Local Government and Transport Committee

10th Meeting, 2006

Tuesday 28 March 2006

The Committee will meet at 2 pm in Committee Room 3.

1. **Freight transport inquiry:** The Committee will take evidence from—

   **Panel 1**
   
   John McConnell, Head of Property services, BAA;
   Michael Dowds, Scotland Planning Manager, BAA; and
   Paul Stonehouse, Freight Development Manager, Infratril

   **Panel 2**
   
   Alex Johnson, Commercial and Marketing Manager, HIAL; and
   Donald MacNeill, Senior Transport Policy Manager, HIE

   **Panel 3**
   
   Barclay Braithwaite, Chief Executive, Aberdeen Harbour Board;
   Captain Colin Parker, Operations Director and Harbour Master, Aberdeen Harbour Board;
   Alan Burns, Director of Scottish Ports, Forth Ports; and
   Bill Burns, Managing Director of the Hunterston Container Hub, Clydeport

2. **Finance Committee Inquiry Into Accountability And Governance:** The Committee will consider a paper from the Clerk.

3. **Local Electoral Administration and Registration Services (Scotland) Bill (in private):** The Committee will consider a draft Stage 1 report.

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**Agenda item 1**

Submission from BAA  
Submission from Infratril  
Submission from HIAL (to follow)  
Submission from HIE  
Submission from the British Ports Association

**Agenda item 2**

Paper from the Clerk

**Agenda item 3**

Draft report on Stage 1 of the Local Electoral Administration and Registration Services (Scotland) Bill (private)
Edinburgh Airport Cargo Overview

1.1 Cargo

Edinburgh Airport is now the busiest cargo and mail facility in Scotland and the second busiest in the UK. It currently handles 24,000 metric tonnes of cargo and 26,000 tonnes of mail per annum. The cargo market grew by 17% in 2003/04 and is forecast to grow by an average of 3.2% per year out to 2030, with mail forecast to grow at half this rate. The cargo operation is sited on the east side of the Airport (formerly Turnhouse) and has been developed over a number of years. The Cargo Village currently occupies 7,000m² comprising a mixture of transit sheds (approximately 3,000m²), warehouses, and offices, served by ten dedicated cargo aircraft stands.

Edinburgh Airport Cargo Growth up to 2013

1.2 Air Cargo and Mail Forecasts

1.2.1 The air freight business has two major market segments. These are mainstream/consolidation and express. Mainstream consists of airlines, freight forwarders, and ground transport companies. Express consists of 'integrator' carriers such as DHL, TNT, UPS, and Parcelforce. They offer both air and ground transport as one service. Edinburgh is currently the Scottish hub for this integrator activity in Scotland, representing approximately 80% of Edinburgh’s cargo tonnage throughput.

1.2.2 The major contributory factors to Edinburgh’s dominance in this market are as follows:

- Geographical position within the major strategic road system. The M8, M9 and M90 are all within one mile of the airport perimeter. These good road links with the major ‘hi-tech’ industrial bases Edinburgh, Glenrothes, and Livingston are crucial.
- Availability of airside access for new distribution hubs.
- Excellent airport infrastructure, i.e. new cargo stands, airside access points.
- Good supply of highly trained personnel.

1.2.3 Table 1 below shows indicative BAA forecasts for cargo and mail tonnage.
Table 1: Air Cargo and Mail Tonnage Forecasts

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo</th>
<th>Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 (Actual)</td>
<td>26,900</td>
<td>29,700</td>
</tr>
<tr>
<td>2013</td>
<td>35,900</td>
<td>35,600</td>
</tr>
<tr>
<td>2020</td>
<td>44,900</td>
<td>41,600</td>
</tr>
<tr>
<td>2030</td>
<td>61,800</td>
<td>44,700</td>
</tr>
<tr>
<td>Average Growth</td>
<td>3.2%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

1.1.4 The forecasts show a sustained growth in both cargo and mail tonnage over the period 2004 – 2030, with cargo tonnage expected to grow at twice the rate of mail.

1.3 Cargo Developments

1.3.1 While strong growth in cargo is forecast, new developments will be undertaken only as a result of specific requests from cargo handlers. At present cargo handlers consider their current facilities are adequate and hence no detailed plans are available. There are however no constraints in cargo expansion at Edinburgh Airport, as there is capacity to develop, an additional seven aircraft stands, and 250000 square metres of warehousing.

Aberdeen Airport

2.1 Air Cargo and Mail

2.1.1 Aberdeen Airport’s cargo facilities occupy a total land area of approximately 0.8 hectares. The main cargo area is located off Forties Road and comprises two transit sheds and warehouses providing approximately 1,600m² of floorspace, served by a dedicated cargo apron. A third stand alone transit shed/warehouse, measuring 820m², occupied by DHL, is located immediately to the south of the main terminal. Aberdeen’s total cargo business comprises both flown and trucked cargo, as the airport is a focal point for trucked air-freight operators who access other major freight airports such as Edinburgh, Heathrow and Stansted by road.

2.1.2 In 2004, 5,300 metric tonnes of air cargo and mail were handled, representing a 9% rise on the previous year.
2.1.3 In the past, the cargo business at Aberdeen has been constrained due to the restricted operating hours requiring the airport to close between 2230 and 0600 hours. However, since the approval by Aberdeen City Council, in March 2005, of extended opening hours, the airport has recorded a 12% growth in air cargo and mail throughput. This supports BAA’s long-held view that the restricted opening hours were limiting the economic potential of the airport and the City and Shire. Our forecasts indicate that air cargo and mail throughput will grow by an average of 1.6% per year between now and 2030.

