general principles of the Water Industry (Scotland) Bill from—

   - Alan Sutherland, Water Industry Commissioner for Scotland
   - Tim Hooton, Colin McLaren, and Dr Donald Reid, Scottish Executive Drinking Water Regulation Team
   - Patricia Henton (Chief Executive) and Tom Inglis (Head of Policy Co-ordination (Water)), Scottish Environment Protection Agency
   - Dr Jon Hargreaves (Chief Executive) and Councillor Robert Cairns (Chairman), East of Scotland Water Authority
   - Katharine Bryan (Chief Executive), Colin Rennie (Chairman) and Doug Sutherland (Director of Finance), North of Scotland Water Authority
   - Charlie Cornish (Chief Executive), West of Scotland Water Authority

Callum Thomson  
Clerk to the Transport and Environment Committee  
Room 2.02, Committee Chambers  
0131 348 (8)5208  
e-mail Callum.Thomson@scottish.parliament.uk

The following public papers are relevant for this meeting:

<table>
<thead>
<tr>
<th>Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covering note on Petition PE357 by Aberdeen City Council on investment in Aberdeen Transport Infrastructure (Agenda item 3)</td>
<td>TE/01/27/1</td>
</tr>
<tr>
<td>Submission by the Scottish Executive on Aberdeen Transport Infrastructure – TO FOLLOW (Agenda item 3)</td>
<td>TE/01/27/1A</td>
</tr>
<tr>
<td>Covering note on SSI 2001/335 (Agenda item 4)</td>
<td>TE/01/27/2</td>
</tr>
<tr>
<td>Document Description</td>
<td>Reference</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>SSI 2001/335 – The Fossil Fuel Levy (Scotland) Amendment Regulations 2001 (Agenda item 4)</td>
<td>TE/01/27/3</td>
</tr>
<tr>
<td>Covering note on SSI 2001/337 (Agenda item 4)</td>
<td>TE/01/27/4</td>
</tr>
<tr>
<td>Paper from the reporters on the Committee’s inquiry into aquaculture (Agenda item 5)</td>
<td>TE/01/27/6</td>
</tr>
<tr>
<td>Submissions relevant to the evidence-taking on the Water Industry (Scotland) Bill (Agenda item 7)</td>
<td>TE/01/27/7</td>
</tr>
</tbody>
</table>
Subject: Petition 357 – Petition by the Aberdeen City Council on investment in Transport Infrastructure

Meeting No: 27th Meeting

Meeting Date: Friday 9 November 2001

Author: Note by the Senior Assistant Clerk

Introduction

The Paper asks the Committee to consider Petition PE 357 by Mr Douglas Paterson, Chief Executive of Aberdeen City Council. The Petition requests that the Parliament support calls for the necessary investment in transport infrastructure in the Aberdeen area to be provided as a matter of urgency. The following papers are attached for members’ information:
- the petition itself;
- the Official Report of the Public Petitions Committee consideration of the petition;
- a letter (dated 5 June) from the Scottish Executive to the PPC;
- a further submission from the Scottish Executive (to follow);
- a written submission from the petitioners.

Progress of the Petition

The Public Petitions Committee first considered the Petition on 8 May 2001. The PPC agreed to seek the views of the Scottish Executive on the issues raised and on the current status of talks with NESEDEP (North-East Scotland Economic Development Partnership, the predecessor organisation of NESTRANS) on these issues. The response from the Scottish Executive has previously been copied to the Petitioner. The PPC considered the response from the Executive at their meeting on 19 June and agreed to refer the petition to this Committee.

The Committee previously considered this petition on 5 September, and agreed to take evidence on the petition from the North-East Scotland Transport Forum (NESTRANS) which comprises representatives of Aberdeen City Council, Aberdeenshire Council, the Aberdeen Chamber of Commerce, and Scottish Enterprise Grampian. Representatives of all these organisations are included within the panel of four NESTRANS witnesses.

Issues

The Executive has previously stated (in their letter of 5 June) that they are in regular contact with NESEDEP regarding the proposals for an integrated Modern Transport System (MTS). Some of the proposals in this scheme have already been taken forward, with assistance from the Public Transport Fund. On 14 March the Minister
announced a £1.25 Million support package to assist the MTS development. However, while the Executive has expressed support for the MTS, the petitioners are seeking further financial commitments from the Executive for the development of the MTS over the next 10 – 15 years.

The biggest area of contention is the development of the Aberdeen Western Peripheral bypass. This development would assist in reducing congestion in the city by diverting traffic from the city centre. As this road is not currently classed as a trunk road, the funding and development of the by-pass falls within the responsibility of the local authorities. Supporters of the by-pass claim that the road should be trunked in order to progress its development. If the road was to be trunked, the Executive could fund construction, and therefore help reduce city congestion by diverting traffic from the city centre via the by-pass.

Members will recall that the Committee has previously agreed not to take a view on or recommend further action in respect of individual cases which have been subject to legal or court proceedings, industrial tribunals, or planning or other similar statutory procedures. Members may wish to consider whether a similar approach could be applied to this petition, as it involves the allocation of funding from the Scottish Executive for specific projects. Members may not wish to express a view on funding issues in relation to Aberdeen without having had the opportunity to review funding decisions as a whole across the board. Members may, however, wish to express a view on the broader issues raised by the petitioner relating to the development of integrated transport strategies and the provision of infrastructure needed to support them.

Options

Option A

Having heard evidence from the petitioners, members may wish the Convener to write to the Minister for Transport and Planning raising any relevant points that have emerged in evidence.

Option B

The Committee may choose to note the contents of the petition, and agree to bear the points made by the petitioners in mind when considering transport and budgetary issues over the course of the parliamentary term.

The Committee may of course take any other competent action it thinks appropriate.

Conclusion

The Committee is invited to consider the options above, or any other competent action they wish to take, and agree how to take forward consideration of the issues raised by the petition.

Tracey Hawe
Senior Assistant Clerk
Scottish Parliament Transport and the Environment Committee
Aberdeen, 9 November 2001

Transport Infrastructure in Aberdeen and North East Scotland

What is NESTRANS?

The North East Scotland Transport Partnership (NESTRANS) was only constituted in the summer of this year but inherits and carries forward the transport partnership established through the North East Scotland Economic Development Partnership (NESEDP). NESTRANS, like its predecessor comprises 4 partners, Aberdeen City Council, Aberdeenshire Council, Scottish Enterprise Grampian and, representing the business community Aberdeen and Grampian Chamber of Commerce.

Partnership working between key agencies is characteristic of the north east and this common purpose led to the establishment of NESEDP in 1998, a forerunner of local economic forums. NESEDP identified transport as one of the key constraints to economic development in the north east and one of the main priority areas for action. The product of the subsequent work has been the development of a transport strategy for the north east, agreed by all the partners and carrying widespread support in the community.

