



Scottish Council for
Development and Industry

POLICY SUBMISSION

SCDI PRIORITIES FOR SCOTLAND'S INFRASTRUCTURE INVESTMENT PLAN

November 2011

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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Infrastructure Investment Plan Priorities

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. Our members include businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.

Economic Outlook

2. The immediate outlook for the Scottish economy is highly uncertain. Economic output has not yet returned to pre-recession levels and, while the Scottish economy has demonstrated resilience, economic growth is weak. However, a number of sectors of the Scottish economy - including engineering, oil and gas, food and drink, and renewables - have been performing strongly, with excellent medium to long-term growth opportunities.
3. Over the 10-year period of the Infrastructure Investment Plan, there will be significant real terms reductions in public spending in Scotland brought about by the UK Government's deficit reduction strategy. It is anticipated that this will reduce demand within the Scottish economy, given that the public sector is a major employer and purchaser of private sector goods and services. Private sector growth will therefore be essential to overall recovery and growth in the Scottish economy and in the labour market. Energy (oil and gas, and low carbon) and internationalisation (higher exports and tourism) are likely to be the greatest sources of replacement demand as public sector funding is reduced. The key long-term challenge for Scotland is to rebalance its economy from consumption towards investment and higher net exports.

Budget Outlook

4. The challenges faced by the UK and Scotland should mean that capital investment - in transport, ICT, electricity networks, housing and commercial development - is a priority for government and is not especially targeted as in previous recessions. Investment in improved accessibility and connectivity is required across the country, including rural areas, to enable all parts of Scotland to contribute to and benefit from sustainable economic growth. Failure to invest would leave a legacy of aging, increasingly expensive and high carbon assets, damaging the long-term economic and budget outlook.
5. SCDI recognises that decisions by the UK Government have significantly cut Scotland's capital budget over the period of the Scottish Spending Review. At the same time, the Scottish Government is committed to very large capital projects, especially the new Forth Crossing and Southern General Hospital. SCDI strongly supports the decision in the Scottish Spending Review to shift £200m per annum in revenue spend to capital. This should be kept under review and it should be raised if required to deliver the capital programme.

6. SCDI believes the Infrastructure Investment Plan should make clear the sources of funding for the projects identified.
7. The fact that a large proportion of the budget shifted from resource to capital will be in the enterprise budget will reduce the economic benefit of this decision. This will represent more than 29% of the enterprise agencies' budgets over the Spending Review period. There are major infrastructure requirements and opportunities, for instance in the low carbon energy and digital sectors, but SCDI is concerned that this transfer will significantly reduce the funding available to support growth businesses, exporting and diversification for key businesses struggling in the current economic climate.

Investment Priorities

8. SCDI believes that decisions taken in refreshing the 10-year Infrastructure Investment Plan should be shaped by the Scottish Government and SCDI's shared objective of increasing sustainable economic growth in Scotland. Investment in Scotland's infrastructure provides a short-term boost to the economy, maintains and increases business confidence in Scotland as a location for investment, and, crucially, delivers long-term economic benefit as a result of greater connectivity and productivity. The Office of Budgetary Responsibility has said that boosting capital spending is one of the most effective ways of boosting GDP with a multiplier of one-for-one ie an increase in government investment of 1% of GDP is estimated to boost GDP by 1%.
9. While SCDI is broadly supportive of the investment projects, we have recommended a review of the capital investment programme to establish whether there should be any re-prioritising in the current economic climate. SCDI believes that all spending programmes, including capital investment, should be re-evaluated at this time with decisions based on an analysis of the boost which each would give to economic recovery and, above all, of their long-term contribution to Scotland's sustainable economic growth and wellbeing, as defined in the National Performance Framework. The Scottish Futures Trust should have a vital role to play in business case processes.
10. Investment which supports energy development and internationalisation should be prioritised. The Scottish tourism sector also has a key role to play in both creating and sustaining jobs and in attracting major international inward investment, such as the Trump International Golf Links. The impact of infrastructure, connectivity and broadband decisions must be considered in relation to increasing earnings from tourism, including conventions, business tourism and major events.