2.2 Air Cargo and Mail Forecasts

2.2.1 As noted in earlier, Aberdeen’s air cargo and mail business was, until earlier this year, constrained due to the restricted opening hours. During 2004, Aberdeen Airport handled 5,300 metric tonnes of air cargo and mail. Since March 2005, however, when planning restrictions were lifted, air cargo and mail volumes have increased significantly (+12%). This growth clearly demonstrates that cargo operators and freight forwarders are responding to the City Council’s important decision, which provides the operator with certainty that their aircraft can arrive or depart if they are delayed in the evening period, when cargo movements are more common.

2.2.2 BAA Aberdeen has, through the Aberdeen Airport Business Development Forum, commissioned a study into the current and future market potential for air cargo and mail at the airport. The results of this study could influence the conclusions of the Final Master Plan.

2.2.3 The anticipated growth in international air passenger services is also expected to facilitate sustained growth in Aberdeen’s air cargo and mail business over the forthcoming years.

2.2.4 Table 2 outlines indicative BAA forecasts for air cargo and mail tonnage.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo and Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5,300</td>
</tr>
<tr>
<td>2015</td>
<td>6,800</td>
</tr>
<tr>
<td>2030</td>
<td>8,600</td>
</tr>
<tr>
<td>Avg. growth a year</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Table 2: Air Cargo and Mail Tonnage Forecasts

Cargo Developments

2.3.1 Cargo developments are only undertaken in response to specific requests from operators. Although significant year-on-year growth in cargo throughput forecast, we have not sought to allocate land for cargo over and above that indicated on the 2015 layout.
2.3.2. While additional land for cargo will undoubtedly be needed, BAA Aberdeen believes that this demand can be met in one of two ways; by the expected reduction in the need for helicopter support and maintenance facilities at the airport, or from opportunities arising as a result of the closure of the helicopter runway 05/23.

Glasgow Airport Cargo Overview

3.1 Cargo

Glasgow Airport has a busy cargo facility which occupies a land area of approximately 2.5 hectares at Campsie Drive. The area comprises a mixture of transit sheds and warehouses (providing approximately 8,000m² of floorspace) and is served by a dedicated cargo apron. Glasgow’s cargo business comprises both flown and trucked cargo, as the airport is a focal point for trucked air freight operators who access other major freight airports such as London Heathrow and Stansted by road.

3.1.1. In 2004, 8169 metric tonnes of cargo were handled, representing a 54% rise on the previous year. Air flown cargo accounted for approximately 10% of the total.

3.1.2. The very significant increase in total cargo throughput is mainly due to growth in the volume of “bellyhold” freight being carried on passenger services. A number of long-haul airlines serving Glasgow such as Emirates and US Airways operate aircraft such as the Airbus A330 and the Boeing 767, which have a large “bellyhold” freight capacity. Emirates has made Glasgow a Scottish hub for its Skycargo operation, shipping goods to the Gulf region, the Far East and Australasia. Cargo throughput is forecast to grow by an average of 3.2% per year between now and 2030.

3.2 Cargo Developments

3.2.1 While strong and sustained growth in cargo is expected to be facilitated by new direct international services, new developments will be undertaken only as a result of specific requests from cargo operators. It is our understanding that cargo handlers require additional pallet make-up space to cope with the growth in air flown cargo. Detailed plans will be brought forward once they have been prepared and agreed with operators.

3.2.2 Cargo developments will only be undertaken in response to specific requests from operators. However, the easterly expansion of the apron and terminal will require the relocation of the existing cargo facilities located around Campsie Drive. With significant year-on-year growth in cargo throughput forecast, we have sought to allocate approximately
17.5 hectares (50%) of the land in both layout options for a large cargo base in the indicative development zone at Netherton Farm. Furthermore, a detailed cargo and MRO (maintenance / repair / overhaul) study will be undertaken by BAA Glasgow and Scottish Enterprise Renfrewshire to pinpoint specific opportunities for Glasgow Airport to develop its cargo business.
Briefing notes for Freight Transport Inquiry

Overview

Infratil Airports Europe Limited (IAEL) own two airports in the UK, Glasgow Prestwick (GPA) and Kent International (KIA), and one in Germany Lübeck (LBC). GPA was purchased by IAEL in January 2001.

The freight trends at GPA have continued to show a year on year decline over the past three years. The majority of this decline can be attributed to the declining manufacturing base in the electronics sector. There has also been a reduction in overall freight flights operating through the airport in this time.

The biggest challenges that GPA faces in trying to arrest this decline and bring more freight through the Scottish freight network are:

- The fact that Scotland is perceived as being on the periphery in relationship with the rest of the UK.
- Lack of easy access onto the major arteries for the rest of the UK, both rail and road.
- Cost of transporting freight either north bound to GPA or south bound from GPA.
- Consolidation of freighter operators into more southern airports.
- Limited manufacturing base for high volume exports in Scotland.

As over 50% of the freight being imported through and exported out of GPA is destined or originating in the rest of the UK. There is a requirement for easy links to move air freight onto or from other modes of transport to allow it to reach its final destination.

The major movement of freight to and from GPA is currently done by road. This additional cost, on top of the airfreight charges themselves, makes it difficult for operators to benefit from the handling capabilities at GPA. The economical viability becomes border line when it is necessary to transport freight from/to areas further south in the UK.

Areas for development

There are a number of ways that GPA is able to fit into development of the freight sector in Scotland:
From growing existing business, that could use local logistics firms to move the freight in and out of Scotland to the rest of the UK and possibly mainland
Europe, by road or rail; to attracting new freight carriers to the airport that would increase the amount of in and out bound freight from Scotland and the rest of the UK. There would then be the opportunity for these new carriers to be able to offer the potential of new routes that could assist with Scottish firms being able to grow their market share in international locations.