With the recent establishment of the Aberdeen and Aberdeenshire Local Economic Forum in line with government guidance NESEDP was disbanded but it was decided to carry forward the transport partnership by establishing a new and separate entity, NESTRANS.

NESTRANS differs from other regional transport partnerships in Scotland through its involvement of the private sector. Managed through a Steering Group of the leaders of the respective partners, it is supported by a Transport Team of officials with a full time Project Manager to be appointed.

In parallel with the work of NESTRANS, Aberdeen City Council submitted a petition to the Public Petitions Committee (Petition PE 357) on 8 May 2001 calling for the support of the Parliament in recognising the transport deficiencies in the north east and for the Executive to give a firmer commitment to funding the improvements required.

Transport Issues in the North East

The deficiencies of the transport infrastructure present a common cause for all political parties and the business community in the north east. Decades of underinvestment have resulted in a trunk road network that is extremely poor. It is symbolised by the fact that while motorways and dual carriageways run from the south of the city to the south of Italy, the Trans-European Network comes to an abrupt end at the Bridge of Dee as one enters Aberdeen City. Scotland’s third city is constrained by a trunk road that is incapable of carrying vehicles that are more than 7ft wide.

The north east, particularly as the centre of the oil industry makes a huge contribution to the national economy and will continue to do so. Despite this Aberdeen still lacks a bypass and heavy traffic channels through the city centre or via inadequate cross-country routes. This affects road safety, creates air quality concerns and has been estimated to add congestion costs of £100m pa. It also prejudices economic development in Aberdeen and the north east, inhibiting growth and adding to the problems faced by the region’s struggling indigenous industries, farming and fishing.
By comparison with other parts of Scotland that benefited from European funded projects in the last two decades the north east received little such investment and yet successfully continues to accommodate most of the development arising from Scotland’s oil and gas sector.

The problems of a road system creaking at the seams were demonstrated earlier this year by the increased congestion caused the closure of a minor private bridge over the River Don and the consequent public outcry and the largest ever public meeting in the city.

**The Strategic Response**

The response to these issues has been shaped through detailed study and public consultation. Back in 1993 Grampian Regional Council decided to revisit transport policy for the north east. A new strategy was devised which halted the Council’s urban road building programme, and transferred resources towards public transport, pedestrian and cycling schemes. However, crucial to this new strategy was the proposed Western Peripheral Route to take through traffic away from Aberdeen and country roads and to provide a distributor around the City.

Since local government reorganisation the transport strategy for the north east has been developed and refined, through the Oscar Faber ‘Sustainable Transport for Aberdeen’ study commissioned by the Scottish Office and then through the Halcrow Fox study commissioned by NESEDP itself. That study tested various alternative regional transport strategies. The output from the Halcrow Fox work was a balanced and integrated transport strategy now referred to as the Modern Transport System, for the north east. This was complemented by the respective Councils’ Local Transport Strategies, which set out detailed policies to implement the strategy. Extensive public consultation was undertaken alongside that on the Local Transport Strategies, the strategy receiving overwhelming public support. Typifying the partnership approach the Councils’ Local Transport Strategies were submitted together to the Minister of Transport in December 2000 along with the Halcrow Fox study and the results of the public consultation on the Modern Transport System.

The strategy sets out a balanced package of measures to benefit businesses, the socially excluded, and users of all transport modes including car drivers. It includes the Western Peripheral Route, a park and ride network with bus priorities and improved public transport information and quality, a local rail service between Inverurie and Stonehaven, development of a cycling network, pedestrianisation and pedestrian priorities in City and town centres and improved rail, sea, air and road links for passenger and freight movements to and from the region. It is not a wish list of individual projects but a carefully assessed, balanced and integrated set of measures. It has been costed at £247 million – beyond the combined capabilities of the local agencies, but a realistic baseline need and a necessary investment to secure economic sustainability.

The attached map represents the key elements of the Modern Transport System, particularly those in the immediate Aberdeen area showing the proposed Western Peripheral Route, its links to the developing park and ride network and the rail network.

**Achievements to Date**

Much has already been achieved in starting to implement the strategy. Scotland’s most successful park and ride scheme at the Bridge of Don, which has carried over a million passengers since opening in October 1994 and Scotland’s first inter-urban park and ride initiatives at Ellon and Mintlaw; real-time information alerting bus passengers of the next bus, wheelchair accessible buses with low emission fuels, new bus services in rural areas; brownfield developments enabling walking to become the norm in urban centres; links to the national and north sea cycling network - overall significant efforts to achieve modal shift and lessening dependence on the private car.
Councils and private companies are developing Green Travel Plans to ensure that staff have travel options and make decisions based on good practice and efficiency, rather than just convenience. And, improvements in road safety through traffic management, safer routes to schools, traffic calming, speed restrictions and commensurate measures combining to enable the country’s greatest fall in casualty numbers. With help from the Scottish Executive through Challenge Funds, Public Transport Fund, Community Fund and Rural Transport Fund, progress has been made in encouraging modal shift and in bringing forward a range of schemes.

However, by contrast there has been little progress in bringing forward key road improvements. The implementation of a balanced transport strategy appears unbalanced because of delays in securing Scottish Executive support and funding for key road elements of the strategy. This has led to claims of anti-car policies and a perception that only the public transport elements of the strategy will be implemented, with the consequent difficulty of maintaining public support.

The Minister for Transport and Planning and the First Minister have each indicated their support to the work of NESTRANS and the strategy that has been developed. The Executive has also given welcome financial support to transport modelling in the north east and the technical work of NESTRANS. What is missing is a more formal commitment to address and appropriately fund the key transport deficiencies particularly in the strategic road network. It is hoped these issues will be specifically addressed in the forthcoming Scottish Executive Transport Delivery Plan and through the Strategic Spending Review in 2002.

**Transport and the Economy**

Consideration of transport in the north east cannot ignore the relationship to economic development. Economic growth in Aberdeen and the north east has been a key driver of the Scottish economy and the long term plans of the oil industry demonstrate this will continue. There is however a real danger that the inadequacy of transport infrastructure may not only prejudice prospects of inward investment to the north east but inhibit expansion plans of existing firms and could lead to existing employers moving out of the region. If so it may not only be the north east that is the loser but also Scotland as investment decisions in the oil sector are often setting investment in Aberdeen against investment in other countries.

In the interest of Scotland plc transport deficiencies in the north east must be urgently addressed.