Delivery

11. SCDI has called for the Scotland Bill to be amended to increase the Scottish Government's ability to borrow for capital investment. It also considers that there is scope for the Scottish Government to develop alternative funding

models. The Infrastructure Investment Plan should provide clarity about how Non Profit Distributing Model will work for transport. SCDI believes that, as infrastructure investment will benefit future generations, it is right that they should also bear some of the costs. There is scope for a greater role for user charging - as is common in other countries – for example road user charging to fund roads maintenance and upgrades, and public transport alternatives.

12. The Scottish Government should work closely with the private sector to align and unlock additional investment, and to maximise the economic impact. The Infrastructure Investment Plan should be clearly joined-up with other key documents, most obviously the second National Planning Framework, National Transport Strategy and Strategic Transport Projects Review.
13. With public sector budgets under pressure, infrastructure delivery needs to become consistently world-class. SCDI believes that Scotland should develop benchmarking between our infrastructure delivery and the best internationally.
14. Scottish and UK infrastructure investment plans need to be joined-up for national or cross-border energy, digital and transport connectivity priorities.

Transport

15. Investment in Scotland's transport connections is vital to support the growth and internationalisation of the economy. SCDI's *Blueprint* for the Scottish economy, published in June 2010, identified the following road/ rail priorities:

Roads

16. Road infrastructure is fundamental to the movement of people and goods in Scotland. SCDI called for the Scottish Government to hold firm to its commitments on investment in the existing motorway and road network and on major transport projects which will improve Scotland's connectivity:
 - Delivery of the M74 completion
 - Commencement of the Aberdeen Western Peripheral Route
 - Detailed plans for the Forth Crossing dualling of the A9
 - Improve capacity and journey time reliability on the M8, A96 and A82
 - Funding for road maintenance to address the deterioration in the network

Rail

17. Business case models for rail projects are often low compared to road projects, but utilisation of new and improved rail services in recent years has been much higher than predicted, suggesting an underestimation of demand. SCDI welcomed proposals previously identified for rail infrastructure projects:
 - The Edinburgh Glasgow Improvement Programme

- The Highland Main Line
 - Aberdeen-Inverness
18. SCDI strongly supported electrification plans for the rail network. However, it suggested that with Scotland projected to generate ten times the renewable electricity it consumes, and challenging climate change targets for 2050, there should be a more ambitious programme of electrification and investment in improving line speeds on the Scottish rail network. It said that the next phases should be between Central Scotland and Dundee, including the Fife Circle, and around Aberdeen and Inverness, from where it should be extended.
19. SCDI supported new freight services over key routes such as Glasgow-Inverness, Caithness/Elgin/Aberdeen-South, and Fort William-Mossend.
20. SCDI called on the UK Government to commit to extending the High Speed 2 network to Scotland's Central Belt. The rest of the UK is Scotland's most important trading partner and Greengauge21 has calculated that a high speed rail network reaching Scotland would deliver economic benefits, including wider impacts, of £19.8bn, the highest figure for any region outside London.

Priorities for Infrastructure Investment Plan

21. SCDI continues to support strongly the projects identified above. Since the publication of SCDI's *Blueprint*, it has continued to discuss transport infrastructure priorities in light of the economic and budgetary context. This has informed the following comments for the Infrastructure Investment Plan.
22. Better connecting city centres to their airports has been a long-standing priority for SCDI and with internationalisation an economic imperative is now especially important. It welcomes the resolution of disputes over the tram link to Edinburgh Airport but wish to see further investment to better connect Glasgow, Aberdeen and Inverness airports to their respective city centres.
23. The Scottish government should support the development of good airport infrastructure and the creation of new direct links to other economic centres and hub airports, enhancing the competitiveness and internationalisation of Scotland's economy. Lifeline air services and infrastructures is critical to the economic and social sustainability and success of remote communities in the Highlands and Islands, including nationally significant industries, and the Infrastructure Investment Plan should continue to support investment in them.
24. Following the last two winters, road maintenance is an even higher priority.
25. SCDI broadly welcomes Network Rail's refreshed Route Utilisation Strategy and Initial Industry Plan for Scotland, including the proposals for further electrification over the next decade, for example of the line via Shotts. SCDI noted and is interested in the suggestion that the industry discusses whether

lightly used freight lines could be converted and re-used by passenger trains, providing improved or new access to the network for Scottish communities.

