

NOTE OF FIRST MEETING, MONDAY 12 MARCH 2012

Attendance

[REDACTED], Cabinet Secretary for Infrastructure and Capital Investment
[REDACTED], Argyll & Bute Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Ferry Action Group
[REDACTED], Dunoon Ferry Action Group
[REDACTED], Dunoon Ferry Action Group
[REDACTED], Dunoon Ferry Action Group
[REDACTED], Dunoon Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Private Secretary to Mr Neil
[REDACTED], Transport Scotland Press Officer

1. Welcome and introductions

[REDACTED] welcomed everyone to the meeting.

2. Draft Project Plan – GD SG 2012/1/2

[REDACTED] introduced the draft Plan explaining that it was based on the 3 strands of activity
[REDACTED] committed to on his recent visit to Dunoon.

[REDACTED] noted that the draft referred to a possible role for prudential borrowing by the councils. This would need political agreement.

[REDACTED] stated that he was keen to start with a blank sheet of paper, a view supported by others in the Steering Group.

3. Argyll Ferries Ltd Improvement Plan and Performance Monitoring – GD SG 2012/1/3 and GD SG 2012/1/4

[REDACTED] noted that there has been an improvement in AFL's performance and that this needed to continue.

Action Group representatives restated concerns about MV AliCat, stating that it did not provide a comfortable travelling experience, was not reliable, that people were not using it and that passenger numbers were down. [REDACTED] reported concerns that on occasions passengers were being turned away as the vessels were full when operating with reduced passenger limits and minimum crew. [REDACTED] said that officials would look into both these issues. **Action: Transport Scotland.**

It was also noted that the councils could alert Argyll Ferries if unusually high numbers of passengers were expected due to events taking place in either community.

A letter from DML Chief Executive [REDACTED] to the Chair of the Action Group had clarified that there were no conditions placed upon the Passenger Certificate of the vessel. However, [REDACTED] provided a copy of an MCA Exemption Certificate (in respect of the requirement to carry a rescue boat) which stated that the exemption will only be valid when the vessel operates only in "favourable weather" conditions.
Action: Transport Scotland to follow up with Argyll Ferries

4. Shoreside Infrastructure – GD SG 2012/1/5

The feasibility study into shoreside infrastructure for the passenger ferry service was now underway and was due to report in April. It was agreed that the report would be considered by this Steering Group. **Action: Argyll & Bute Council / Transport Scotland**

[REDACTED] noted that a bid for £2m for pontoons for Gourock and Dunoon had been included in the [REDACTED] list of "shovel-ready" projects submitted to the [REDACTED]. **Post-meeting note: the recent UK Budget did not provide any additional capital funding in response to [REDACTED] request.**

It was noted that any installation of pontoons would need to take account of Argyll & Bute Council's wider plans for the regeneration of the Dunoon waterfront, and the role in that of the Victorian wooden pier, and also the need to retain vehicle ferry access to the new pier and linkspan.

[REDACTED] sought assurance that the study would enable a quantifiable target to be set in terms of reduced disruption. [REDACTED] replied that it should give an assessment of how much the service would improve. [REDACTED] considered pontoons a distraction and that any available money should be spent on vessels that can use the existing infrastructure.

It was also noted that the timing of decisions on this and other workstreams needed to be considered carefully.

5. Possible replacement of the MV AlfiCat – GD SG 2012/1/6

[REDACTED] reported that AFL had undertaken an extensive search for alternative vessels without success so Transport Scotland were now engaging an independent marine technical consultant to extend the search. He would report in a month.

There was discussion of the availability of MV Saturn, currently laid up at Roseneath without a passenger certificate. The Action Group expressed concern at suggestions that essential parts of the vessel might have been removed. MV Saturn would be included in the consultant's search but officials undertook to get an early report on the current status of the ship and the likely cost of bringing her back into certification. **Action: Transport Scotland. Post-meeting note: it has been confirmed that no essential parts have been removed from MV Saturn.**

[REDACTED] asked that MV Corulisk also be considered as she had not been tested on the new pier at Dunoon.

stressed that people needed to have confidence in the service and that we needed to think ahead to next winter.

6. Financial case for a future non-subsidised vehicle service – GD SG 2012/1/7

introduced the draft terms of reference for this study. Once agreed, these would form the basis of a specification for consultants to deliver.

queried why the study should consider "abstraction from other routes or services" as what was needed was proper competition on timetables and price in order to grow the market.

proposed that funding options for new vehicle ferries be explored in parallel with the study to avoid any delay to the implementation of its outcomes (assuming these were positive). suggested covering this as part of the study.

proposed that the terms of reference be finalised by the working group in a month's time to give all Steering Group members opportunity to consider and comment. **Action: all comments on the draft terms of reference to be provided to by Monday 2 April.**

7. Risks

It was agreed to defer this item until the next meeting.

8. Next steps

As agreed during the meeting and recorded above.

9. AOCB

None

10. Date of next meeting

It was agreed to meet again in late May / early June following the Council elections.

Action: Transport Scotland to arrange a date

Distribution

To all attendees

Publication on Transport Scotland website

NOTE OF SECOND MEETING, MONDAY 28 MAY 2012

Attendance

[REDACTED], Cabinet Secretary for Infrastructure and Capital Investment
[REDACTED], Deputy Leader, Argyll & Bute Council
[REDACTED], Argyll & Bute Council
[REDACTED], Provost-Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Private Secretary to [REDACTED]
[REDACTED], Marine Consultant

1. Welcome and Introductions

[REDACTED] welcomed everyone to the meeting and advised that, as this was a group convened by Ministers, he would follow the agenda issued by Transport Scotland but that the items raised by [REDACTED] would be adequately covered.

2. Minutes of Meeting GD SG 2012/1 MINS held on Monday 12 March

The minutes of the meeting held on Monday 12 March were agreed.

3. AFL Performance – Paper GD SG 2012/2/2

[REDACTED] noted that AFL continues to publish their monthly performance statistics and that contractual performance has improved as since the early days of the service. The statistics for April demonstrated that technical issues are being kept to a minimum but that the unexpected turn of extreme weather led to the loss of a day and half's sailings on April 3 and 25.