**Assistance Sought from the Scottish Parliament**

Apart from the opportunity to make the Transport and the Environment Committee better aware of the transport issues in Aberdeen and the north east, NESTRANS would request the Committee:

- to acknowledge the transport problems of Aberdeen and the north east and the need for these to be addressed in the national economic interest;
- to recognise the need for upgrading of the strategic road network in the north east and the Executive’s responsibility for this;
- to indicate support to the regional transport strategy set out in NESTRANS’ proposals for the Modern Transport System and as detailed through the Councils’ Local Transport Strategies;
- to encourage the Executive to continue and enhance their national travel awareness campaigns working closely with regional interests such as NESTRANS; and
- to call for significantly increased funding for transport in Scotland to meet the needs of regional transport strategies as demonstrated in Aberdeen and the north east.
Modern Transport System
Key Schemes and Proposals

LEGEND

- Existing Bus Priority/Park and Ride route
- Proposed Bus Priority/Park and Ride route
- Existing Strategic Cycle Network
- Proposed Strategic Cycle Network
- Indicative Line for the Western Peripheral Route
- Line under examination for the Western Peripheral Route
- Proposed Transport Interchange
- Airport
- Proposed Chapelbrae - Dyce Railway - Airport Shuttlebus
- Proposed Local Rail
- Existing Station
- Park and Ride Sites
- Rail Freight proposed goods yard

November 2001
Not to Scale
Map indicates key schemes in Aberdeen area only - other strategic schemes are not shown.
Subject: The Fossil Fuel Levy (Scotland) Amendment Regulations 2001, (SSI 2001/335)

Meeting No: 27th Meeting

Date: 9 November 2001

Author: Note by the Assistant Clerk

Introduction and Background

1. The Fossil Fuel Levy (Scotland) Amendment Regulations 2001, (SSI 2001/335) was laid on 2 October 2001. The regulations came into force on 3 October. The Transport and the Environment Committee has been designated as the lead committee for the consideration of this instrument. An Executive note accompanies the regulations, plus a letter to the Presiding Officer explaining the reasons for the breach of the “21 day” rule in the laying of the instrument.

2. The order was laid under a "negative procedure" which means that the Parliament has the power to annul the order by resolution within 40 days, excluding recess. The time limit for Parliamentary action expires on 22 November 2001.

3. Any MSP may lodge a motion to propose to the lead committee that the order be annulled. The Committee is required to report on the instrument by 19 November 2001. Should a motion for annulment be lodged, under Rule 10.4, the Transport and the Environment Committee must debate the issue and then report to the Parliament with its decision.

4. The Regulations amend the Fossil Fuel Levy (Scotland) Regulations 1996 to take account of changes in the Electricity market with the commencement of part of the Utilities Act 2000. Once in force the amending Regulations will allow for the continuation of payments being made under the Fossil Fuel Levy to the new supply successor companies.

5. The Subordinate Legislation Committee considered this instrument at its meeting on 23 October 2001. In its 37th report the Committee determined that the attention of the Parliament need not be drawn to the instrument.

Recommendation

6. The Committee is invited to agree its report on the instrument.

Alastair Macfie
Assistant Clerk to the Transport and the Environment Committee
November 2001
Introduction and Background

1. The Wildlife and Countryside Act 1981 (Amendment) (Scotland) Regulations 2001, (SSI 2001/337) was laid on 2 October 2001. The regulations came into force on 4 November. The Transport and the Environment Committee has been designated as the lead committee for the consideration of this instrument. An Executive note accompanies the Order, plus the relevant extracts from EU legislation.

2. The order was laid under a "negative procedure" which means that the Parliament has the power to annul the order by resolution within 40 days, excluding recess. The time limit for Parliamentary action expires on 22 November 2001.

3. Any MSP may lodge a motion to propose to the lead committee that the order be annulled. The Committee is required to report on the instrument by 19 November 2001. Should a motion for annulment be lodged, under Rule 10.4, the Transport and the Environment Committee must debate the issue and then report to the Parliament with its decision.

Purpose of the Instrument

4. The purpose of this instrument is to comply with EC Directive (79/409/EEC) on wild birds conservation and to aid conservation of the capercaille by introducing a statutory ban on the hunting of that species.

5. The Committee previously considered capercaillie conservation as part of its consideration of petition PE16, which called for urgent action to reverse the decline of the capercaillie in Scotland. The Committee has expressed support for the measures to safeguard the capercaillie set out in a report commissioned by the Scottish Executive entitled ‘Capercaillie: A Review of Research Needs’.

Subordinate Legislation Committee

6. The Subordinate Legislation Committee considered this instrument at its meeting on 23 October 2001. In its 37th report the Committee determined that the attention of the Parliament need not be drawn to the instrument.
Recommendation

7. The Committee is invited to agree its report on the instrument.

Alastair Macfie
Assistant Clerk to the Transport and the Environment Committee
November 2001
Subject: Aquaculture Inquiry – Paper from Reporters outlining work undertaken to date for this inquiry.

Meeting No: 27th Meeting

Meeting Date: 9 November 2001

Author: Committee Reporters

Background

On 5 September the Committee agreed to continue the appointment of reporters on this matter. On 3 October the Committee agreed the remit of the reporters, which is:

“To monitor and review the ongoing work of the Scottish Executive and other relevant bodies in relation to aquaculture, with a view to assisting the Committee to obtain a greater focus on the issues relevant to its inquiry.”

The purpose of this paper is to outline the work undertaken by reporters on this issue since the summer recess. A number of visits and meetings have been attended and these are detailed below. Robin Harper also attended the annual conference of the Association of Scottish Shellfish Growers and his notes from this are attached to the paper as Annex A.

Reporters are scheduled to hold meetings with the Crown Estate, SEPA, and Aquascot Group prior to the commencement of the inquiry, and will also meet with representatives of wild fisheries groups at a seminar held by the Association of West Coast Fisheries Trusts.

The Scottish Executive

Reporters, together with the Convener, met with officials from the Scottish Executive Environment and Rural Affairs Department on 4 October. The subject of the meeting was the proposed appointment of a research co-ordinator, in line with the Committee’s recommendation. Officials have undertaken to raise this matter with the Minister, and will respond once the Minister has reached a view on this matter.

Doug McLeod, Association of Scottish Shellfish Growers

Robin Harper met with Doug McLeod on 5 October 2001. Main points emerging from discussions included:

• the need for an aquaculture strategy to scientifically robust and be based on an assessment of carrying capacity for all species. Clear criteria/standards must be built in, eg requirements for environmental impact assessments to be carried out.
• A prima facie case exists for excluding fish farms from the mouths of salmon rivers. R & D needs to be directed at technology allowing farms to move offshore.
Legislation is urgently needed to transfer planning powers to local authorities.
Locational guidelines need revision, especially to distinguish between the environmental impacts of fin fish farming and shellfish farming, which is more environmentally benign.