26. SCDI recommends that the proposals in the Strategic Transport Projects Review for better rail connectivity across Glasgow are a high priority.
27. SCDI has supported the Borders Railway project. The Newcraighall-Gorebridge section has a very strong business case and should proceed. SCDI believes that, in reviewing the project, Network Rail should consider electrification along with the rest of the Central Scotland network. The Gorebridge-Tweedbank section has a less strong business case. The review of the capital investment programme proposed by SCDI should consider whether to re-prioritise this part of the project at this present challenging time.
28. SCDI is a member of the Scottish partnership preparing the business case for the UK high speed rail network to include Edinburgh and Glasgow. While this has still to be presented to the UK Government and construction appears, at this stage, unlikely to commence within the 10-year period of the Infrastructure Investment Plan, SCDI is strongly supportive of the position of the partnership that opportunities for earlier delivery in Scotland should be explored. The Infrastructure Investment Plan should be sufficiently flexible that, if this becomes a possibility, it can rapidly be made a priority for funding.

Highlands and Islands

29. Transport connectivity is particularly important to the recovery and growth of the Highlands and Islands. Businesses need to have confidence that the region is able to provide the infrastructure they need in the 21st Century. In recent years, investment levels have been far lower than in Central Scotland.
30. Last year, SCDI members in the region identified their top priorities. These projects may not all necessarily be fully completed in the next Scottish Parliament. Progress must be made on the detailed design and work should at least begin. Both road and rail were considered where both modes exist on the same transport corridor. Priority improvements should be seen in the context of longer-term programmes. (Early stage priorities are identified in bold. Below them are indicated the longer-term priorities for these routes.)
 - I. International Hub Air Services for the Highlands and Islands (delivered)
 - II. (a) Intercity Rail Improvements – Inverness to Central Belt
 - **Hourly frequency; one daily express service in each direction (Inverness-Perth-Stirling-Edinburgh/Glasgow); improved use for freight**
 - **Track infrastructure improvements; new rolling stock; 2h30-2h45 journey time between Inverness-Edinburgh/Glasgow and increased capacity for freight**
 - Electrification; access to Central Scotland-London high speed rail
 - III. (b) Intercity Rail improvements – Inverness-Aberdeen

- **Hourly frequency**
 - Track infrastructure improvements; 20 minute journey time reduction between Inverness–Aberdeen
 - Two trains per hour between Nairn–Inverness; new station at Dalcross
- IV. Road upgrades to West Highlands and Islands – A82 Route Action Plan
- **Crianlarich Bypass and Pulpit Rock improvements**
 - **Infrastructure improvements between Tarbet–Inverarnan**
 - Corran Ferry–Fort William carriageway improvements
 - Climbing lanes at Loch Tulla
- V. Highland Campus – A9-A96 Link Road
- **A9-A96 Link Road and new Inshes Junction to A9**
 - A82-A9 Link Road

31. These are our top priorities. Beyond these:

- Our priorities for the A9 would be (sequentially):
 - 1) Perth–Dunkeld Dualling
 - 2) Tore–Tain Crawler Lanes, Berriedale Braes Improvements
 - 3) Aviemore–Kinguissie Dualling
- Our priorities for the A96 would be (sequentially):
 - 1) Park and Ride
 - 2) Nairn Bypass
 - 3) Inverness Retail Park–Inverness Airport Dualling
 - 4) Inverness Airport–Nairn Dualling
 - 5) Elgin Bypass
- Our priority for the West Highland Line would be an increase from 3 to 5 return services per day.

North East Scotland

32. SCDI welcomes references in the Scottish Spending Review to:

- The Aberdeen Western Peripheral Route
- Balmedie/Tipperty dualling
- Inveramsay Bridge

33. We would expect to see these coming through to the Infrastructure Plan. The additional detail we would hope to see in the plan would include:

- The Haudagain roundabout
- Aberdeen–Inverness Railway
- A96 & A90(S) Park and Rides

34. SCDI is strongly supportive of the priority given to significant journey time reductions on Aberdeen–Edinburgh/Glasgow rail services in the Strategic

Transport Projects Review, and very disappointed that these were not supported in the Route Utilisation Strategy. SCDI considers that, given the economic importance of the energy industry and Scotland's cities, these are a strategic priority for the Scottish economy. SCDI firmly believes that, while it may not be delivered fully within the 10 year period, the Infrastructure Investment Plan should make a commitment to identify the best way of achieving the priority identified in the Strategic Transport Projects Review.