[REDACTED] have produced a review of AFL's statistics from November 2011 to April 2012 (see attachment to these minutes). [REDACTED] noted that the majority of cancellations do not appear in the contractual performance statistic for reliability and that the MV Argyll Flyer had been responsible for 38% of weather cancellations. It was also noted that contractual performance had actually fallen over the last 3 consecutive months.

[REDACTED] stated that the weather-related cancellations experienced during April were due to strong easterly winds and that the two vessels on the route were not of sufficient tonnage to cope with these winds. What was required was a larger vessel able to withstand strong winds.

██████████ circulated a letter from the MCA in which the MCA clarified that it is not in their remit to advise on the reliability of vessels and that they had not done so for the Gourock-Dunoon contract (see attachment to these minutes).

Given the recent debate around the MV AllCat not being properly operated in accordance with its certification Transport Scotland has written to the MCA to confirm the exact position. MCA have replied; in Transport Scotland's view this reply confirms that AFL is in compliance with regulatory requirements although this has been disputed by ██████████.

██████████ advised that copies of this correspondence would be circulated to Steering Group members. **Action: Transport Scotland to issue copies of the letter to the MCA and their reply (see attachment to these minutes).**

4. Shoreside Infrastructure

██████████ presented the update note issued prior to the meeting. This is a joint study with Argyll & Bute Council, Transport Scotland, Argyll Ferries Ltd, Caledonian Maritime Assets Ltd, SPT and Inverclyde Council.

A draft report is currently with Argyll & Bute Council and river pilots have been asked for their comments given their familiarity with the waters. Once their comments have been received and considered a final report will be issued to the Council and members of the Shoreside Infrastructure Working Group. The final report will also be made available to the members of the Steering Group.

██████████ suggested that the cost of installing pontoon would be in the region of £1.5m at Dunoon and £5m at Gourock and that this money could be better spent on providing a passenger and vehicle service. ██████████ challenged these figures as speculative and pointed out that the final report will address the cost issue.

██████████ enquired what problems pontoons would address as questions previously raised by ██████████ had not been answered; the report will also address this.

██████████ asked if Argyll and Bute Council were content that the route was now a passenger only service and representatives from Argyll & Bute Council stated that the Council had not changed its position on this which was in favour of a vehicle and passenger service on the town centre route.

██████████ stated that the new Administration on Argyll & Bute Council aspired to see the Cowal peninsula and surrounding area better connected to rest of Scotland.

5. Terms of Reference – Financial case for a future non-subsidised vehicle service – Paper GD SG 2012/2/3

██████████ reminded the group that the decision not to have a subsidised vehicle service was determined by a European Commission State Aid Decision and that we need to finalise the Terms of Reference so that work can commence.

Following the last meeting comments were received from all parties and they have been incorporated into the revised draft paper GD SG 2012/2/3.

■ suggested that a passenger and vehicle service on this route can be profitable and that the EC Decision indicated that the previous vehicle-carrying element of the service made a profit. In discussion it was pointed out that none of the three operators who submitted bids to run the new service had come forward with a proposal for a passenger and vehicle service. ■ suggested that this was due to the Government not supplying the vessels.

■ requested that any final comments on the paper should be forwarded to Transport Scotland by Monday 4 June. **Action: Final comments to be forwarded to Transport Scotland by Monday 4 June.** Post-meeting note: comments have been received, with thanks. A further version will be circulated shortly.

6: Presentation by ■, Marine Consultant – Advice and Analysis of the Options to replace the MV Ali Cat.

■ advised that his remit had been:

- To provide advice and analysis of the options to replace the MV Ali Cat.
- To review the list of potential vessels produced by DML.
- To identify additional vessels
- To consider bringing the MV Saturn/MV Coruisk onto the route.

■ provided an overview of his findings and reported that all the alternative vessels identified have disadvantages because there is no vessel currently available whose specification is fully responsive to the particular needs of the Gourock – Dunoon service for a passenger only vessel.

No alternative vessel identified has the required combination of size, speed, flag, age profile and passenger capacity to offer a significant improvement in service delivery.

It is not possible to overhaul, re-certificate and redeploy the Saturn in a matter of weeks as a passenger only vessel, the vessel having been "cold-stacked".

■ provided a further list of what he deemed as suitable vessels for the route and it was agreed that TH would review this list. **Action: ■ to enlarge the scope of his report to include more vehicle carrying vessels.**

A copy of the draft report was issued to the group and ■ asked that members study it so that a full discussion can take place at the next meeting of the Steering Group.

■ thanked ■ for his work.

7. AOCB

■ indicated he would be interested to know what financial support would be available for any vessel identified as suitable. ■ stated that it was for the Scottish Government to determine funding.

8. Date of next meeting

■ thanked everyone for attending and It was agreed that the next meeting should be towards the end of June. **Action: Transport Scotland to arrange a date**

Distribution

To all attendees

Transport Scotland
June 2012

NOTE OF THIRD MEETING, MONDAY 25 JUNE 2012

Attendance

[REDACTED], Cabinet Secretary for Infrastructure and Capital Investment
[REDACTED], Deputy Leader, Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Private Secretary to [REDACTED]

1. Welcome and introductions

[REDACTED] welcomed everyone to this third meeting of the Group.

2. Minutes of Meeting held on Monday 28 May 2012 (GD SG 2012/2/MINS)

The Action Group had submitted suggested amendments over the weekend and raised concerns about the late distribution of minutes and papers. It transpired that there had been a technical hitch in the circulation of draft minutes to the Action Group, which would be addressed. [REDACTED] instructed Transport Scotland to prepare the minutes of meetings more quickly. The minutes would be re-circulated once the suggestions from the Action Group had been taken into account. **Action: Transport Scotland.**

3. Terms of Reference - Financial case for a future non-subsidised vehicle service - Paper GD SG 2012/3/3

A revised version of the Terms of Reference had been circulated following comments from all parties. This was approved, subject to the incorporation of a small number of further amendments from the Action Group. **Action: Transport Scotland to circulate an updated version.**

[REDACTED] explained that a contractor would be selected following advertisement on the Public Contracts Scotland website and circulation to providers on Transport Scotland's database. Selection would follow 2 stages: pre-qualification and evaluation of bids received from those invited to tender. Evaluation criteria would be agreed by the Steering Group.