Scottish Quality Salmon

Reporters met with Jamie Lindsay (Chairman), Gordon Rae (Technical Adviser) and Brian Simpson (Chief Executive) on 30 October. Main points emerging from discussion included:
- SQS operates both product quality and environmental management schemes, which are monitored and assessed to independent international thresholds. They aim to encourage best practice over and above any minimum legal standards.
- The industry is heavily regulated and the quality and efficiency of regulation could be improved. The public sector needs to promote, recognise and reward environmental best practice.
- SQS members must remain competitive against high volume producers from other countries such as Chile and Norway. To compete they require to uphold quality standards, environmental standards and price levels.
- Area Management Groups and/or agreements operate in 14 areas, with more groups planned. These are developing well, and more work is going into reporting and monitoring. Only a few farms have not signed up, however if non-signatories are not SQS members, SQS cannot operate any leverage on them to co-operate with AMA measures. AMA’s have substantially improved communication between local interests. Wider interests such as NGO’s could be involved in AMA’s on a local level, where appropriate.
- SQS welcome scrutiny and debate. They spend substantial amounts on R & D, and accept that more knowledge is needed in some areas eg carrying capacity. They will be guided by scientific expertise and will change practices to comply with revised scientific standards where necessary.

Scottish Natural Heritage

Reporters met with Jeff Watson (Director, North Region), Dominic Counsell and Matt Dalkin on 30 October. Main points emerging from discussion included:
- Any aquaculture strategy must be comprehensive and forward looking.
- there is a need to manage scientific uncertainty surrounding fish farming and encourage best practice.
- they are concerned about the impact of sea lice on wild stocks and the impacts of escapes on the genetic makeup of wild stocks.
- Relevant R & D must be peer reviewed in the public domain. More research on carrying capacity needs to be done, and on the wider aspects of the debate, including diffuse pollution, nutrient loading, predation of wild stocks, and the impacts of fish farming on landscape use and character.
- A national approach to strategy and planning is needed, to ensure common standards in advice. This should be supplemented by local input at a regional/loch level. Fusion of the existing structures and relationships between regulatory bodies is required.
Annex A


Introduction

I attended a large number of presentations and I attach the briefest of notes on each of them for the interest of the committee in order to highlight those aspects of the conference relevant to our enquiry.

Presentation on the regulatory framework in Northern Ireland.

1. They aim to produce a plan based on science.
2. The objective will to be to identify which species and methods are best for certain areas.
   a. They accept there is a finite carrying capacity in their waters.
   b. They will disseminate and publicise all results.
   c. A clear need for a holistic view is identified.
   d. The review will be comprehensive.
3. They aspire to have all their inshore waters classified under the directive for shellfish waters.

SEPA presentation from Andy Rosie

1. They have identified a need to identify the biological carrying capacity of our waters.
2. There is a need to identify susceptible ecosystems, hydrographic scale and both benthic and pelagic impacts of human activity
3. They are reviewing the scientific basis in regard to urban waste-water treatment directives, the habitats directive and the OSPAR convention.
4. Fallowing is being questioned as a fundamental part of best practice – there is a fear that the feast and famine of benthic inputs could destabilise ecosystems.
5. The Chinese system of integrated aquaculture is questioned as possibly being too intensive for Scottish Waters.
6. We still don’t know what environmental best practice is in relation to our coastal waters but that under the water framework directive the concept of multi-sector river basin management may well impact favourably upon our inshore waters.

Presentation from Aad Smaal from the RIVO centre for shellfish research, Yerseke Netherlands.

Aad Smaal gave a presentation on the relationship between the growth rates of mussels and the marine ecosystem. They have discovered unsurprisingly that there is a direct relationship between growth rates and the total biomass in the water. And those predictions can be made on the total benthic biomass using primary production indicators.

Primary production indicators are those conditions that are likely to produce plentiful nutrients, mainly phytoplankton. It is possible to work out the total production capacity of a loch, or fully closed system using a complicated set of indicators.
including the hydro-dynamics, turbidity, salinity, oxygen content, temperature and total primary production of a system. It has been found that shellfish stocks can actually stabilise ecosystems by their capacity to filter out suspended solids and phytoplankton. Bivalves can actually be used as ecosystem engineers capable of adaptive responses and varied feeding rates.

**Presentation on Chinese polyculture**

1. Sanggou Bay Shangdong is 5000 hectares of mono and polyculture.
2. Production is 8 million tons of mixed fish, 6 million tons of shellfish and 6 million tons of kelp. The kelp can be used for animal feed and fertiliser, but it has an added purpose in cleaning excess nutrients out of the water.
3. Mari-culture is the socio-economic mainstay of this area and is sustained by an integrated modelling approach. The presentation highlighted the comparative advantages and disadvantages of mono and polyculture.
   - Monoculture produces 4 negative outputs – anoxic sediment, hypernutrification, sulphide build up and disease.
   - Polyculture has 3 outstanding positives – all waste products are recycled within the system, the seaweed operates as a permanent bioremoval system of unwanted nutrients when it is harvested, and there is higher productivity of both fish and shellfish.

**Presentation on the “illusion of dilution”**

This presentation was a caution not to rely simply on flushing rates as criteria for a good site.
1. In the Bay of Fundy there is a 10 to 20m tide difference but most of the 210 tonnes of phosphorus and 1050 tonnes of Nitrogen a year dumped in the Bay by Salmon farming just flushes out and flushes back in again. Research has shown that after a week of tidal cycles most of the detritus created in that week can still be left behind in the Bay.
2. The 96 sites in the Bay of Fundy really pose a problem and the solution suggested is “diversion” the introduction of Organic and Inorganic extractive aquaculture. Or in other words growing seaweed to extract unwanted dissolved chemicals and nutrients. Some seaweed’s can be extremely useful. Ulva, which can assimilate 90% of the ammonia released by fish, can be used to feed sea urchins, abalone, or herbivorous fish such as the Gilt head sea bream. For Scotland we urgently need research and development so we can select the best species of fish, seaweed, shellfish and maybe even crustaceans, in order to harvest from artificially created stable and sustainable marine ecosystems. We need to develop cultivation technologies and we need more precise modelling of our coastal systems.

**Presentation from SERAD**

This presentation sketched where the Executive is at present and what their view of the situation was. I noted the following points.

1. The minister is looking for consensus on strategy.
2. The separate review of regulation may be published before Christmas after which it will be up for discussion presumably.
3. There is no indication yet of when the transfer of primary planning powers to local authorities will be complete.
4. The influence of the Water Directive is acknowledged.
5. The part that could be played by integrated Coastal Zone management was also acknowledged (For further details on this issue the RSPB have produced a very useful document on the advantages of this for our future inshore fisheries).

A number of consistent themes were identified:

1. We have an opportunity to stock-take.
2. There has been a consistent demand for consistent regulation from all sectors.
3. There is more need for co-operation from government and industry and between sectors to gain an overall view.
4. We need to answer questions such as how do we balance social, economic and environmental factors? What level of impact can be tolerated? What is the role of the public sector?
5. It was stressed that ministers have an open mind about the future.

