

# Scottish Government's Draft Budget 2011-12: Transport, Infrastructure and Climate Change Committee

**December 2010**

## Introduction

The Federation of Small Businesses (FSB) is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB primarily campaigns for an economic and social environment which allows small businesses to grow and prosper. The majority of our members in Scotland operate primarily within their local area. According to a recent survey of members in Scotland however, around 17% of respondents export outside the UK<sup>1</sup>.

We welcome the opportunity to submit our response on the draft budget to the TICC Committee.

## Maximising income within existing powers

The FSB advocates 'keeping trade local' for the benefit of small local firms and the enrichment of the communities in which they operate. This principle also has the advantage of encouraging lower carbon emissions: by providing goods and services closer to the point of need, individual customers and local products can make shorter journeys.

For this reason, the FSB welcomes the proposal by the Scottish Government to introduce a new rates supplement on larger out-of-town retailers. This move will go

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<sup>1</sup> FSB Voice of Small Business Survey November 2010

some way towards levelling the playing field between independent retailers in town and village centres and supermarkets/out-of-town retail parks.

The FSB awaits with interest further information on how this proposal would be implemented.

## **Procurement**

Meanwhile, the FSB notes the significant savings reported in the draft budget which have been delivered through the Scottish Government's Public Procurement Reform Programme. While this is desired, and indeed necessary in times when public expenditure must be reduced to meet constraints, the FSB would recommend caution in seeking ever-increasing savings through this route. Over-centralised and onerous procurement processes continue to favour larger companies (by which the FSB means companies of over 50 employees). A possible result of this will be a public sector that relies too heavily on too few suppliers. This is likely to drive costs higher in the long term and increase carbon emissions as products and services are sourced increasingly further from the point of need.

## **Low carbon economy**

The FSB welcomes the priority the draft budget gives to supporting the development of a low carbon economy and encouraging energy efficiency. Our members widely agree that energy efficiency makes good business sense. Eighty four per cent of our members surveyed in September 2010 were aware of the Scottish Government's targets to reduce carbon emissions. In the same month, 34% of respondents reported that they had referred to their green practices in marketing and promotional activity, while only around 23% had not taken any steps to make their business practice more environmentally friendly<sup>2</sup>. It is therefore appropriate that in recent years, the FSB in Scotland has supported specific measures that promote sustainable economic growth while reducing carbon emissions. These include the introduction of the recently extended Scottish boiler scrapping scheme and the £10 million allocated last year for subsidised and free home insulation. Broadly, the FSB welcomes that funding for the Home Insulation Scheme is to be maintained and looks to clarify if additional funding is available for an extension to the successful boiler scheme to small business.

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<sup>2</sup> FSB-ICM Voice of Small Business Survey September 2010

## Transport and infrastructure

### Ferries

The FSB was pleased to support the introduction of the Road Equivalent Tariff (RET) pilot scheme and acknowledges that funding for the pilot is outlined within the draft budget. An early evaluation report suggested the scheme had contributed to a 19% increase in visitor numbers to the Western Isles and a 22% increase in turnover for local businesses. As outlined in our recent submission to the Ferries Review<sup>3</sup>, the FSB seeks an extension of the scheme beyond the routes currently participating, to routes where the economic benefits are likely to be replicated.

The FSB has concerns that the Vessels and Piers budget, which provides for loans to Caledonian Maritime Assets for the procurement of vessels, has been reduced from £14.8m in 2010/2011 to £8.1m in 2011/2012 and would like to understand what this will mean in practice for the routes Caledonian MacBrayne operates, particularly given the need for more sailings to cover existing demand on the Western Isles routes.

Investment in newer and more efficient vessels is not simply an issue in terms of sailing comfort and frequency for local residents and businesses. It also affects the environmental impact of the ferry fleet. The FSB would wish to see improved investment in the fleet now to reduce this impact in the long term.

### Road network

The FSB supports the development of a new Forth crossing and understands its pivotal importance for communities and businesses across the country. However, Scotland's small business community is also reliant on good, local transport infrastructure, with members in Scotland saying that more than half of their turnover comes from their local area.

### Trams

The FSB notes that the draft budget contains the Scottish Government's commitment to a £500 million contribution to the Edinburgh tram project. The FSB's overriding priority for its membership in Edinburgh remains that this project gets finished as soon as possible and we await the publication of Audit Scotland's report thereon in 2011.

## Conclusion

A focus on Scotland's broad business base is vital to achieving the Scottish Government's main aim of sustainable economic growth. While this draft budget appears to recognise this in several places, the main focus remains on the significant challenges faced by the public sector and on how frontline services will be delivered

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<sup>3</sup> [http://www.fsb.org.uk/policy/rpu/scotland/assets/cr\\_pti\\_scottishferriesreview\\_sept2010.pdf](http://www.fsb.org.uk/policy/rpu/scotland/assets/cr_pti_scottishferriesreview_sept2010.pdf)

within a more constrained spending environment. This is entirely understandable and the FSB supports the premise that the bulk of public spending available must be allocated to these services. It is also encouraging that moves to promote a broader, more local trade-base such as the rates supplement for out of town large retailers are proposed. However, as highlighted above, if Scotland's small businesses are to be relied upon to lead economic recovery, generate revenues and create new jobs, they will need the right infrastructure to operate. In addition, local suppliers with a lower environmental impact have the potential to deliver environmental benefits for Scotland. This means:

- investing in local road and transport networks to improve efficiency and connectivity;
- and including environmental considerations in procurement decisions.

The FSB appreciates the opportunity to submit this written evidence to the Committee and to continue to take part in this debate.

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