To assist in attracting new business to the area there are a few key issues that could be considered:

- Obtaining more data on where Scottish freight is being exported to and if there is potential to grow the market with increased or direct services.
- An incentive for new carriers to operate to GPA rather than other freighter friendly airports in the UK.
- An inexpensive option for allowing the movement of freight to be between Scotland and destinations throughout the UK and possibly mainland Europe. Possibly by obtaining linking on the network of freight options travelling south to obtain loads coming north.
- The option of inter model links allowing air freight to move onto the rail network.
Highlands and Islands Context

The Highlands and Islands is a distinctive part of Scotland and of the UK as a whole. It stretches for over 640 kilometres from Shetland in the north to Campbeltown at the southern tip of Argyll. While encompassing around half of Scotland’s landmass it is home to only 9% of the country’s people. With a population of around 434,000 the region has one of the lowest population densities within Europe. It has under 11 people per square kilometre compared with 65 for Scotland and 118 within the EU. Around 100,000 (23% of the region’s population) live on islands. The sparsity of population and thus economic activity presents a range of challenges for the region’s transport system.

Located on the north west periphery of the EU, distance dominates almost every aspect of life for our businesses and communities. For example, the distance from Shetland to Inverness is the same as that from Inverness to North Yorkshire, while London is as near to Milan as it is to Shetland. Fish being exported from Kinlochbervie in Sutherland has to travel 150 miles until it leaves the Highlands and Islands and approaching a total of 340 miles before it crosses the border into England. The same product leaving Barra has a journey of around 6 hours (including vehicle check-in time) on the ferry to Oban, from where it continues its onward journey. If Scotland can be considered peripheral within the European context, then the Highlands and Islands is peripheral within Scotland.

The barriers of distance, terrain and sea are one of the reasons why the region is presently less prosperous than other parts of Scotland. GDP per capita is only 73% of the Scottish average. Despite this, the region’s prospects are generally positive. The Highlands and Islands population grew between 1991 and 2001, while that of Scotland actually declined. The small scale internal market means that many of our companies have a strong outward focus, selling goods and services outside the region. In 2002 Highlands and Islands companies exported over £1 billion of goods to countries outside the UK, accounting for 16% of Scotland’s food and drink exports.

HIE recently conducted a consultation exercise with local residents and businesses which was used to inform the development of the HIE Network’s new strategy: A Smart, Successful Highlands & Islands. Over 1,200 businesses were surveyed and in every question where it was possible to identify transport as an issue it was rated the most important priority. Those surveyed viewed transport, including freight, as:

- The most significant challenge facing Highlands and Islands businesses
- Having the greatest potential to make prosperity and quality of life much better
- The most important factor in the region’s overall development

Present And Potential Contribution Of All Modes Of Freight Transport

Road

Road transport is the dominant mode for freight transport in the Highlands & Islands and will remain so. Approximately 8.7 million tonnes of freight are lifted annually by UK HGVs in the Highlands and Islands (excluding Argyll & Bute). However, existing road traffic flows are such that present levels of HGV volumes on Highlands and Islands roads do not have a significant negative environmental effect.
One of the key issues facing road freight is the **inadequate road network** for both internal and external journeys. Unlike other parts of Scotland, congestion is an issue in very few parts of the region. However, our core trunk road network (A9, A96 and A82) offers only limited overtaking opportunities. This leads to platoons of traffic and the consequent stress created for all road users by the ability to overtake in only a limited number of places. On non-dual carriageway stretches HGVs are restricted to 40 miles per hour which exacerbates the platooning effects.

Issues for the A96 include a high level of agricultural traffic and a lack of bypasses of major settlements such as Elgin. Despite being one of the most populous parts of the Highlands and Islands, and hosting key industries such as whisky and two major RAF bases, Moray has no dual carriageway within its area. The A83, which links the central belt and southern Argyll, including the major wind turbine manufacturing plant in Kintyre, has stretches of single track road on what is a trunk route. Inverness is the only UK city without dual carriageway connections.

These issues, along with the poor condition of the road carriageway in some places, results in poor journey time reliability for freight traffic, leading to extra costs for businesses. Reliability is particularly important for time-sensitive loads from the Highlands and Islands, notably fish and aquaculture products. They have to meet connections in the Bellshill area for onward forwarding to final UK and mainland European markets. Failure to meet these significantly reduces the value achieved by Highlands and Islands producers, as the product is one day older when it reaches the final customer.

A recent independent study commissioned by HITRANS appraised the impacts of significant potential improvements to the A82 between Tarbet and Fort William. Its survey of businesses in the road’s catchment area found that 57% of respondents commonly had transport problems related to receiving or making deliveries—most often through late deliveries due to delays on the road. In addition, the study’s survey of hauliers found that:

- They rated the A82 as “very unsatisfactory” in terms of journey time and safety.
- All reported making allowances to avoid problems on the A82, including leaving additional time and taking alternative routes. One company stated that 95% of their LGVs divert to other routes even although this adds 45 minutes to the journey time. The diversion is to avoid the Loch Lomond side stretch of the A82 because the risk of accidents added a significant premium to their insurance costs.
- They believed that improvements to the A82 would allow them to reduce costs by 2% per annum.

The constraints imposed by the A82 are affecting not only hauliers but also the quality of service and costs for their customers.

The distances referred to earlier mean that road freight transport costs for the region’s businesses are higher than elsewhere in Scotland. This penalty is compounded by not only poor quality road infrastructure but also relatively high **fuel costs**. For larger road freight vehicles fuel can represent between 25% and 30% of total costs (ie vehicle costs, driver costs and overheads). Fuel prices are a key issue for road freight transport in the Highlands and Islands because:

- Longer distances are involved in moving goods to/from the region.
- The quality of road infrastructure means that fuel efficiency is lower than in other areas where the road network is of a higher standard.
- According to AA data, average diesel prices in the Highlands and Islands are around 4% above that for Scotland as a whole.