**Presentation from Kevin Philpott from the Environmental Protection Unit at SERAD.**

This presentation was a brief introduction to aspects of the Control of Pollution Act 1974; the Dangerous Substances Directive 1976, the Fresh Water Fish Directive and one or two other pieces of legislation designed to protect water quality. The new Water Directive will impact on all of these so I will not go into any further detail on this presentation.

**Presentation from the EU commission**

Changes in the regulations covering the amount of Domoic acid remaining in shellfish after Algal poisoning incidents are causing serious problems for shellfish farmers, but I won’t involve the committee in the details of this right now

**Presentation on the introduction of alien species in Ballast Water.**

Again this is a very serious problem for the whole of Europe, but this a matter for the UK government to deal with.

**Presentation from Tony Stones from the Maritime and Coastguard Agency on Maritime pollution.**

One thing to remember from this is that the vast majority of seawater pollution incidents are land based. Accidents at sea and tank cleaning produce a very small fraction of the total oil and chemical pollution of our coastline.

**Presentation from Michael Kellet on the Water Framework Directive (SERAD environment protection unit).**

As a committee we will almost certainly see an extended version of this presentation quite soon, but here’s a very brief summary. Article 4 is the most important one.
1. To achieve ecological health of water and environment
2. Control ALL negative impacts on ecology.
3. To be comprehensive, transparent, participatory, in river basin planning.
4. To be based on partnership.
5. There must be no deterioration of water quality during the entire period between 2003 and 2015 when all the objectives of the legislation should be achieved.
6. The control of diffuse pollution will be mandatory.
7. There should be better environmental regulation of finfish farming.
8. 33 substances/pollutants will be controlled or excluded by 2006.
9. Regulations on ecological quality of water will be apply up to 3 miles from the coastline and regulations on dangerous substances in water will apply up to 12 miles. It is clear that the implementation of the water Framework directive will impact considerably on sea cage finfish farming.

Visit to Dunstaffnage Marine Laboratory Wed 10 October 5 – 7pm.


The purpose of our visit was to find out what research was going on at Dunstaffnage and whether the scientists had a view on what further research was needed. As a general observation I have to say that this team seemed extremely dedicated, full of ideas and were happy to give some considered advice to us.

- The first subject was the problem of dissolved nutrients. There is no day to day or even week on week monitoring of dissolved nutrient levels. You need high-resolution 3D models to identify real problems i.e., where nutrients really do accumulate.
- There is a potential for bioremediation using mussels and seaweed production, but regulation is blocking research. There need to be some relaxations of proximity regulations if we are to get some sound research on bioremediation.
- Wrasse – we need to develop a bigger species of wrasse and do some serious experimentation. At present the species of Wrasse that are used do not survive well in Scottish Waters. Although Wrasse probably cannot be the only or even the main solution for many sites they can make a significant contribution to Sea-lice control and cut down on the amount of chemicals that are still needed. The ultimate solution is likely to be either a vaccine or controlling Sea-lice through the use of a Sea-lice specific pathogen.
- When asked about fallowing their opinion is that the short term fallowing (6-7 weeks) for disease control is extremely effective, but the one year site fallowing may not have the real ecological advantages that are expected. SEPA’s monitoring of sub-cage conditions is rated as excellent.
- Finally it was clear that there are many Salmon, mussel and sea cage fish farmers up and down the West coast who are very keen to develop and assist in scientific research in sustainable ecologically benign farming techniques.
The Water Services Bill
The Executive’s Proposals

The Water Industry Commissioner For Scotland’s Response to the Scottish Executive’s Consultation Paper

STIRLING
13 June 2001
Introduction

The Scottish water industry is entering challenging times – unprecedented investment levels and the need for greater efficiencies combined with increasing competitive pressures on the public water authorities. From these challenges, however, comes the opportunity to create a modern, sustainable industry based on the public sector model. The Water Industry Commissioner for Scotland, therefore, welcomes the opportunity to comment on the future of the Scottish water industry proposed in the Scottish Executive Consultation Paper “The Water Services Bill – The Executive’s Proposals”.

We consider the Scottish Executive proposals outlined in the Consultation Paper to be very much in the interests of all customers of the Scottish water industry. We strongly support the proposals to merge the three statutory water authorities into one national authority and to create a licensing regime for new entrants to the Scottish water industry.

Our response to the proposals should not be seen as a criticism of the Consultation but as an opportunity for us to consider in more depth the key issues raised by the creation of a single water authority and the ensuring transparent and effective regulation of a competitive water industry in Scotland. We believe these issues, if not addressed, will impact on the development of competition and effective regulation, and ultimately affect the extent to which customers benefit from a competitive water industry. We also discuss the charging for trade effluent services in a competitive market – an area currently outwith the Commissioner’s remit.

Establishing Scottish Water as Scotland’s national water authority

The Scottish Executive has expressed its intention to merge the three water authorities and create a new national authority, Scottish Water. It is essential that in doing so, the sustainability, efficiency and accountability of the industry are not put at risk.

A single authority would concentrate management expertise and strategic focus in more efficient deployment of resources and decision-making, enabling the organisation to become more adaptable and innovative, and allowing it to focus on the core competencies in which it is likely to achieve excellence. This will help to ensure better service levels and value for money for customers.

Under the new regime, it would be possible to harmonise tariffs within a Scotland–wide scheme of charges and provide customers with consistent levels of service across the country. This initiative would remove the current discrepancies on charging levels and policies within Scotland. Our experience would suggest that this is an issue of great concern to domestic customers in the North of Scotland and, in particular, to those multi-site non-domestic customers who choose a tariff based on the charges scheme rather than negotiating with their water supplier.
Notwithstanding the savings, which could be generated by the three authorities independently, the creation of Scottish Water will bring about further benefits to customers. Service levels will be improved, by consistent application of standards across Scotland and the application of best practice. In addition, the authorities’ costs could be further reduced. There will be greater certainty that existing operating expenditure efficiency targets will be achieved. Moreover, there are likely to be significant economies of scale and scope in relation to capital expenditure, and a rationalisation of head office functions. The value of these extra combined savings could be in excess of £100 million.

Efficiency levels would continue to be assessed using the methodology of comparative analysis that will benchmark a single Scottish water authority with the best international water and sewerage providers, ie the English and Welsh companies. A critical success factor in developing a sustainable public sector industry will be to ensure open, honest and transparent comparisons with best national and international practice.