Ferries and Ports

35. Ferry services are vital economic enablers and lifelines for Scotland's peninsular and island communities. The Scottish Ferries Review has identified decades of under-investment in vessel and port infrastructures which needs to be addressed. SCDI believes that replacement of fleet and port infrastructure is essential cyclical expenditure, not an optional priority. Following completion of the Review, there must be a sustained programme of significant investment, including in a generation of small 'eco-ferries' in which Scotland has the opportunity for a technological and manufacturing lead.
36. Ports are essential enablers if Scotland is to achieve its ambitious exports target. However, capacity at Scottish ports is inadequate to handle the largest container vessels. SCDI welcomed the priority afforded to port developments in the second National Planning Framework, which was subsequently reflected in the Strategic Transport Projects Review, as a good example of alignment between public and private sector investment. The Scottish Government has, generally, taken a more enlightened view than the UK of how it can support port expansion, for example, in relation to funding transport infrastructure improvements to better connect our ports. The Scottish Government needs to continue to act as a catalyst and facilitator going forward, not only regarding offshore renewables, but facilitating other market opportunities and incentivising short-sea shipping and modal shift.
37. However, many of the projects recommended by the Strategic Transport Projects Review with reference to ports appear to be distant prospects. While the plans for electrification of the railway to Grangemouth, Scotland's largest container port and main freight distribution centre, are going ahead as part of the Edinburgh-Glasgow Improvement Programme, better connections between it, the M9, the M8 and the south, are not identified as short-term priorities. Nor is the Halbeath to Inverkeithing rail link to provide better access to Rosyth where it is planned to create a new logistics and distribution hub in the East of Scotland, or upgrades to the A75 to improve access to Loch Ryan, Scotland's main roll-on/roll-off ferry gateway from Ireland. At a regional and local level, there is precious little funding available for the vital last five miles to ports.
38. The Infrastructure Investment Plan should provide an update of the Scottish Government's view of the need for and projected delivery of these projects.

Freight

39. SCDI is very disappointed by the decision to end the Freight Facilities Grants. The Scottish Government's Report on policies and proposals recognises the role of investment in modal shift from road to rail. Given the time they take to deliver, the Scottish Government's decision earlier this year to extend the grants for only a year was insufficient to develop projects. Rail freight has been increasing and opportunities have been identified in sectors such as whisky, but government pump-priming is generally needed for new projects.
40. SCDI hopes that the Future Transport Fund, planned to be introduced in 2012-13, will include funding which replaces the Freight Facilities Grants. It welcomes Network Rail's bid in the Initial Industry Plan for a £50m fund for freight projects and hopes that it will be successful with the Scottish Government.
41. The projected rapid growth of the Scotch whisky sector, driven by exports, suggests one area in which the Strategic Transport Projects Review may have to be reconsidered in view of economic imperatives. This proposed no real improvements for the A95, a key route for whisky logistics to and from Speyside. SCDI believes that the Infrastructure Investment Plan should indicate that the Scottish Government will reconsider investment in the A95 and multi-modal facilities to support growth in the whisky industry and ensure that more HGV movements do not create serious congestion on this route.
42. Network Rail's plans for East Coast Mainline gauge clearance are welcomed.

Low Carbon Economy

43. The low carbon economy could be one of the greatest sources of replacement demand. Government can pump-prime this sector, but the vast majority of the investment will be private. Planning policy for development, demonstration and deployment projects and associated infrastructure is key.
44. SCDI welcomes the significantly increased low carbon energy budgets for Scottish Enterprise and Highlands and Islands Enterprise. The National Renewables Infrastructure Plan is targeting port and harbour infrastructure at sites which could supply and service offshore wind development and it compares well in size with the rest of the UK. The Infrastructure Investment Plan should commit to a similar exercise for wave and tidal developments.
45. Upgrading existing grid infrastructure and building new power lines will be necessary to keep pace with onshore and offshore renewables developments and to improve Scotland's interconnectivity with the rest of the UK. The Beaulieu to Denny power line is a crucial infrastructure priority of vital national importance. As well as supporting Scotland's energy industry, public and private sector investment in grid infrastructure will also create up to 1,500 highly skilled engineering jobs over the construction period. Grid connections

to Scotland's islands are essential to enable the transmission of power from their planned high-capacity renewable energy developments and the socio-economic opportunities which they would support. Further cross-border reinforcements and subsea 'bootlace' cables will be required to transmit electricity from low carbon energy developments in and around Scotland to the large centres of demand in England. The Scottish and UK infrastructure investment plans must be joined-up in respect of these plans for the grid.