[REDACTED] asked if the Scottish Government had a central procurement department that would be conducting the process of selecting the consultant for the study. [REDACTED]

responded that Transport Scotland conducts its own procurements although they will take advice from procurement officials. [redacted] also stated that the contract would be advertised on the Public Contracts Scotland website but that Transport Scotland would draw it to the attention of consultants who had worked for them in the past.

The Steering Group was keen for representatives of all parties to be involved in the selection process and it was agreed that one representative of Transport Scotland, each Council and the Action Group would form a panel to short-list, interview and agree on a contractor. **Action: nominations for the procurement panel to be sent to [redacted]**

[redacted] advised that it would take 2-3 months to appoint a contractor and another 3-4 months for them to carry out the work. This should mean that a draft report was available by the year end.

4. Updates

(i) Argyll Ferries performance – paper to note GD SG 2012/3/2

[redacted] asked why the scheduled unavailability for June, according to the contract with AFL, had been moved partly into May and who in Transport Scotland had approved that change. [redacted] explained that it was a long-standing convention in government and also in councils that individual officials are not identified. [redacted] agreed that implementing the overhaul week in the run up to the Jubilee weekend was not the best time.

The Action Group had produced an analysis of AFL reliability in the 6 months from November to May; copies were circulated.

[redacted] noted that it would be informative to understand the impact of cancellations on individuals using the service. [redacted] stressed the importance of users being kept up to date with disruptions; AFL were doing this and he was keen to have a progress report. **Action: Transport Scotland to follow-up with Argyll Ferries.**

[redacted] stated that the information on the AFL website gave the services status as Normal, Disrupted or Cancelled but that it would be helpful if the information specified which sailings were cancelled. [redacted] noted that periods of planned downtime were not being publicised in the local paper as they had been previously. **Action: Transport Scotland to check with Argyll Ferries.**

[redacted] noted concerns that the new service was carrying 30% fewer passengers than the previous service. A comparison of passenger numbers shows that the public is not using the new service. [redacted] noted that a meaningful interpretation would need to benchmark this against falls on similar routes; [redacted] also mentioned that drivers and vehicle passengers would have to be excluded from any comparison. **Action: Transport Scotland to follow-up with Argyll Ferries.**

(ii) Vessels report

Comments had been invited on [redacted] draft report. [redacted] stated that the Action Group were rejecting the report in its entirety as the use of the MV Argyll Flyer as a benchmark by the consultant was not acceptable. [redacted] suggested that the feasibility study to be undertaken supersedes this as it will examine the parameters of an acceptable service.

[redacted] confirmed that [redacted] had included vehicle ferries in his survey and was extending his search further in this regard. [redacted] noted that modifications could be made to suitable second hand vessels to fit the existing linkspans and therefore an exact fit with existing shoreside infrastructure should not be required for a vessel to be available.

[redacted] suggested that specifications for acceptable vehicle/passenger and passenger-only ferries should be drawn up which could then be used as the basis for a search.

[redacted] noted that he had commissioned the study to see if there was a replacement for MV AliCat available in the short-term but so far nothing had been found.

Concerns were raised about having another winter with the MV AliCat still in service and [redacted] noted the availability of the MV Coruisk, other than her commitments to provide relief cover on Wemyss Bay-Rothesay in January. **Action: Transport Scotland to ensure this is covered in [redacted] report.**

[redacted] indicated that he had contacted the MCA on the issue of seaworthiness and the Exemption Certificate and they had again confirmed that as far as they are concerned the Ali-Cat is seaworthy for this route. If there was evidence, including dates and times, of her sailing when she should not have done then he was willing to go to the MCA again.

[redacted] asked whether work was underway in Transport Scotland to facilitate any changes to the contract with AFL. If a replacement vessel was identified, [redacted] confirmed this and that he had also alerted Scottish Government Legal Division.

(iii) Shoreside infrastructure study

[redacted] gave an update on behalf of [redacted]. Another draft of the study report by [redacted] would be available shortly for discussion by the infrastructure working group and 2 members of the Action Group. In addition, [redacted] at DML had offered use of the Safety at Sea consultancy to input to this work particularly in terms of the impact of pontoons on reliability. Argyll and Bute pilots were also giving their views on the report.

[redacted] was doubtful the study could be relied on without tank tests and noted that pontoons could only solve berthing problems not those on passage. [redacted] was concerned that pontoons would block a vessel such as the MV Coruisk. [redacted] noted that the choice of vessels will determine the infrastructure needs and was interlinked with the Dunoon CHORD project. In his view, the Victorian pier should be used by the ferry. [redacted] agreed that work should be aligned with the CHORD project.

● noted the need to synchronise the various strands of work underway and their timescales.

AOCB

● noted that the Action Group had received a reply to their letter to the First Minister; copies were circulated. A response would be coming which would include the Action Group's view that the European Commission's State Aid Decision left it open for the Government to specify the use of particular vessels on this route.

● asked about plans for the Cowal Games. ● said that he had given AFL a clear message that sufficient provision was needed and that plans were being drawn up by the operator.

Date of next meeting

● asked for the next meeting to be organised for September.

Transport Scotland
June 2012

DRAFT

GD SG 2012/4/MINS

GOUROCK-DUNOON FERRY SERVICE STEERING GROUP

NOTE OF FOURTH MEETING, FRIDAY 7 DECEMBER 2012

Attendance

[REDACTED], Deputy First Minister
[REDACTED], Deputy Leader, Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], MVA Consultancy
[REDACTED], MVA Consultancy
[REDACTED], Private Secretary to [REDACTED]

Welcome

[REDACTED] welcomed everyone to this fourth meeting of the Group.

Minutes of Meeting held on Monday 25 June 2012 (GD SG 2012/3/MINS)

The minutes were agreed.

Minutes of Meeting held on Monday 28 May 2012 (GD SG 2012/2/MINS(rev))

The revised minutes were agreed.

Introductions

[REDACTED] apologised for the cancellation of the meeting scheduled for the 19 November and noted that it did demonstrate the vulnerability of the ferry service to bad weather. She wanted the presumption to be that future meetings would take place in Dunoon. She was very committed to finding solutions and to working with the Steering Group.

[REDACTED] reiterated the Government's wish for a vehicle as well as a passenger service on the town centre route. Alongside that she wanted to ensure that the passenger service is reliable, safe and up to the standard people deserve. She was committed to an open and transparent process in working with the Steering Group.

