

GOUROCK-DUNOON FERRY SERVICES STEERING GROUP – NOTES

5 MAY 2015

Present

Derek MacKay, Minister For Transport & islands
[REDACTED], Argyll & Bute Council
[REDACTED] Argyll & Bute Council
[REDACTED] Gourock Ferry Action Group
[REDACTED] Dunoon Gourock Ferry Action Group
[REDACTED] Inverclyde Council
[REDACTED] Dunoon Gourock Ferry Action Group
[REDACTED] Inverclyde Council
[REDACTED] Argyll & Bute Council
[REDACTED] Argyll & Bute Council
[REDACTED] Transport Scotland
[REDACTED] Transport Scotland

Apologies

1. Welcome

1. All members were welcomed by DM who chaired the tenth meeting of the Gourock - Dunoon Ferry Services Steering Group. Round table introductions took place.

2. DM explained his new ministerial roles and responsibilities and that a Topical Parliamentary Question had been lodged in the Scottish Parliament today which meant that he may have to curtail his attendance to return to Edinburgh and answer in Parliament. *[Post meeting note – The Minister for Transport & Islands did have to leave early and was not present for the full meeting.]*

2. Minutes and matters arising

Paper – GD SG 2014/2/MINS

3. Revised minutes of the ninth meeting, held on 27 October, had been circulated and were reviewed and approved by all members.

3. Feasibility Study of a future passenger and vehicle service with the vehicle portion being non-subsidised

(i) Procurement – service requirement – GD SG 2015/1/2

4. [REDACTED] introduced the paper and informed members that TS had clarified with the EC in regard to the PSO. The paper sets out the service requirements for the future

Gourock Dunoon Ferry Services contract. DGFAG's view had been set out in paragraph 7 and 8 with the Scottish Government's issues identified within paragraph 9. The view of the Commission and the options and risks within the procurement of the future Contract had been set out in paragraph 10 and 11 respectively.

5. ■ lead on the DGFAG response which stated that under paragraph 2 of the paper the definition given by the Commission a vehicle carrying service was permissible as long as this would '...not constitute a manifest error, provided that its characteristics are precisely defined in a legal Act.' ■ went on to state that a 'Legal Act' in this sense means a Scottish Act of Parliament and can also be used to describe legal procurement papers. ■ added that the information provided within the paper, regarding the risks associated with subsidy being made available to a vehicle carrying services, was legal advice received from SGLD and that Transport Scotland were confident that the Commission would consider any deviation from this to be classed as a 'manifest error.' ■ reiterated that the EC decision is subservient to a Scottish Act of Parliament and that this avenue should be thoroughly investigated.

6. ■ asked if anything further had been received from the European Commission ahead of this meeting. TS confirmed that no further submission had been received. Following further discussion on the topic, DM agreed that SGLD would look at the points raised within the submitted DGFAG paper as well as the definitions of a 'Legal Act.'

Action: TS to arrange for SGLD to review DGFAG paper as well as legal jurisdiction of EC decisions and Acts of the Scottish Parliament. (Completed)

Action: DGFAG agreed to submit comments on GDSG 2015/1/2. (Completed)

(ii) Future service specification – GD SG 2015/1/3

7. ■ introduced the paper which outlined the current thinking on the future service, the fare structure, contract length and options on applicable performance deductions. DGFAG reiterated the points made within the previously published MVA consultancy report; that a 2 vessel vehicle service could be profitable; otherwise the current passenger only service would continue to run itself 'into the ground.' DGFAG were happy to provide further information, however they stated that the vessels needed to be specified by TS and that a minimum of 40m for vessel lengths was needed to cope with the adverse weather on the stretch of the Clyde. All members did state that the current timetable frequency and duration of operating day was good and that this should be used as basis for the next tender though it did not need to be adhered to rigidly.

8. The flaw, members reiterated, was that the connection between Gourock and Dunoon was of a passenger only service. This in their view was having a detrimental effect on the economic welfare of Dunoon and its inhabitants, who use the service to attend further education programmes, commute to work etc. ■ expanded that it was necessary for the service to be reliable as it was a commuter service. The deployment of the MV Coruisk, which increased reliability and gave passengers confidence contributing to an increase in passenger carryings for the second winter

period. The existing vessels have adequate passenger carry capacity normally but they do not handle the adverse weather which blights the service. Larger, heavier and more robust vessels in his view, as indicated in the Deloitte Touche and MVA reports, are needed to counteract this issue. ■ agreed that there had been reliability issues, however he made it clear that TS cannot force potential bidders to procure vessels or accept ownership of state owned vessels. It is for potential bidders to decide on the vessel they deem suitable for the service they are providing. TS can only specify the minimum acceptable service and vessel requirements during the tender process.