46. The Infrastructure Investment Plan should include plans for district heating, smart grids and charging points for electric vehicles, especially in cities.

Public Buildings and Housing

47. The Scottish Government's climate change and energy efficiency targets for 2020 will require significant investment in public buildings and housing. SCDI welcomes the Scottish Government's commitment to deliver 30,000 new affordable homes over the Parliament and the benefits of this construction for local economies. With energy costs projected to continue to rise steeply over the next 10 years, investment in energy efficiency and insulation measures for the existing housing stock will be crucial in alleviating fuel poverty in Scotland.

Broadband

48. High speed internet is becoming an essential business enabler, crucial to the future of the Scottish economy, city-regions and the sustainability of rural communities. Cornwall is a rural region where investment has created and safeguarded jobs and attracted new businesses. Between 80-90% of businesses and homes will have access to superfast broadband by 2014. Scotland should seek to lead and not play catch-up with the rest of the UK.
49. SCDI supports the Scottish Government's priority of delivering the ambition of next generation broadband to all by 2020, with significant progress by 2015. Private sector investment will deliver this to the majority of the population, but partnerships with the public sector will be needed, mainly in rural and remote areas. It has been estimated that there is no commercial case beyond 66% rollout of high speed broadband in the UK, and possibly less in Scotland.
50. Highlands and Islands Enterprise is tending for a major next generation access programme. Funding of £68.8m has been secured by the Scottish Government from the UK Government and the Scottish Government plans to introduce a Next Generation Digital Fund. However, SCDI is concerned that this level of public funding may be insufficient to achieve the Scottish Government's ambition. A commitment to funding for the full roll-out of high speed broadband should be included in the Infrastructure Investment Plan.
51. SCDI understands that, with the right strategy, investment and funding levels and state aid approvals, it should be possible to achieve virtually 100% coverage of businesses and homes in Scotland. This will almost certainly

need to be a “mixed economy” approach, with fibre being deployed as close to the premises as possible for the vast majority. SCDI believes that delivery should be consistent, universal and take advantage of economies of scale.

Cities

52. SCDI has been working with Scotland’s six cities and the Scottish Government to develop the cities agenda. We welcome recognition in the Spending Review that the cities are central to Scotland’s economic recovery and key drivers for growth, and the Scottish Government’s commitment to work with them to identify innovative sources of finance. SCDI supports the piloting of Tax Increment Financing projects, including the provisionally approved business case for Edinburgh Waterfront Development, and the proposals for Buchanan Galleries in Glasgow and Aberdeen City Centre.
53. SCDI want to see the Scottish Government working in collaboration and partnership with Scotland's six cities to bid for European funding for sustainable infrastructure through JESSICA and other relevant funding streams.
54. SCDI recognises the short and long-term economic benefits of investment in education and healthcare facilities. The Inverness Campus project is particularly significant in developing the knowledge economy in the Inverness city-region and for the future of the wider Highlands and Islands region, offering new opportunities for young people and promoting a growing population.

Scottish Water

55. SCDI is concerned by the Scottish Government’s decision to only partially restore Scottish Water’s previously agreed capital funding, which will remain 20% short of the earlier Scottish Government commitment. Investment in water infrastructure is a key enabler for sustainable economic growth and environmental improvements, and supports the civil engineering sector. The Scottish Government has also announced proposals for Scottish Water to diversify into renewable energy and for Scotland to become a “hydro nation”.
56. SCDI recognises that a slower rate of economic growth may mean that lower investment is needed in new infrastructure and that Scottish Water has demonstrated that it can achieve significant efficiencies. However, the Scottish Government has acknowledged that its decision presents risks and may need to be reviewed. SCDI is concerned that this reduction in capital funding may affect the capacity of Scottish Water and its supply chain to deliver infrastructure needed to enable sustainable development in communities when the economy recovers. SCDI believes that the necessary investment must be available to Scottish Water. This must be kept under review and if capital funding needs to be increased and the Scottish Government is unable to provide it, alternative sources must be considered.

Flooding

57. SCDI believes that the Infrastructure Investment Plan should provide greater clarity about the Scottish Government's priorities for flood alleviation projects.

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