DRAFT

In response to a question from [REDACTED] recognised that the Action Group had a responsibility to report back openly to its members.

[REDACTED] set out the [REDACTED] position, recalling the founding of the Action Group following a well-attended public meeting in Dunoon in November 2011. The Group is concerned solely with the town centre route and want a vehicle ferry restored to it. He noted the importance of the route to commuters and other daily activities and likened it to a part of the rail network connecting at Gourock. The current vessels were too light for the route and unreliable and uncomfortable in the winter. Recently acquired statistics showed that 'amber alerts' had been posted on 23% of days - 31% in the approach to winter.

The Action Group's objectives for this meeting were to ensure transparency in the conduct of the vehicle ferry feasibility study and to have a member of the Action Group on the project-group for the study.

The Group was looking for the study to generate a defensible foot passenger subsidy figure based on a realistic market share. There was also the need for an urgent temporary replacement for the MV AliCat.

[REDACTED] added to this from her perspective as a regular commuter who had since changed her job due to the ferry service. Previously there had only been a few weather interruptions but the frequent 'amber alerts' make travel very uncertain. In addition it did not take much bad weather or swell to make the current journey unpleasant. Last winter was difficult and it was frustrating to know that the MV Coruisk was tied-up at Roseneath and could be deployed as a temporary measure.

For Argyll and Bute Council, [REDACTED] noted the challenges facing Dunoon as a "failing" town. The situation with the town centre ferry and the A83 give the impression that Argyll and Bute is not "open for business". £2m out of £8m planned investment in the town was set aside for the old wooden pier and resolution of the vessel issue was needed for the Council to know how to best spend that. The ferry also offered the opportunity for modal shift from cars to public transport and only the town centre route could do that.

For Inverclyde Council, [REDACTED] noted that a significant increase in traffic through Gourock town centre and that the lack of carparking at Western Ferries' terminal was causing carparking problems in the neighbourhood. The Council was having to look into the road layout in the town for pedestrian safety reasons. Welcome investment had been made into Gourock rail station and there were concerns that the introduction of pontoons could deny the return of a vehicle carrying service.

Feasibility Study of a future passenger and vehicle service with the vehicle portion being non-subsidised (GD SG 2012/4/6 and GD SG 2012/4/7)

[REDACTED] stated that she wanted the study to be a completely transparent process and had no problem with a [REDACTED] member being on the project team. [REDACTED] reiterated the Action Group concern that sensitive decisions should not be taken just by Transport Scotland and that any editing of the draft report from the consultant should be done openly. [REDACTED] noted that membership of the project team should take care of the first point and that

DRAFT

all drafts and comments on the report would be seen collectively. She also noted that fortnightly updates by the consultants would be shared with the Steering Group.

■ further stated that there was a strong presumption that the final report and supporting data would be published quickly and that decisions about timing would be taken collectively.

For MVA, ■ presented the background to the study and circulated a number of slides. He emphasised that the consultants would work openly and be contactable and welcomed the data already provided by Steering Group members. A public meeting in Dunoon had been arranged for 18 December. He noted that competitor response was a key issue and he had a meeting with Western Ferries also on 18 December. The work was slightly behind timetable but he was still aiming for a working paper by the end of January.

■ said that the Action Group were keen for the study to produce a robust analysis of a defensible public subsidy including the operator's return for a passenger ferry service and a clearcut analysis of potential market share. These 2 together would form the basis of a commercial business case.

■ agreed that the potential market share and what factors influence the choice of one service/route over the other was the crux of the study. ■ agreed that potential market share was key; also that the level of subsidy – which might give rise to secure an adequate passenger service – had to be acceptable to the European Commission.

■ noted that the reliability of the vessels was key and noted that in one year the MV Jupiter had only 0.3% of sailings cancelled (GD DG 2012/4/5).

Vessels report (GD SG 2012/4/2)

■ noted the concerns raised earlier in the meeting about the weather reliability of the current vessels during the winter period. She commissioned officials to provide a report of options by the end of the year so she could take a decision. This would include the MV Coruisk and the MV Balmoral. Action Group representatives said that the Coruisk had a number of benefits over the Balmoral including lower crew numbers, probably lower charter rates and better reliability. ■ offered to provide further analysis to aid NS's consideration.

■ noted that although the priority was to replace the MV AliCat, the MV Argyll Flyer was responsible for 40% of the AFL cancellations.

Shoreside infrastructure study (GD SG 2012/4/3)

■ explained that this had been a technical study of the feasibility of introducing pontoons. The main question, however, was what the future ferry service might be following the conclusion of the feasibility study. ■ noted that the report does not say what the benefits of pontoons would be.

DRAFT

■ proposed that the report be noted and that no further action be taken until the feasibility study reports. The Steering Group agreed.

AFL performance (GD SG 2012/4/4(rev) and GD SG 2012/4/8)

■ noted that the performance statistics published by AFL should include weather cancellations in the headline figures and agreed that claiming 100% reliability was likely to be counter-productive. She would take this up with AFL and also look at reporting the number of days disrupted and at how weather warnings and service status was being displayed. ■ noted that the high number of 'amber alerts' created a high level of uncertainty which was forcing people away from the service.

■ also stated that she would seek an update from AFL on their Improvement Plan which had been circulated to the Steering Group in April.

■ noted that ScotRail fast trains between Glasgow and Gourock would shortly start to depart and arrive from the platform closest to the ferry terminal.

Future meetings

■ noted that there were various parties interested in attending the Steering Group meetings including the ferry operators and the Federation of Small Business. She did not want to shut people out but noted that this would add to numbers and may not be helpful at this point in the Group's work.

■ noted that the operators have an interest but could be invited for particular items.

■ noted that there should be feed back to operators on relevant issues.

■ concluded that we would leave membership as it is for now.

Date of next meeting

■ suggested February or March in Dunoon. ■ asked if she would be willing to attend a public meeting as well. ■ said that she would be willing, at the appropriate time.