**The Water Industry Commissioner for Scotland supports the creation of a single Scottish water authority, subject to the maintenance of effective and transparent regulation as a means to achieve greater efficiency in the industry. The Commissioner welcomesthe prospect of the harmonisation of tariffs within a Scotland-wide scheme of charges and the prospect of improved service for all customers across the country.**

**The regulation of Scottish Water**

*The Scottish Executive’s proposals would create a new licensing regime for new entrants to the Scottish water industry, whilst leaving regulation of the public authorities largely unchanged. We must consider whether this will have an impact on the development of competition, since there will in effect be two regulatory regimes in operation.*

The very nature of Scottish Water as a statutory monopoly may be a barrier to competition and give it an unfair advantage over new entrants. The current proposal not to licence Scottish Water will mean that it would not be subject to the same stringent regulatory requirements as a new entrant. If a new entrant failed to comply with licence conditions, this could lead to an ultimate sanction of revocation. Whilst Scottish Water would continue to have statutory duties and responsibilities, it would be subject to no corresponding sanction. It could therefore be perceived that the pressures on the incumbent are not as great and accountability is lessened. Assessment of the comparative efficiency of industry players would also be less effective.

Not to licence Scottish Water would undoubtedly give rise to closer scrutiny of its activities by new entrants. Cost/price relationships would be examined closely to ensure that Scottish Water is not abusing its dominant position through predatory behaviour. Scottish Water must avoid the risk of breaching the Competition Act. If it is not licensed, it will be perceived as being treated differently and may be more
vulnerable to complaints from new entrants, customers or suppliers to the Office of Fair Trading. Issuing a licence will reduce opportunities for complaint and enable closer scrutiny of Scottish Water’s activities.

An added benefit of licensing Scottish Water would be to separate Scottish Ministers more clearly from the day-to-day operations of the water authority. This would give managers the authority and responsibility for providing a service, whilst strengthening transparency and accountability within a policy framework laid down by Ministers.

The application of licence conditions to all players would allow regulation to be consistent and even-handed, and would ensure that the interests of customers of both the incumbent and new entrant were protected. By licensing Scottish Water, we could:

- increase accountability and increase incentives for efficiencies;
- increase transparency in accounting practices across the value chain;
- enable more accurate comparative competition assessments and;
- ensure compliance with the provisions of the Competition Act.

Indeed, the recent issuing of a licence to Consignia (the Post Office) has highlighted the value of such action in the public sector, despite the fact that there is no real prospect of genuine competition in some areas of Consignia’s monopoly activity.

**The Water Industry Commissioner for Scotland recommends that a licence be issued to Scottish Water, in order to create a level playing field and to allow for more effective regulation of the incumbent supplier. Failure to do so will mean that it may be more difficult to apply the same stringent standards across the industry and may lead to customers’ interests being compromised.**

**Equipping the public industry to compete**

*It is proposed that the water authorities, and subsequently Scottish Water, be given a general power to engage in commercial activities and ventures, subject to ministerial guidance. This raises issues concerning the acceptable level of risk for a public sector body and the appropriate use of any profits arising from non-core business.*

If the water authorities are to be competitive, they must first become more efficient and more responsive to their customers and the primary objective in the short run should be to improve value for money to customers. Commercial activities will be financed initially (before they become cash generative) from public funds and it is therefore essential for risk to be managed effectively. The owner must clearly set the level of acceptable risk for the authority. Independence to engage in commercial ventures outside their core business should only be given to the authorities when they are clearly delivering value for money to their existing customer base.

Diversification should not be an end in itself, but a means to strengthen the core activities of the authorities. However, in some circumstances, the development of
better customer management might require the delivery of services outside of the authorities’ core business. For example, it may be necessary for a water authority to offer a UK-wide service to a major customer, or risk the loss of 2-3% of annual revenue. Although this venture may be outwith the established acceptable risk profile, the downside of not providing the service is just too great. Such cases will be relatively rare and the base presumption should be that independence and responsibility need to be earned.

Commercial freedom also raises the issue of non-regulated income and how profits (or losses) should be allocated to ensure that there is no cross-subsidy of regulated activities through for example transfer pricing. New entrants’ licences will likely require them to demonstrate clearly that no such cross-subsidisation across businesses has taken place. Currently, the three water authorities undertake capital projects, the costs of which are ‘bundled’ together primarily across their supply and distribution businesses. There is no obligation to show transparency in the separation of costs across each element of the value chain. This lack of transparency might continue if Scottish Water were not licensed and may lead to complaints of predatory behaviour under the Competition Act.

**The Water Industry Commissioner for Scotland would welcome the proposed increased commercial freedom for the water authorities but would emphasise the importance of sufficient safeguards for customers and transparency across business activities. This would require discrete accounts for the regulated business, ideally as a requirement of a licence.**

**Establish a licensing regime for new entrants**

_The Scottish Executive states that it believes competition on the public networks should only be permitted once a licensing regime is in place to ensure that public health, environmental protection and social policy objectives continue to be met. It is proposed that responsibility for developing the detail of the licensing regime should rest with the Commissioner’s office and that the costs of carrying out these new functions should be borne by the new entrants._

The Commissioner would suggest the details of the regime should be developed by this office within the general statutory framework laid down by the Scottish Parliament. Once the Water Services Bill has received Royal Assent, we would suggest that we carry out a public consultation on the exact licensing process. It will be important to ensure maximum transparency in the process.

The 1999 Act established this office as the economic and customer service regulator of all classes of the water authorities’ customers, but gave us no duties in respect of customers of the new entrants to the Scottish water industry. We therefore very much welcome the Scottish Executive’s proposals to extend our remit to include the interests of all customers receiving services within the Scottish water and sewerage public network, including those who choose to move their custom to the new entrants.
The proposed amendments to our remit will empower us to regulate the charges paid by new entrants to the water authorities for the use of their infrastructure. This will ensure that new entrants, and by extension their customers, contribute a fair share towards the costs of the public networks on which all customers rely. It will also ensure that new entrants meet the same, or better, customer service standards as the water authorities, though the powers do not extend to any matters relating to the charges set by new entrants for their customers. Arguably, if a new entrant has to provide a service to the same standard as the incumbents, they will only succeed if their charges are competitive and seeking to regulate them is unnecessary. It might be the case, however, that whilst competition is developing, licence conditions, in themselves, may not be sufficient to ensure that all new entrants always make fair offers to all customers. WIC might require additional powers to limit cherry picking or to protect low-income households.

The application of a licensing regime to all players will allow regulation to be undertaken in a consistent, even-handed way. The Scottish Executive might wish to consider whether there is a need for short-term price regulation by the Water Industry Commissioner for Scotland, to ensure that value for money and a level playing field are achieved while the competitive market is fully maturing.

Local responsiveness

*The Scottish Executive has invited the Commissioner to consider ways in which the Consultative Committees might be strengthened in representing local interests and concerns and whether this also requires amendments to the provisions relating to the committees in the Water Industry Act 1999.*

The proposal to establish a single water authority clearly means that the provisions in the 1999 Act for establishing consultative committees will be inappropriate in terms of structure and numbers. It is essential that in the creation of one authority, local responsiveness is not lost.