The result is higher transport costs for Highlands and Islands businesses, decreasing their competitiveness against those based elsewhere.
High quality and affordable sea freight transport is essential for Scotland’s islands. In 2004, around 184,000 Commercial Vehicles were moved on Highlands and Islands ferry services, with a further 266,000 lane metres of freight vehicles also recorded.

The vast majority of the Commercial Vehicles were goods vehicles, rather than coaches. Almost all sea freight to/from the islands travels by scheduled ferry service, although some bulk commodities (such as coal) move by coastal vessel.

One of the main issues is the cost of moving goods vehicles. For example, the return trip costs for a 15 metre lorry on the following services are:

- Lerwick-Aberdeen: (crossing time around 10-12 hours) £1,518.
- Oban-Tiree: (4 hours): £697.
- Colintraive-Bute (5 minutes): £71.

Clearly, these high costs have to be borne by island businesses. They are exacerbated by trade imbalances which can lead to vehicles leaving the islands empty such that the cost of a return trip on the ferry is borne solely by the goods being imported to the islands. A recent study of ferry services in the Western Isles highlighted one Stornoway haulier who commented that it cost almost as much to convey his vehicle to the mainland as between Rosyth and Zeebrugge-some eight times the distance on an unsubsidised service. The high charges for goods vehicles constrain economic development by making the island locations less competitive and reducing businesses’ profitability. They compound the inherent disadvantages presented by distance from markets and suppliers.

On the CalMac network, the freight rates used are, in the main, based on those set in the 1970s and were not, unlike passenger and car fares, revised during the 1990s. The result is anomalies and inconsistencies when individual routes are compared. There is also little apparent attempt to use pricing to move freight between routes (such as Lochboisdale-Oban and Lochmaddy-Uig) to more effectively manage capacity and move freight from road to sea.

On some routes there is inadequate frequency of sailing, particularly in the winter months. A number of west coast islands only having three or four sailings per week outside the summer months. These include some of the more populous islands such as South Uist, where, in particular, output from the aquaculture and fisheries sectors is constrained by the limited sailings in the winter months. Infrequent services tend to be on longer distance routes which tend to have the highest freight rates.

Service timings on some routes lack a consistent pattern of departure and arrival times. The vast majority of freight travels on ferries which also convey private traffic. This necessarily involves compromises between different user groups which can result in schedules which disadvantage freight movements and the businesses for whom goods are being moved.

The forecast increases in volumes of timber and construction traffic will offer opportunities for increased coastal shipping. In addition, HIE is closely involved in efforts to establish a container transhipment terminal at Scapa Flow and short-sea container traffic out of Inner Moray Firth ports.

Rail
Rail freight has grown significantly in the Highlands and Islands within the last decade. Present flows include: parcels traffic to Inverness; alumina and ingots to/from the Alcan factory at Fort William; fuel oil to Sutherland. In 2004 the equivalent of around 29,000 lorry loads per annum were conveyed on rail in the Highlands and Islands, effectively removing 7.9 million lorry road miles from the region’s road network.

Traffic has, however, fallen back in 2005 with the loss of key flows from supermarkets and some of the region’s manufacturers. Consequently, volumes are around half of those moved in 2004,
demonstrating the vulnerability of the region’s total rail freight flows to the decisions of a small number of users.

HIE is the main funder of the Highland Rail Partnership a rail development organisation with representation from the public sector, railway operators and other groups. It has helped to facilitate new traffic flows. Most recently it helped fund a trial of road salt movements by rail from the central belt to the Highlands. In addition, HIE is co-funding a study which will identify key capacity issues on the Highland rail network whose removal could offer improved opportunities for greater freight flows.

However, there is a need to recognise rail does not provide a competitive alternative for many types of freight. Many freight movements are less than lorry loads or transported by LGVs, while some travel short distances which cannot bear the additional handling costs incurred by use of rail. As the 2004 Scottish Transport White Paper states “while we want to see more freight being transported by rail or water, the vast bulk of freight traffic will continue to be carried by road”.

Air

Air freight plays only a limited role within our region’s transport system. In 2004, 4,200 tonnes were moved via Highlands and Islands airports, representing 5% of total Scottish air freight volumes. Air freight to/from locations outside Highlands and Islands airports tend to be: almost wholly outbound flows; conveyed in the bellyholds of passenger aircraft; primary products, notably fish. Intra-regional traffic tends to be newspaper deliveries conveyed on scheduled freight services.

Most Highlands and Islands freight movements tend to be by small turbo-prop aircraft. These have little environmental impact and much less than those of the larger jet aircraft that operate from the major Scottish airports. With a significant proportion (63%) of freight being moved in passenger aircraft, the movement of air freight per se has very little additional environmental impact.

HIE has worked with others to develop new dedicated air freight services conveying fish products from the islands. However, the prospects of achieving these appear slight at present, reflecting the low volumes available for such a service.

Policy Implications are:

- Development of a long term programme for significant upgrades to the region’s main arterial road routes, rather than the present piecemeal approach.
- Ongoing monitoring of how Scottish, UK and European policies play out in the Highlands and Islands context. A future road user charging system offers an avenue to reduce road freight transport costs for the region’s haulage services.
- Review of the economic impacts of existing freight charges on Highlands and Islands ferry services. Rates on the CalMac network need be set through a consistent and logical system including, where appropriate, use of pricing to shift lorries from road to sea in line with national policy. More consideration to be given to the impact of sailing frequency and timings on freight movements and thus on island producers.
- Ongoing monitoring and evaluation of FFG and Waterborne Freight Grants to assess whether they are achieving their objectives, through considering both the total levels of funding available and scheme criteria.