DRAFT

GD SG 2013/1/MINS

GOUROCK-DUNOON FERRY SERVICE STEERING GROUP

NOTE OF FIFTH MEETING, MONDAY 4 MARCH 2013

Attendance

[REDACTED], Deputy First Minister
[REDACTED], Deputy Leader, Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Analytical Services
[REDACTED], MVA Consultancy
[REDACTED], MVA Consultancy
[REDACTED], The Maritime Group
[REDACTED], Private Secretary to [REDACTED]

Welcome

[REDACTED] welcomed everyone to this fifth meeting of the Group.

Minutes of Meeting held on Friday 7 December 2012 (GD SG 2012/4/MINS)

The minutes had been revised in line with comments received and were agreed.

[REDACTED] reiterated the point that Argyll Ferries Ltd (AFL) continued to issue an "amber alert" when the service was suspended whereas this should be a "red".

Matters Arising

[REDACTED] informed the Group that she had raised their concerns with the presentation of performance information with AFL who were making amendments in response.

[REDACTED] also updated the Group on her consideration of a request from the Action Group for a sea trial of the MV Coruisk. She was considering this in terms of the availability of the vessel, legal and contractual implications and the type of trial (e.g. a one-off or over a period). She would write once she had concluded her consideration.

DRAFT

■ noted that the MV Coruisk was scheduled to operate a 70 minute timetable on the Mallaig-Armadale route where there were similar berthing arrangements as at Gourock and Dunoon but where the crossing distance was 50% longer.

■ had discussed the issue with ■ at AFL and reiterated her concerns about the reliability and punctuality of the MV Coruisk when the vessel was last on the route. She stressed that notwithstanding the temporary issues she was keen to focus on the real challenge of finding long-term solutions on the back of the report of the vehicle ferry feasibility study.

Members of the Action Group advised that when the MV Coruisk was last on the route she was using the wooden pier and as a result had to undertake a complicated and delicate berthing manoeuvre without the benefit of a breakwater. Currently the new linkspan could be used to which the vessel could simply sail straight in and out under the shelter of the new breakwater. Two captains familiar with the crossing could see no difficulty in the Coruisk operating reliably and to timetable.

Feasibility Study of a future passenger and vehicle service with the vehicle portion being non-subsidised -- Update on Progress

■ noted that MVA and The Maritime Group would be giving a report of progress to date. Some key issues remained to be resolved notably the forecast split in vehicle traffic between the 2 routes and the operating costs of the passenger and vehicle services. She noted that the harbour due increases at Gourock had emerged as an issue and confirmed that CMAL were looking at the pier and harbour dues at the port if it was being operated on a stand-alone basis.

A presentation from the consultants was circulated (attached) and ■ talked the Group through this.

■ noted in particular the consultation undertaken and the technical notes produced which focused on key issues that would inform the study's conclusions.

Action Group members queried why the consultants were meeting Clyde Marine Services Ltd and looking at the MV Clyde Clipper which was shorter than the optimal vessel length identified in the relevant technical note. ■ noted that the study had to be a comprehensive and robust exercise.

■ set out The Maritime Group's thinking so far on optimal vessels. Passenger vessels operating on the Solent, in similar conditions to the upper Clyde, had been identified which had high levels of reliability. A vehicle ferry for the route operating from the existing linkspans could be similar to those built for Western Ferries. Both vessels would be designed to sustain 12 knots (the recognised speed limit) and to operate with a minimum crew. In the case of a passenger vessel, the need to carry a fast rescue boat would possibly require an extra crew member.

■ asked about the punctuality of the passenger vessels on the Solent. ■ did not have these to hand. ■ noted that it was not proposed to use these exact vessels but they would be used to build the operating cost model.

DRAFT

■, ■ and ■ raised the issue of CMAL's harbour dues at Gourock and questioned whether these were commercially justifiable. ■ agreed that this was a material issue and that the study report would identify if the cost of harbour dues meant that a vehicle ferry service was not viable.

■ questioned whether Western Ferries would be able to mount a competitive response to a new vehicle ferry service given their current investments and tax bills. ■ noted that for a vehicle ferry service to happen we had to attract an operator, who would make their own assessment of the risk of a competitor response. The study could not therefore ignore this. ■ noted that the profits earned by Western Ferries enabled them to make a competitive response but should also act to attract an incoming operator.

■ asked for any hard data on the economic impact of the loss of the vehicle ferry service to supplement the anecdotal evidence they had gathered so far. A copy of the business questionnaire results were handed to MVA by ■.

■ asked that the consultants discuss with Argyll & Bute Council the implications for shoreside infrastructure as the Council was keen to progress matters, now that vessel specifications were becoming established, and to ensure a realistic view on costs. It was agreed to take this forward outside the meeting. ■ confirmed that The Maritime Group was not convinced that pontoons would give any improvement to the reliability of a passenger-only service and questioned aspects of what had previously been proposed.

■ pointed out that new vessels for the route would need a lengthy amortisation period which might require separation of the assets from the operating contract, as was the case for the Northern Isles. There were questions about whether the operator should own the vessels or just operate the services. ■ replied that these were decisions for the Scottish Government to take following the study but that different options would be included in the report's sensitivity analysis.

■ stated that the Action Group was content with the TMG report on vessels (subject to clarification of vessel length) but not with the financial aspects (technical note 4). He suggested that MVA needed to discuss this with ■. ■ replied that a revised version of Note 4 would be issued this week.

■ referred to the CHORD project which should make Dunoon town centre more attractive and provide an improved transport interchange. Economic data which the study might find useful was included in a recent SAC report, which had identified Dunoon as a vulnerable town, and from the CHORD project itself.

■ concluded that Group should meet again in early April to discuss a draft final report.

¹ This questionnaire was designed by DGRAG and posted into a sealed box handed unopened to Stewart and Bennett, a local law firm, who collated the responses and produced the results.

DRAFT

Argyll Ferries performance – paper to note GD SG 2013/1/2

████ informed the Group that the Action Group had produced a spreadsheet highlighting days with any warning of cancellation. This indicated the difficulties of relying on specific sailings, particularly for commuting, even when the service was operating for part of the day. He would send a copy to █████ [Post-meeting note, this has now been received and is attached (2 documents).]

AOCB

In answer to a question from █████, █████ confirmed that she planned to have a decision on the MV Coruisk sea trial in April.

████ noted the absence of relief vessels during scheduled refit periods and the impact this had on regular users.

████ said that the Action Group would formally invite █████ and MVA/TMG to their AGM on Monday 29 April.