The Commissioner’s office is conducting a review of the present Committee structure and activities. The three Committees have been up and running now for a full 12 months and, in that relatively short time, they have become an essential conduit of information between the Commissioner and, in particular, domestic customers through their consultations with community/voluntary groups and the programme of 27 public meetings during 2001. We believe their continued development and education is essential to the success of their remit to ensure that the local interests and concerns of customers are listened to by both the Commissioner and the service providers. It should be added that feedback from the existing Committee members will be vital to the planning of future initiatives to ensure local responsiveness is not lost and each Committee is currently considering its own independent response to this Consultation Paper.

*At this stage we should not attempt to prescribe any future structure. The Water Services Bill should state a general requirement for local*
responsiveness vis-à-vis consultative committees but specific details such as numbers and structures should be determined by the Water Industry Commissioner for Scotland following public consultations, once the Bill has received royal assent.

Regulation of trade effluent charging

The Commissioner would like to take this opportunity to comment on several issues associated with charging for treating trade effluent, an area that is not currently regulated by this office and not covered in the Scottish Executive’s consultation paper.

Trade effluent charges have traditionally been set to recover the relevant costs of receiving and treating trade effluent and in Scotland these charges are broadly based on the Mogden Formula, which links charges to the system costs imposed by customers, in accordance with the “polluter pays” principle. The formula had been agreed between the CBI and the UK sewerage undertakers as a fair method of charging and takes account of standard characteristics that have a bearing on the treatment needed, and therefore the aggregate level of costs incurred. This includes cost elements such as rate of discharge, suspended solids and oxygen demand. It does not necessarily reflect the economic cost to a particular customer.

It has been suggested that due to the treatment requirements of the Urban Waste Water Treatment Directive, the Mogden formula may have to be re-examined. It is certainly the case that there seem to be discrepancies between the lower charges levied by Private Public Partnership developers on the water authorities and the charges suggested by Mogden. The Mogden formula does, however, have merit from a public policy perspective – it allows polluters to be charged in proportion to the amount of pollution they generate. This acts as an incentive for companies to pollute less. It is, additionally, likely to be difficult to build a consensus around any new charging methodology. If the Mogden formula is to be retained in this context, Scottish Water should become more aware of the true costs incurred and should ensure that its prices become more reflective of true costs. If this were the case, it would be necessary for any new entrant treating trade effluent to use the Mogden formula, in order to avoid cherry picking.

We would therefore suggest that Mogden be retained as the base method of charging for effluent treatment under a single authority structure, with a greater degree of cost reflectivity. Any new entrant should also base effluent charges on the Mogden formula. This could be enforced by extending the remit of the Water Industry Commissioner for Scotland to cover the interests of trade effluent customers served by all licensed undertakers. All trade effluent customers would then be assured of value for money from their service provider.

Summary
The Scottish Executive proposals outlined in the Consultation Paper are very much in the interests of all customers of the Scottish water industry. We strongly believe that they will deliver a modern and efficient public sector water industry in Scotland and we are, therefore, pleased to support the proposals to merge the three statutory water authorities into one national authority and to create a licensing regime for new entrants.

In our response we have commented on the key issues raised by the creation of a single water authority and the ensuring transparent and effective regulation of a competitive water industry in Scotland. We hope that our recommendations are constructive and add to, what we consider to be, a very comprehensive and robust Consultation Paper. Our overall aim in drafting this response is to improve the value for money delivered to all customers of the Scottish water industry.
Overview of current position

- The Scottish Executive Water Services Unit Regulation Team (WSURT) is part of the Environment Group in the Environment and Rural Affairs Department.
- The Regulation Team’s functions include:
  
  (i) Ensuring that the requirements of the Water Supply (Water Quality) (Scotland) Regulations are met.
  (ii) Developing Key Performance Indicators to measure improvements in drinking water quality.
  (iii) Checking that local authorities are complying with the requirements of the Private Water Supplies (Scotland) Regulations.
  (iv) Maintaining effective working relationships with a wide range of organisations such as:

  - Drinking Water Inspectorates for England, Wales and Northern Ireland
  - European Commission
  - Water Industry Commissioner for Scotland
  - Scottish Executive Health Department
  - Scottish Centre for Infection and Environmental Health
  - Food Standards Agency
  - Water Authorities

- WSURT discharges its functions through technical audits of the water authorities that comprise inspections and the assessment of analytical data.
- Inspections check that the authority is fulfilling its statutory requirements regarding the supply and quality of wholesome water and also check that the quality of information collected by each water authority is satisfactory.
- Assessments check the quality of water supplied by each water authority from each treatment works and service reservoir and in each water supply zone. As a minimum, assessments are carried out annually.
- The results of inspections and assessments are made available to the public and other stakeholders through the publication of reports. A report on drinking water quality in Scotland, which identifies areas where the water authorities are failing to comply with the Regulations, is published each year. Reports on any significant incidents are also published as and when required.
- WSURT also advises Scottish Ministers and relevant Departments of the Scottish Executive on the formulation of policy affecting the Scottish water industry and public health.
- The Regulation Team meets regularly with the water authorities throughout the year but each October a formal meeting is held with each of the authorities. At these annual meetings, WSURT’s assessment of the quality of water during the previous 12 months is discussed together with the findings of inspections carried out over the same period.
Why is there a need to change the current system?

- At present, WSURT’s regulation of drinking water quality in Scotland is carried out under administrative arrangements developed over a number of years.
- The Water Industry (Scotland) Bill provides that this function should be placed on a statutory footing, as is already the case in England and Wales, with the creation of the Drinking Water Quality Regulator (DWQR).
- Although the proposals for the DWQR are similar to those that exist in England and Wales, the proposed separation is greater in that the DWQR would be responsible for regulating Scottish Water independently of Ministers.
- Subsequent to the proposed Water Environment and Water Services Bill, it is also planned to make the DWQR responsible for regulating the quality of drinking water supplied by new entrants to the market.

Proposed Powers for the DWQR

(a) Power to obtain information
- When assessing the quality of water supplied or investigating failures of drinking water quality it is essential that the DWQR have access to all the relevant facts.
- The power extends beyond obtaining information from just the public water supplier because a supplier or a contractor working for the water authority may be in possession of information relevant to an assessment or an investigation.

(b) Powers of entry, inspection etc.
- In determining whether a water authority is fulfilling its statutory requirements regarding the supply and quality of wholesome water the DWQR will need to inspect plant and equipment operated by a water authority. The DWQR will also wish to check that the quality of information collected by each water authority is satisfactory.
- The powers of entry need to be wide since incidents and events resulting in water quality failures can involve third parties. The current trend to outsource drinking water analysis to third party laboratories also means that it is necessary to have power to enter these laboratories to check that the quality of analytical work is satisfactory.