The region has particular issues relating to distance and the physical barriers of terrain and water. Efforts to improve regional productivity should not be diluted by poor quality or high cost transport links. Low traffic volumes mean that the environmental imperative of constraining traffic growth is less relevant than in more populous parts of Scotland. The distinctiveness of the Highlands and Islands needs to be fully recognised in the forthcoming National Transport Strategy and the subsequent Strategic Transport Projects Review.
1. The UK ports industry is financially and strategically independent of government. This has produced significant benefits. The situation in Continental ports is entirely different where port infrastructure is seen as a public investment which can legitimately receive state funds as part of the national transport infrastructure. This policy (which leads to distortions between UK and Continental ports) is nevertheless a recognition of the importance of ports in driving economic growth and regenerating local economies. Although we do not wish to adopt the Continental funding and public policy model, at the same time it is vital that the significance of ports to the economy is clearly recognized.

2. There is a growing tendency for the government to require contributions by port developers for connecting infrastructure links. This can of course add considerably to the cost of a development even though the new links will be used by a range of other users and will benefit the regional and the national economy. Projects in greenfield and brownfield sites can be particularly jeopardized by such additional cost burdens and could make the difference between a project moving ahead or being abandoned, especially if funding for the connection is required in advance. The nature of port developments means that it takes time to develop sufficient revenue streams and extra infrastructure costs can become a deciding factor. We believe that it should be the full responsibility of governments to fund connecting infrastructure. At the very least, the burden should be shared between all those who benefit. Certainly, the ability of Scotland to play a significant role in the national and global economy is dependent on proper investment in the infrastructure which can support these aims; we look to the new Transport Agency to secure this.

3. On Freight Facilities Grants, a further issue is the problem for new ventures where income has yet to materialize. It is different for projects which build on an existing business as there is already some means of revenue generation. We believe the grant levels for new ventures are currently inadequate and should be reviewed, particularly as their purpose is to reduce congestion on land modes.
1. The British Ports Association (BPA) represents the overwhelming majority of ports in Scotland. Although ports can be difficult to characterize as their size, markets and management structure vary considerably, it is beyond doubt that the maritime sector makes a hugely significant contribution to the Scottish economy. In broad terms, these markets break down into servicing the offshore and fishing industries, moving general cargo, providing major ferry links to Ireland and providing links for lifeline services to the islands. In 2004 Scotland handled 111m tonnes of freight, approximately 20% of the UK total. The oil and fishing industries in particular are based on the success and efficiency of their maritime connections. Difficulties in characterizing ports and identifying their individual needs have often led to their marginalization in transport policy. Equally, the fact that they are not (like other parts of transport) subject to public funding means that their role, needs and potential can be at best misunderstood and at worst ignored when important planning and strategic decisions are taken.

2. Ports policy in Scotland reflects the policies outlined in “Modern Ports” published in 2000 and which confirm financial and strategic independence. Even so, ports are heavily dependent on their infrastructure links. Ports in the south of Scotland nearer to the main UK markets have the potential to supply into northern England and the Midlands as well as Scotland. Also, because of the availability of natural deep water, Scotland has huge potential to handle container traffic either using the links to the hinterland, as is the case proposed for Hunterston, or turning existing facilities into a hub port, as is the case proposed for the Orkneys. Bearing in mind development pressures in England and elsewhere, the potential for Scotland to fill the gap in container handling without the consequences of large scale dredging and using already congested roads are important factors for the future.
3. Other opportunities include the transshipment of oil from the Arctic and the Baltic for which ports in Scotland are ideally placed. This is essentially a commercial matter for the ports concerned and the oil industry but we would expect the Scottish Executive to consider sympathetically any necessary consents. There is potential to increase short sea shipping and make better use of the ports network. The Freight Facilities Grant scheme has had some successes but the system can be slow and bureaucratic to the extent that commercial opportunities are missed.

4. The quality of road connections to ports is crucially important. 71% of goods are delivered to and carried away from ports by road compared with 64% in other parts of the UK. If the ports industry is to protect and develop its potential, it will need to be fully consulted on the new arrangements for road planning. We note that the new Transport Agency will have responsibility for trunk roads and also rail projects; in parallel, Regional Transport Partnerships will have a major influence on the development of infrastructure links.

5. Similar issues apply in ensuring adequate rail connections. Our experience is that the needs of ports are not sufficiently high on the agenda when rail plans are made. We have an example of a recent closure of a rail link because the land was required for the development of a supermarket. This is an example of a generally short sighted policy and again, we believe, the product of a marginalization of the ports industry referred to in paragraph 1.

6. Both the Agency and the new regional partnerships should develop a better understanding of port needs than has been the case hitherto. In our experience the Scottish Executive has tended to concentrate on passenger transport and, in the case of shipping, on ferry services which are underpinned by public support. Of course these issues are important but we believe they have taken attention away from the commercial port and shipping sector. The fact that the Agency is locating to Glasgow whereas the Ports Division of the Scottish Executive will (so far as we know) remain in Edinburgh raises issues of communication and integration. Ports need a seat at the table when important decisions are being made which can affect the viability of freight transport.

7. On which theme, it is difficult to know precisely where the “table” is located. At a regional level, ports have varying experiences in achieving active participation in transport strategies; there seems to be no set route for a port to be represented. As the new Agency is specifically looking at major road and rail projects, these could have a fundamental influence on port development. We have yet to see what plans the Agency has to take into account port and linking transport infrastructure needs; we would expect it to be a priority when the Agency starts its work.