(iii) Vessels - GDSG 2015/1/4

9. ■ introduction the paper and the recommendations contained. Discussions on the options were had and DGFAG favoured option (iv). Points were made on the paper and these are summarised below;

- Point 4 – sourcing second hand tonnage was extremely unlikely and there have been numerous worldwide searches over the past 4 years.
- Point 6 – vessels reliability - Both current vessels are not reliable and there are strong community concerns on the future provision of vessels
- Transport Users Consultative Report in the 1980s had stated that a vessel of that size currently in use would not be fit for purpose.
- The current service has failed on all counts and impacted the economic prosperity of the region.
- Point 10 – Questions were asked as to why option (iii) was preferred as a passenger service is not acceptable to certain Group members
- Discussions on the relevance and difference between Scottish, British and EU laws took place.
- DGFAG reiterated that a passenger only service is low revenue generating with a high subsidy need and that it would lock the Scottish Government into providing maximum subsidy, a situation DFGAG felt the Government was legally obliged to avoid. A future vehicle service would generate higher revenue and offered the prospect of reduced subsidy.
- The Gourock-Dunoon route has had 2 taxpayer funded reports that have stated that a passenger/vehicle vessels would be viable.

(iv) Harbour Charges – GDSG 2015/1/5

10. ■ introduced paper and expressed there was one harbour authority contained within the Group and as such it would be good to hear their views on harbour charges. CMAL have also been engaged in the process and further work was needed on missing data on charging regimes.

11. Argyll and Bute Council explained that they were a single harbour authority with a common charging arrangement and were mindful of the pressures on the future of the Gourock-Dunoon service. However financial and infrastructure challenges need to be recognised. The harbour charges in Gourock are of a greater financial concern to CMAL and their overall charging methodology. The Council would need to have a full mandate before attempting any change to the current charging regime. An exceptional case would have to be made for any alterations to

the present regime and advice would be needed for the Council to progress this issue.

12. ■ gave examples of various EU Judgements, including the Port of Helsingborg and discussions were had on how harbour charges are set and fixed. It was also noted that removing the CMAL volume discounts would have a detrimental effect. DGFAG observed that port operating costs are largely fixed and that any charging regime that did not relate to the value of the service being provided to the ferry operator could be challenged.

13. It was agreed following round table discussions that a meeting between DGFAG, CMAL and Argyll & Bute Council would be arranged to further investigate these issues. DGFAG also produced harbour charge figures received from CMAL, though it was noted that there was a typographical error.

14. ■ emphasised that unless the Port in Gourock ceased to be a relief port, with vehicle handling capability, for the Clyde CHFS services it would incur costs even if there was no service to Dunoon. Consideration of this should be taken by CMAL and TS during the agreement of any charging regime of any future Gourock-Dunoon service.

(v) Cost allocation methodology – GD SG 2015/1/6

15. The paper and the various options detailed within were discussed and it was agreed that DGFAG will submit a follow up report on the cost allocation methodology which will be passed to TS, who would further progress the issue.

(vi) Next Steps

16. ■ updated members on DGFAG next steps and talked through their tabled discussion papers. DGFAG had recently held separate meetings with Fergusons Shipbuilders, Strathclyde Pensions Trust and CalMac Ferries Limited to further their goal of a vehicle and passenger service operating on the G-D route. ■ admitted that there were many hoops and rings to jump through but thought that progress was being made in attracting operators and investors. DGFAG welcomed any potential operator of a vehicle service on the route. DGFAG wish meetings with all parties including TS and CMAL. They would also welcome help in arranging these meeting and guidance on taking their aspirations forward.

Action: TS officials to liaise with DGFAG on their plans

5. Current contract issues

(i) AFL performance – GD SG 2015/1/6

17. ■ introduced the performance paper which detailed the performance and reliability of the AFL service from June 2013 to February 2015. The paper was discussed.

18. AFL's communication strategy was questioned. Specific issues were raised with their 'Amber alert' procedures. █████ agreed to raise issues with AFL.

Action: TS to raise Amber alert procedures with AFL (Completed)

19. It was noted that CalMac's Great Days Out brochure did not contain the Gourock-Dunoon service. TS agreed to raise this issue with CalMac.

20. The AFL improvement Plan was raised and TS agreed to confirm current progress. *[Post meeting note – due to the improved additional resilience arrangements in place which include but are not limited to, better communication by AFL with its customers, improved replacement bus services utilising Western Ferries to minimise disruption, the deployment of the MV Coruisk in the Winter period 2013/14 and 2014/15 and regular interaction with the community Scottish Ministers had previously signed off the improvement plan]*

(ii) MV Coruisk deployment report – GD SG 2015/1/7

21. █████ introduced MV Coruisk deployment report which contained an update on operations of the MV Coruisk on the route over winter 2014/15 and compares and contrasts her previous deployment the year before. The paper was discussed and members agreed to submit comments to TS ahead of formal publication on TS website.

Action: TS to publish MV Coruisk report following comments received from Group members. *[Post meeting note – no comments on the report were received and as such the report has been published on the TS website]*

6. AOCB

22. DGFAG asked if there was scope for the Group to meet monthly to ensure that progress was made with their options for tendering for the next contract. The availability of members was discussed and it was agreed that there would be sub meetings held by interested parties to progress relevant issues. A ministerial steer on the frequency of further GDSG meetings would be sought.

Action: TS to confirm arrangements for next GDSG and advertise to Group members. *[Post meeting note – Next GDSG was arranged for 19 January 2016 and in the meantime meetings took place with relevant members to progress above issues]*

END.

Transport Scotland
August 2015