(c) Enforcement notices
- If, through the technical audit process, the DWQR discovers that the drinking water quality regulations have been contravened then there needs to be a mechanism to bring about compliance with the Regulations.
SEPA has prepared the following evidence based on the format specified in the Committee Convenor’s invitation to submit evidence in advance of the meeting of the Committee scheduled for 9 November in Aberdeen. Committee members can also refer to the more comprehensive submission submitted by SEPA to the Clerk on 18 September, 2000

**SEPA’s role as regulator of the Water Industry**

1. SEPA regulates Water Authority discharges of sewage effluent to water; the handling and disposal of solid and liquid waste; sludge treatment facilities and the recycling of sewage sludge to land.

**Water industry environmental impacts**

2. Inadequate sewage collection and treatment systems is currently the dominant cause of pollution in Scottish waters. It contributes to the pollution of:
   - 1466km of rivers (34% of the polluted river length);
   - 230km of coastal waters (89% of the polluted coastal length).

**Creation of Scottish Water**

3. The creation of the water authorities in 1996 has resulted in significant improvements in the provision of water services. SEPA welcomes the additional efficiency which will be delivered by the creation of Scottish Water. However, it will be important to ensure that the process of reorganisation does not jeopardise the delivery of the major capital investment programme planned up to 2005.

4. It is also important for Scotland’s environment that the establishment of Scottish Water does not distract for the maintenance of the current high performance of the water authorities in complying with the conditions of their discharge consents.

**Sustainable development**

5. SEPA greatly values the Water Authority’s contribution to initiatives which promote sustainable development, for example the Oil Care Campaign, waste minimisation programme, business environmental awards scheme and catchment management. SEPA has concerns that the requirements for efficiency savings might reduce Scottish Waters commitment to such initiatives.

6. SEPA welcomes the sustainable development duty placed on Scottish Water under Section 47(4) of the Bill. However SEPA would have preferred to see some reference in Section 50 of the Bill on “Information and reports” to a duty to report on Scottish Water’s performance in terms of sustainable development. Guidance to be issued by Ministers under subsection (4) of that section of the Bill will be important in terms of reinforcing the water authorities strong record of working with other bodies to promote environmental protection.

**Efficient water use and pricing policies**

7. The Water Authority’s charging schemes for water supply and for discharges to sewer are important tools for protecting the water environment - the more resources are used the higher the cost. It is important that the schemes continue
to provide a financial incentive to minimising discharges to sewer and levels of water use.

8. Competitive pressure could reduce the current incentives by causing Scottish Water to structure charges to retain key customers. It is SEPA’s view that Scottish Water should be given a duty to promote the efficient use of water and to ensure that water-pricing policies provide adequate incentives to:
   • use water resources efficiently;
   • minimise the discharges to sewer.

Urban drainage
9. One of the most important sources of river pollution is runoff from urban areas. A partnership between Scottish public authorities and developers has led to the development of an innovative approach to this pollution problem. The use of these sustainable urban drainage systems (SUDS) are now widely supported but responsibility for their maintenance is confused. It is considered that the position should be clarified by giving Scottish Water responsibility for SUDS systems downstream of adopted surface water sewers.

Rural first time sewerage
10. A targeted rural sewerage support scheme for existing settlements requiring public sewerage systems would be helpful in delivering water pollution and public health benefits. In the absence of targeted financial support, current requirements for returns on investment can lead to first time sewers for highly rated properties being more cost effective than those for lower rated properties counter to social inclusion objectives.

Competition
11. Common carriage will allow private companies to bid for effluent treatment options for water users in water authority areas. A new entrant would be attracted to the larger water/sewerage services users or the densely populated areas with lower unit cost. This poses the risk of water authorities being left with the higher cost service provision in more rural areas. Such “cherry picking” would potentially undermine water authority income which funds the provision of sewage collection and treatment across all areas of Scotland.

12. It is SEPA’s view that supporting the development of a comprehensive drainage network is fundamental to protecting water quality. Issues which may mitigate against the maintenance of such networks, such as the possible implications of the Competition Act, are a matter of serious concern.

13. In order to ensure a level playing field for all involved in competition within the water industry it is important that any environmental duties placed upon Scottish Water should also be placed on the Water Industry Commissioner. The Commissioner would then ensure that this was reflected in his licences to new entrants.

Drinking Water Quality Regulator
14. SEPA nor any of its predecessor bodies have ever been involved in the regulation of drinking water quality.
North of Scotland Water Authority

Submission to Transport and Environment Committee – 9 November 2001

Regulation

- We welcome the setting up of Water Customer Consultation Panels chaired by an independent convener. It is particularly important to ensure visible accessibility at local level and proper representation of customers’ views.

- It will be essential to recruit members for the consultation panels from a variety of backgrounds and communities to reflect the views and concerns of all our customers. Appointments should follow the Nolan procedures for public appointments and/or allow for nominations from key representative groups such as chambers of commerce and community councils.

Drinking Water Quality Regulation

- Public health is our primary concern. As competitors enter the Scottish market it is essential that all suppliers of water are strictly regulated to the same standards. The creation of a Drinking Water Quality Regulator, underpinned by legislation, raises the profile of the importance of drinking water quality as well as providing increased transparency and scrutiny.

- The decision to locate the Drinking Water Quality Regulator within the Scottish Executive rather than establishing a separate body means that there will be no additional costs to customers and this is welcomed.

Competition

- The Bill provides a framework for greater commercial freedom which will allow Scottish Water to take advantage of new business opportunities to generate additional income. It is important that commercial freedom is controlled by Ministers and clear but high level guidance is provided.

- Scottish Water needs to have the flexibility to pursue new business ventures but only where there is a market opportunity and a clear competitive advantage which is sustainable in the long term.

- The proposed board structure of Scottish Water also follows a more commercial model with up to five executive members from the senior management team of the new organisation. This will provide the expertise to meet the challenges of a more competitive environment. It is however essential that the balance between non-executive and executive members is carefully managed to ensure thorough scrutiny of the new organisation.
Charges

• Scottish Water needs to invest more than £2 billion over the next four years to clean up beaches and rivers and to provide safe, clean water. This means that charges will inevitably continue to rise.

• Efficiencies generated by Scottish Water will mean that charges will not have to rise as steeply as they would have had to under the three separate water authorities.

• Scottish Water should ensure that customers in Scotland pay the same level of charges for the service they receive, regardless of where they live. Equally all customers should receive the same high standards of service whether they live in a rural or urban community.

Staffing

• Scottish Water must be leaner and more efficient to survive competition. To make the efficiency savings necessary to keep customer bills down and properly compete with the private sector, Scottish Water will need to reduce numbers of staff. This must be carefully managed to ensure that the business does not suffer in any way. New staff must be brought in as well as existing staff retrained to make sure that Scottish Water is better equipped to survive in a competitive world.

• The three Scottish water authorities are working in partnership with Trades Unions to ensure that all employees are kept informed of developments and treated fairly throughout the transition period.