8. In conclusion:-

- Ports underpin vitally important economic sectors but have tended to be sidelined in transport policy discussions.
- There is potential for greater use of existing port capacity and for new container capacity to serve UK needs.
- Ports must be consulted on their infrastructure links as part of the restructuring under the new Transport Act.
We are happy to supply any further comment and information the Committee may require.
Purpose

1. The Finance Committee has invited evidence from relevant committees in connection with its inquiry into accountability and governance. A copy of this invitation is attached at Annex A and a copy of the associated news release from the Finance Committee is attached at Annex B.

2. This paper provides information on the nature of the Local Government and Transport Committee’s work as it relates to the Scottish Public Services Ombudsman, the Accounts Commission, the Auditor General and the Commissioner for Public Appointments.

3. Members’ views on the Finance Committee’s inquiry are invited. The deadline for responses is 18 April 2006.

Background

4. The Finance Committee has previously raised concerns about the statutory independence of parliamentary commissioners and ombudsmen versus their accountability for expenditure of public funds, including questioning whether there is a need for powers to be written into legislation that will afford the SPCB budgetary control over various commissioners.

5. Therefore, it decided to undertake an inquiry which would look at these issues in more detail and which would also consider other bodies which are set up to have some degree of independence, to establish whether different accountability mechanisms exist and the reason for any differences.

6. The Committee is therefore interested not only in Parliamentary-appointed commissioners but also Audit Scotland and other regulatory bodies which have a degree of independence over which the Executive has budgetary control, namely:

- The Office of the Scottish Charity Regulator
- Her Majesty’s Inspectorate of Education
- The Scottish Commission for the Regulation of Care
- The Standards Commission for Scotland and the Office of the Chief Investigating Officer
• Water Industry Commission for Scotland

Remit

7. The remit of the Finance Committee’s inquiry is:

• to examine the growth in the number of independent, regulatory and investigatory bodies and the associated growth in funds allocated since devolution;
• examine the adequacy of processes for setting and scrutinising the annual budgets of such bodies;
• examine the appropriateness of existing lines of accountability and how this process works in practice; and
• identify whether there are any potential overlaps in remits and responsibilities of independent, regulatory and investigatory bodies and any financial implications of such overlaps.

Scottish Public Services Ombudsman

8. The Scottish Public Services Ombudsman was set up by the Scottish Public Services Ombudsman Act 2002. It replaced three previous Ombudsman Services: the Scottish Parliamentary and Health Service Ombudsman, the Local Government Ombudsman for Scotland and the Housing Association Ombudsman for Scotland.

9. The former Local Government Committee was the lead committee at Stage 1 of the Bill and considered amendments at Stage 2.

10. The Ombudsman is empowered to investigate individual complaints that maladministration or service failures have caused hardship or injustice. Not only local authorities, but almost all bodies providing public services in Scotland are under its jurisdiction, including the Scottish Executive and its agencies, the Scottish Parliamentary Corporate Body and the Enterprise Network.

11. The current Ombudsman is Professor Alice Brown and she is assisted by three part-time Deputies, Eric Drake, Carolyn Hirst and Lewis Shand Smith.

12. The Ombudsman is required to report the outcome of investigations to Parliament and has recently decided to define every complaint it takes on as an investigation. This means that decisions on all complaints will be laid before Parliament. The Ombudsman publishes an Annual Report which is also laid before the Parliament.

13. There is no requirement that the Ombudsman’s reports which are laid before the Parliament should be considered by the Parliament or by a committee of the Parliament. However, it is open to the Parliament or to any committee to consider such a report, including the annual report, if it wishes to do so.
14. At its meeting of 22 November 2005, the Local Government and Transport Committee invited Prof. Alice Brown and one of her Deputies, Carolyn Hirst, to update the Committee on the work of the Ombudsman, particularly in relation to local government, in the light of her annual report for 2005 and to respond to questions. The following were amongst the points made:

- The Ombudsman was moving to a new system of laying a monthly compendium of reports before the Parliament, accompanied by a commentary, drawing out key issues.
- The Ombudsman plans to break down the numbers of complaints received by local authority areas and is considering conducting research into the possible reasons behind the distribution of complaints by geographical area.
- The Ombudsman would like to see the introduction of legislation to allow a respondent to provide an apology without admission of liability as a possible remedy to a complaint.
- The Ombudsman welcomed the Executive’s initiative to consider and map inspection and regulation regimes with a view to streamlining them and reducing duplication. She said that gaps also existed and there was a need to be involved in early discussions on the role of new bodies, for example, the proposed Scottish human rights commissioner and the proposed police complaints commissioner.

**Accounts Commission and Auditor General**

15. The Accounts Commission was set up in 1975 to be independent of local councils and of government and to make recommendations and reports to Scottish Ministers. Its current Chairman is Alastair MacNish and its Deputy Chairman is Isabelle Low. It can have between six and 12 members, appointed by Scottish Executive Ministers.

16. Its role is to examine how Scotland’s 32 councils and 34 joint boards manage their finances, to help these bodies manage their resources efficiently and effectively, to promote best value and to publish information every year about how they perform.

17. The Commission also has powers to take action against councillors and council officials if their negligence or misconduct leads to money being lost or breaks the law.

18. The Auditor General is appointed by the Crown, is also independent, and reports to the Scottish Parliament. The current Auditor General is Robert Black. The Auditor General's role is to examine how public bodies spend public money, to make sure they manage their finances to the highest standards and to make sure they achieve value for money.