Date/venue of next meeting

████ suggested the week commencing 8 April. [Post meeting note – unfortunately it has not been possible to schedule this meeting until 29 April.]

Transport Scotland
April 2013

GOUROCK-DUNOON FERRY SERVICE STEERING GROUP

NOTE OF SIXTH MEETING, MONDAY 29 APRIL 2013

Final draft minutes to be agreed

Attendance

[REDACTED], Deputy First Minister
[REDACTED], Deputy Leader, Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Ferries Unit
[REDACTED], Transport Scotland Analytical Services
[REDACTED], MVA Consultancy
[REDACTED], MVA Consultancy
[REDACTED], The Marine Group
[REDACTED], Private Secretary to [REDACTED]

Minutes and Matters Arising

Revised minutes of the previous meeting had been circulated and were approved.

No matters arising from the minutes were raised other than those to be covered during this meeting.

Feasibility study of a future passenger and vehicle service with the vehicle portion being non-subsidised – tender outcome and presentation from consultants.

[REDACTED], [REDACTED] and [REDACTED] talked through a set of summary slides circulated [attached] noting that the report was a draft and would be revised in line with comments. [REDACTED] noted that there might need to be an additional crew member for the vehicle ferry (5 rather than 4) and this would be reflected in the next version. [REDACTED] noted the conclusion of report that, on the basis of the assumptions and analysis used in the study, an unsubsidised vehicle ferry service could be feasible under a number of scenarios, in particular a 2-vessel service scenario. It was not clear that the rate of return derived from the report outcomes would be attractive to operators. The main uncertainty was what would happen in terms of competitive response. [REDACTED] also noted the estimated £2.7m p.a. subsidy requirement for the 'optimal' passenger-only service.

● queried the Gross Tonnage (GT) figures used for the vehicle ferry compared to the 'streakers' and the Western Ferries vessels. ● noted that GT was derived from a complicated formula and related to volume rather than weight; ● added that the actual GT of a vessel would not be known until an operator brings one forward. TMG had looked at a range of vessels and taken a median value which was considered realistic.

● provided written comments which are attached in ANNEX A.

● argued that there were two types of vessel known to operate with the required reliability on the route, Western's vessels and the streakers. He accepted that the Western vessels provided minimal passenger facilities but noted that the GT of a Western Vessel plus the total GT TMG were saying would provide a suitable passenger only vessel came to only about 700GT. On the other hand the streakers at 850GT provided accommodation for 550 passengers, on two decks, with seating around tables, games machines, and a cafe/bar area. As only 250 passengers needed to be accommodated this again indicated that 700GT would be more than adequate. To use a figure of 1050GT for the vehicle and passenger ferry was therefore far from optimal.

● agreed that the lower end of the GT range could drop and that they would undertake sensitivity tests

● noted that crew numbers increase in vessels over 300 passengers

● noted that a commercial operator will make this judgement for themselves and that the report is only a guide. She concluded that the final report should show scenarios using the low, median and high GT figures and the impact on these on the financial outcome. **Action: MVA/TMG [Post-meeting note – Sensitivity tests with low and high GT values around the median are included in section 8.3 of the revised report.]**

● noted the need for sensitivity testing and that the response from Western Ferries needed to be factored in. He also queried the assumption that there would be no increases in foot passenger numbers for a more reliable passenger service. He also wanted to see the implications for shoreside infrastructure and marshalling at Dunoon included in the final report.

● added that the business case for shoreside infrastructure would depend on the vessels deployed to ensure that shore side facilities met the future requirements the travelling public and would consequently relate to how berthing charges were set at Dunoon.

● noted the impact that harbour charges could have on the viability of a vehicle ferry service; over the 15 year period of the report, it could be £60m. The level of charges was potentially contrary to EU regulations and this was being looked into by the Action Group.

■ added that CalMac Ferries currently pays a Harbour Access Charge to CMAL of £1.9m p.a. but the vehicle ferry on this one route would pay £1.5m p.a. He asked what the charges would be if the old CMAL charging scheme were applied but the fees were simply scaled up, and CalMac paid them not the HAC, to give CMAL the desired revenue. **Action: TS** [Post-meeting note – Sensitivity tests under previous charging framework are included in section 8.4 of the revised report.]

■ noted the need to resolve some issues including the speed limit: if this could be increased then this would be useful in any 'sales pitch' to potential operators. Also the increased level of passenger subsidy required: would this be available? It was noted that it would be for an operator to approach Clydeport about the speed limit and that MCA would also have a view.

■ noted that wash was also mentioned in the Clydeport Notice to Mariners which advised the 12knot speed limit. ■ agreed to add that to the report. **Action: TMG** [Post-meeting note – The text has been amended (see paragraph 4.2.2).]

■ noted that at Gourock there would be no problem for the vehicle ferry to meet the required turnaround time. However, at Dunoon the roundabout was too close to the linkspan and traffic flows would be impeded. ■ replied that once the Council knew what the ferry service was then they would sort out the infrastructure.

■ said that overall the tone of the draft report was not positive. Also there was no "better than trend" recovery scenario. The market was currently suppressed so a new vehicle ferry service would induce growth. ■ responded that the "trend recovery" scenario was actually quite optimistic and the new service effect (5%) was included. ■ said that the "trend recovery" was higher than what Neil Kay had proposed. ■ questioned whether the problem was with the terminology; MVA would consider. **Action: MVA** [Post-meeting note – The terminology of scenario 3 has been changed from "Trend Recovery" to "Trend Growth" (see paragraph 6.2.7 of revised report).]

■ asked what the market share of the old service had been. ■ replied that it had declined from 25% in the mid-'90s to 10% in its final year; however there had been timetable and ticketing constraints. ■ asked how confident we could be that the new service would almost double that market share. It looked very optimistic unless there was a quantum difference in the service. ■ noted that for many the town centre route was the more 'natural' one but this was balanced by the higher frequency of Western Ferries. It would be very price sensitive. ■ added that the town centre route was the most attractive if everything else was the same. He was confident of the 56% market share based on the assumptions used in the study.

■ asked about the crew number assumptions. ■ explained it was based on a matrix included in the MCA's Merchant Shipping Notice 1823 and their application of this to the outline vehicle ferry specification included in the report was just below the borderline between 4 and 5 crew members. Ultimately however MCA would determine the crew requirement.