19. Public bodies that the Auditor General scrutinises include departments of the Scottish Executive, NHS trusts and health boards, further education colleges, Scottish Water and government agencies and non-departmental
public bodies (NDPBs) such as Scottish Enterprise, the Scottish Prison Service and Historic Scotland.

20. Under the Public Finance and Accountability (Scotland) Act 2000, the Auditor General has the powers to make different types of reports. One of these is a report made under Section 22 of the Act, which allows the Auditor General to draw attention to issues arising from the annual audit of any of the public bodies for which he has responsibility. These reports, together with the accompanying audited accounts, are laid before the Parliament by Scottish Ministers. They are considered by the Audit Committee.

21. Audit Scotland helps the Accounts Commission and the Auditor General by investigating, on their behalf, various aspects of how public bodies work.

22. The Local Government and Transport Committee took oral evidence from the Accounts Commission supported by Audit Scotland at its meeting of 7 June 2005. The Accounts Commission provided the Committee with the key findings from the report "Overview of the local authority audits 2004", and then gave members a brief update on the best-value audits to date.

23. The Committee, at its meeting of 11 January 2005, took oral evidence from Audit Scotland on its report "Maintaining Scotland's roads", as part of the Committee’s inquiry into this issue.

24. The Committee, at its meeting of 22 June 2004, received a briefing from the Accounts Commission, supported by Audit Scotland on best value in local government and on the 2002-03 local authority audits.

Commissioner for Public Appointments

25. In 1995 the UK Committee on Standards in Public Life (then known as the Nolan Committee) made a series of recommendations intended to increase public confidence in the way in which appointments to public bodies are made. These recommendations led to the appointment of an independent UK Commissioner for Public Appointments responsible for establishing a Code of Practice for Ministerial appointments to public bodies and monitoring appointments to ensure that they are made on merit after fair and open competition.

26. Under the Public Appointments and Public Bodies etc. (Scotland) Act, a separate Commissioner for Public Appointments in Scotland was established. Karen Carlton was appointed to this post on 1 June 2004.

27. The Scottish Commissioner monitors appointments through Independent scrutiny during the selection process and by annual audit. Each year independent auditors visit a number of government departments and audit a sample of appointments. The audit round is arranged so that every department is visited at least once every three years. The Commissioner can also investigate complaints.
28. The former Local Government Committee was the lead committee at Stage 1 of the Bill and considered amendments at Stage 2.

29. Matters relating to public appointments in Scotland fall within the remit of the Standards and Public Appointments Committee.

Finance Committee questions

30. The Finance Committee has invited committees to consider the following questions:

- Do you think there is any confusion or overlaps between the remits and responsibilities of the various commissioners and ombudsman (if appropriate, please give an example)
- The total budget for all parliamentary commissioners and ombudsman is around £6m. Do you believe this is too much, too little or just about right?
- How can we combine accountability of commissioners and ombudsman to Parliament with operational independence?
- Should Parliament or its Committees be able to influence the policy or work programme of commissioners or ombudsman or should this be a matter for the commissioners and ombudsman themselves?
- Should there be an identical model of accountability for all commissioners and ombudsmen? If so, would you favour common budgetary controls as a key feature of such a model?
- What are your views on the adequacy of existing budgetary controls on ombudsmen and commissioners? Is there any alternative to the model of having Commissioners and Ombudsman under the control of the SPCB?
- Is it possible to implement section B2 of the Paris Principles and retain suitable budgetary controls?
- The Executive has proposed setting up a Scottish Civil Enforcement Commission as an NDPB in the Bankruptcy and Diligence etc (Scotland) Bill to ensure its independence. Do you have any views about the establishment of Commissions by the Executive and are there alternative models that should be considered and how should budgetary control be exercised?

Recommendation

31. The Committee is invited to respond to the Finance Committee's call for evidence by

- submitting the above report as a description of the relationship which the Local Government and Transport Committee has with the Commissioners who fall within the scope of the Committee’s remit; and
- commenting on the Finance Committee’s questions set out in paragraph 30 above if it wishes to do so.

Martin Verity  
Clerk to the Committee
Dear Bristow

Finance Committee: Inquiry into Accountability and Governance

I am writing to you in your capacity as a Committee Convener to inform you of the Finance Committee’s call for evidence on its inquiry into accountability and governance. The Committee would like to invite your Committee to submit evidence to this inquiry.

The Committee has previously raised concerns relating to the statutory independence of parliamentary commissioners and ombudsmen versus their accountability for expenditure of public funds including questioning whether there is a need for powers to be written into legislation that will afford the SPCB budgetary control over various commissioners.

Therefore, it wanted to undertake an inquiry which would look at these issues in more detail and would also consider other bodies which are set up to have some degree of independence to establish whether different accountability mechanisms exist and the reason for any differences.

The Committee is therefore interested not only in parliamentary-appointed commissioners but also Audit Scotland and other regulatory bodies which have a degree of independence over which the Executive has budgetary control, namely:

- The Office of the Scottish Charity Regulator
- Her Majesty’s Inspectorate of Education
- The Scottish Commission for the Regulation of Care
- The Standards Commission for Scotland and the Office of the Chief Investigating Officer
- Water Industry Commission for Scotland

Remit
The Committee agreed the following broad remit for this inquiry:

- to examine the growth in the number of independent, regulatory and investigatory bodies and the associated growth in funds allocated since devolution;
- examine the adequacy of processes for setting and scrutinising the annual budgets of such bodies;
- examine the appropriateness of existing lines of accountability and how this process works in practice; and
- identify whether there are any potential overlaps in remits and responsibilities of independent, regulatory and investigatory bodies and any financial implications of such overlaps.
Written evidence
The Committee is specifically interested to hear from Committees who have had a role in establishing any of the commissioners or the SPSO, considered an annual report or oral or written evidence from any of these bodies, or has regular contact / working relations with commissioners, the SSO or Audit Scotland.

The Committee would be grateful if you could set out the nature of your work relating to any of the commissioners, the SPSO or Audit Scotland in your submission and address the following questions:

- Do you think there is any confusion or overlaps between the remits and responsibilities of the various commissioners and ombudsman (if appropriate, please give an example)
- The total budget for all parliamentary commissioners and ombudsman is around £6m. Do you believe this is too much, too little or just about right?
- How can we combine accountability of commissioners and ombudsman to Parliament with operational independence?
- Should Parliament or its Committees be able to influence the policy or work programme of commissioners or ombudsman or should this be a matter for the commissioners and ombudsman themselves?
- Should there be an identical model of accountability for all commissioners and ombudsman? If so, would you favour common budgetary controls as a key feature of such a model?
- What are your views on the adequacy of existing budgetary controls on ombudsmen and commissioners? Is there any alternative to the model of having Commissioners and Ombudsman under the control of the SPCB?
- Is it possible to implement section B2 of the Paris Principles¹ and retain suitable budgetary controls?
- The Executive has proposed setting up a Scottish Civil Enforcement Commission as an NDPB in the Bankruptcy and Diligence etc (Scotland) Bill to ensure its independence. Do you have any views about the establishment of Commissions by the Executive and are there alternative models that should be considered and how should budgetary control be exercised?

Should your Committee wish to make a submission to the inquiry, please send it in electronic format to the inquiry email address below:

accountability@scottish.parliament.uk

¹ Section B2 “The national institution shall have an infrastructure which is suited to the smooth conduct of its activities, in particular adequate funding. The purpose of this funding should be to enable it to have its own staff and premises, in order to be independent of the government it need not be subject to financial control which might affect this independence.”
The deadline for submissions is **18 April 2006**. For more information about the inquiry or to discuss your submission, please don’t hesitate to contact Rosalind Wheeler, Senior Assistant Clerk to the Committee, on 0131 348 5205 or at rosalind.wheeler@scottish.parliament.uk.

Written evidence submitted to the inquiry will be available to view online after the closing date for receipt of evidence.

**Seminar**

The Committee intends to hold an informal seminar on the afternoon of **Monday 24 April at 2pm** to inform the inquiry’s oral evidence sessions. The Committee would like to invite you, or a representative of your Committee, to attend this seminar. The purpose of this seminar will be to allow an informal discussion between members on how existing lines of accountability are operating in practice.

The Committee will also be inviting representatives of the Study Group on Public Officials of Parliament to attend to present information on its international studies on lines of accountability. In addition, the Committee will be inviting representatives of the House of Commons Public Administration Select Committee which has recently launched a similar inquiry covering UK ‘constitutional watchdogs’ to discuss the UK wide perspective.

The clerks to the Committee will be in touch in due course with details of the programme and practical arrangements for the seminar. In the meantime, I should be grateful if you, or the nominated member of your Committee, could confirm your availability to the clerks to the Committee by **Friday 31 March 2006**.

**Oral Evidence**

For information, the Committee intends to take oral evidence from the Executive, SCPA, SPCB and a selection of independent, regulatory and investigatory bodies towards the end of May or in early June.

**Further Information**

Additional information on this inquiry can be found at the Committee’s website at:

http://www.scottish.parliament.uk//business/committees/finance

I also attach a copy of the Committee’s press release on the inquiry for your information.

Yours sincerely

Des McNulty
Convener
Finance Committee
Costs and accountability of commissioners to be investigated

CFIN001/2005 | 1 March 2006

The accountability and associated costs of Scotland’s ombudsman and commissioners are to be the subject of an inquiry launched today by the Parliament's Finance Committee.

The committee has found that funding for the five Parliamentary commissioners and ombudsmen established in Scotland since devolution is likely to be £6m for 2006/07.

Convener Des McNulty MSP said:

"Our committee is concerned that despite the potential remit overlaps and cost of these bodies, there are plans to establish more new commissions.

"We want to find out if the necessary controls are in place to ensure that such bodies are accountable for the money they spend.

"We have agreed that the time is right to look at the remits, budgets, and accountability of these and other similar bodies and to consider how financial control can be squared with independence."

During its inquiry the committee intends to take oral evidence from independent, regulatory and investigatory bodies including commissioners, ombudsmen and Audit Scotland. It will also question the Parliament's Corporate Body and the Executive on how lines of accountability work in practice and the basis for variations in the terms of accountability for different bodies.

The Accountability and Governance Inquiry Call for Written Evidence invites submissions from all those who wish to comment specifically on the financial accountability of these bodies by 18 April.

Oral evidence sessions are expected to be held in May and June.

Background

It is within the Finance Committee's remit to investigate any matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

In recent reports on the 2006-07 Budget and the Scottish Commissioner for Human Rights (Scotland) Bill, the committee noted very serious concerns over
potential gaps in accountability in respect of all parliamentary commissioners and ombudsman.

The committee has previously recommended that there be a review of the powers of direction in relation to these officeholders in the legislation that set them up. It stated that on the assumption that there is a gap in the legislation with regard to budgetary control over such bodies, then the necessary steps be taken to strengthen the budgetary powers of the SPCB in relation to them.

A SPICe briefing detailing the roles of existing bodies and their spending, and plans for additional commissioners is available on the inquiry webpage.

Further details of the committee are available on the website at:

www.scottish.parliament.uk/business/committees/finance

For further information, the media contact is:

Richard Holligan: 0131 348 5605
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Finance Committee contact:

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For public information enquiries, contact: 0131 348 5000

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