● was concerned about making such important changes being made verbally by the authors at this late stage. NS asked whether it was better to leave such things uncorrected given we were trying to get the most robust report possible.

● asked if there was a mathematical error as the report quoted 22 minutes to do the crossing and 4 minutes for embarkation/disembarkation at each side. **Action: TMG to check.** [Post-meeting note – The text has been revised to clarify that it is 4 minutes of embarkation and 4 minutes of disembarkation (see paragraph 4.2.4 of revised report).]

● also did not expect Western Ferries to maintain their existing level of service if they had only 44% of their current market. ● added that Western Ferries' response was speculation. ● replied that we could not be blind to it and she would like some sensitivity analysis around the Western Ferries' response; any operator would make their own assessment of this. As this report would be part of a 'sales pitch', it must take account of economic reality. ● stated that the likelihood of any response from Western Ferries should be included in this. **Action: MVA.** [Post-meeting note – 'What if' tests around a Western Ferries competitive response are included in section 8.5 of the revised report.]

● asked if CalMac would be excluded from bidding as this would affect the berthing dues [draft post-meeting note: CalMac's Harbour Access Charge agreement with CMAL is for the current CHFS contract; if CalMac bid for and won a future Gourock-Dunoon contract then they would pay the same harbour charges as any other Gourock-Dunoon operator; this would not be subsumed into whatever arrangement was in place for CHFS at the time].

● thought the final report could be an appendix to a sales pitch to potential operators. There were other issues to be taken forward including marshalling, onward connections and contact with Clydeport over the speed limit. Argyll and Bute Council would be happy to work with others on a sales pitch.

● noted that there was a lot going on in Argyll and Bute including the CHORD project and new schools. There was the potential for economic growth and the ferries would underpin this.

● suggested that paragraphs 3.2.19, 3.2.20 and the accompanying table did not add up. **Action: MVA to check** [Post-meeting note – The text has been amended (see paragraph 3.2.17).]

● asked for any negative bias and emotive language to be removed.

● asked for the project team to ensure that there was no unduly negative language but that this should not be replaced by something unduly positive. ● suggested that the report should be neutral in tone with a separate 'sales pitch' as an Annex. **Action: MVA and the project team** [Post-meeting note – MVA have edited the report with this in mind]

● asked that the report include a layman's guide to the last 20 years and a position on the EC rules, as set out in the terms of reference. ● agreed. **Action: MVA**

[Post-meeting note – Additional text has been included in section 1.2 of the revised report.]

■ asked if the draft report could be released to the media. ■ said no as it was not a published report. The final report would be published. She agreed that it would be appropriate for the Action Group representatives to give a précis to their AGM that evening of where we are in the process and where we are heading. ■ would not be making a statement until the report was finalised.

■ summarised the discussion and invited further technical points to be submitted to the consultants by Friday 3 May with a revised draft report for further comment to be circulated on Friday 10 May and for the Group to meet again in late May to sign off the report and agree publication. [post-meeting note: it was agreed to extend this deadline for certain responses which will have a knock-on effect on the date for the circulation of the next draft].

In parallel, there were matters for the Scottish Government to think through including engagement with the market and liaison with the European Commission.

■ said there was a need to engage with the EU about mandating the use of a vehicle ferry and also to approach banks for financing.

■ said that first we needed to be clear on what we want to do. The next meeting would discuss next steps.

■ suggested that the report look at the variation in costs if vessels were leased. ■ replied that any operator would do that as they would have to get funding for vessels.

■ asked about the role of the Steering Group after the publication of the report. There were other matters on which members would want to have a say including how to move on, infrastructure and market testing. ■ agreed the future of the Group should be discussed next time. **Action: TS** [Post-meeting note – On the agenda for 3 June meeting]

AFL performance

■ noted the need for a reliable service in the interim. ■ agreed that whilst looking ahead we should not lose sight of that. ■ said that the situation in Dunoon was now desperate and the service was totally unacceptable; something must be done as a matter of extreme urgency. This was predicted before the service began. ■ agreed that current performance was not acceptable and work to search for alternative vessels was ongoing. There could be a more substantive discussion at the next meeting. **Action: TS** [Post-meeting note – On the agenda for 3 June meeting]

■ suggested making the MV Argyll Flyer the main vessel as she doesn't have the same operating restrictions as the MV AliCat. ■ asked what existing CalMac vessels might be suitable even just during the winter period. **Action: TS** [Post-meeting note – Request passed to AFL/CFL to consider]

asked about the AFL Improvement Plan. said she would get an update for the next meeting. **Action: TS** [Post-meeting note – Actions set out in the AFL Improvements Plan and have been implemented by the company]

asked what had happened to transferable tickets between AFL and Western Ferries. replied that the bus replacement service had been deemed to be the best option to deal with this issue. said that the bus service does not work for commuters and they have to head for the next ferry and cannot wait for the replacement bus. said she would keep this under review and was open to better ways of doing this. said that Western Ferries were not giving the bus priority. said this would be picked up with Western Ferries. **Action: TS** [Post-meeting note – This has been raised with Western Ferries]

Next meeting

suggested end-May if the revision of the report was do-able by then. [Post-meeting note – meeting arranged for Monday 3 June].

ANNEX A

At the meeting held on 29 April 2013, [REDACTED] submitted personal comments to be included alongside the meeting minutes. Not all the issues raised were discussed at the meeting and as such these have been included as a separate Annex.

- **"The Project Team did not review the draft report prior to it being given to third parties including Western ferries, and subsequently presented to the Steering Group today."**
- **"The Gross Tonnage figures used for vessels within the draft report were accepted unilaterally by Transport Scotland despite them not conforming to the Terms of Reference that the vessels must be optimal."**
- **"Whilst I welcome the fact that the report acknowledges that the proposition of a vehicle and passenger ferry is feasible under all 4 financial scenarios I personally consider that the current draft report shows a bias both by omission and commission against the option of a vehicle ferry."**

GOUROCK-DUNOON FERRY SERVICE STEERING GROUP

NOTE OF SEVENTH MEETING, MONDAY 3 JUNE 2013

First draft minutes

Attendance

[REDACTED], Deputy First Minister
[REDACTED], Argyll & Bute Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland
[REDACTED], MVA Consultancy
[REDACTED], The Maritime Group (by phone)
[REDACTED], Private Secretary to [REDACTED]

apologies

[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Argyll & Bute Council
[REDACTED], Transport Scotland

Welcome and Introductions

All members were welcomed by [REDACTED] to the seventh meeting of the Gourock Dunoon Ferry Services Steering Group. Introductions did not occur.

Minutes and Matters Arising

Revised minutes of the previous meeting had been circulated and further comments were invited in writing. All actions from sixth meeting had been undertaken or were progressing. [REDACTED] asked about the action for Transport Scotland to seek from CMAL an set of scaled-up harbour charges for the whole Clyde & Hebrides network which retained the previous structure of discounts but delivered the desired revenue. [REDACTED] wanted to ensure that all available vessels in the CalMac fleet had been considered as possible short-term options for the service.

██████████ noted that he was not at the previous meeting but was included in the list of attendees in the minutes.

Feasibility Study of a future passenger and vehicle service with the vehicle portion being non-subsidised -- revised paper and comments

██████████ explained that this agenda item would be split into three parts, the presentation by ██████████, followed by feedback on the revised proposals and the next steps for publishing the report.

██████████ updated members on the revised final draft of the report via presentation slides [attached]. Sensitivity tests had been undertaken on the harbour dues regime, higher crew manning levels, low/high gross tonnage (GT) figures for the vehicle ferry as well as a potential competitive response by Western Ferries (WF). Core and key findings of the report were discussed as was the net revenue summary and comments received by the consultants following the first draft of the report.

██████████ emphasised that the report had been conducted in a collaborative way with outside stakeholders having the opportunity to comment on its draft findings. There were still a number of uncertainties within the body of the report and it is not and never will be a blueprint for a future service. It is ultimately a matter for any potential operator to decide how to run the service and the report's findings demonstrate the feasibility of any such future passenger ferry service, where the vehicle portion remains unsubsidised. ██████████ reiterated that until discussions with likely operators were undertaken the level of uncertainty outlined within the report on the service will remain. Comments were heard and responded to during the course of the presentation.

It was noted that limited information about harbour dues at Dunoon is currently included in the report. Argyll & Bute Council responded that there was scope for adjusting the berthing dues, due to varying GT figures. ██████████ noted that it remained to be clarified what GT figure is reasonable for the vehicle ferry and that the level of berthing dues remained a key issue. Could an alternative approach be explored such as including the lease of the necessary infrastructure into a future ferry service contract? If the advertised harbour charges were discounted to favour a particular outcome then this would bring problems from the European Commission.

██████████ wanted to see more emphasis in the report on the potential for harbour charges to be reduced. He referenced Article 82 of the EU Treaty prohibits any abuse of dominant position consisting in directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions.

In the 'United Brands' case, the European Court of Justice defined what may constitute an excessive/unfair pricing abuse under Article 82. In paragraph 250 of that judgement it stated that "charging a price which is excessive because it has no reasonable relation to the economic value of the product supplied would be such an abuse".

██████████ stated that (The revenue from dues would be enough to build 2 new harbours every 5 years. Highlighting £4m of potential investment in the harbour could deter an

operator from investing in the service. The report should simply reference the need for upgraded infrastructure. [redacted] reaffirmed the need to have safe access to the ferry service. [redacted] concluded that a form of words was needed in the report to reflect these comments.

The Council offered to provide further information on the dues including any and all operating, maintenance and whole life asset management costs. [redacted] asked Argyll & Bute Council to submit the information as soon as available. **ACTION: Argyll and Bute to provide further information on harbour charges.**

There was further discussion of an appropriate range of figures for the GT of the vehicle ferry. [redacted], a naval architect representing DGFAG, asked why the GT figures in the report were so high? [redacted] explained the reason for using the GT figures used in the report: the lower end was based on the WF vessels and the upper end was based on the WightLink vessels, both of which should meet the reliability criteria for the service. [redacted] also explained the difference between Gross Tonnage and Gross Registered Tonnage which had caused some confusion particularly with reference to the old 'streakers': their GRT was around 850 but their GT would have been around 1500.

[redacted] suggested that a suitable GT figure for the passenger ferry should be between the range of 190 GT and 500 GT. [redacted] agreed that any operator would seek advice from a Naval Architect on the range and specification of the vessels needed for the route. [redacted] added that omitting the ramping up analysis would be inadvisable as any potential operators would find this omission strange as it is best practice in the industry.

[redacted] agreed that there were a range of options for suitable vessels to operate the route but it would be for any potential operator to decide on the details of the vessel specification based on the ranges submitted in the report.

[redacted] stated that the ideal vessel for the route should not exceed 1000 GT as this has been shown in the past. Also the low end of the GT range for the passenger vessel may be too low to ensure the reliability of any potential service. [redacted] reiterated that there needs to be more discussion on the range and that a reasonable range would be from 500-1100 with optimum 800. The reason why a range was needed was asked. MP stated that when going to the market for potential operators a range was usually taken. TMG quite happy to discuss the GT range further.

[redacted] commented that any reworking of the GT ranges would result in significant reworking of the report. [redacted] concluded that there were two options to resolve the issue: to rework the figures in the report on the basis of an agreed set of ranges or to stick with the figures used in the report and add additional narrative making clear the range of possibilities.

Following further discussion it was agreed that the consultants would review the ranges for the vehicle ferry in offline discussions. [redacted] agreed to the additional work but wanted to ensure the report could be published timeously. **ACTION: Consultants to review Gross tonnage figures.**

The discussion moved on to the potential response by WF following the introduction of a vehicle ferry service. [redacted] stated that any competitive response comments should be removed entirely from report as the conditions being modelled represented illegal predatory pricing with services being provided below cost. [redacted] stated that a report with no mention of competitive response would be incredible; this was one of the biggest uncertainties but it was important to ensure the credibility of the report. [redacted] suggested that the report could include the published accounts of WF which showed their £7m of revenue. In his view, retrenchment was the most likely outcome for WF and an appropriate sensitivity test should be included. [redacted] noted that this had not been included as it was self-evident that this would improve the feasibility of a vehicle ferry service.

[redacted] reiterated that the consultation on the final report has been an exhaustive process where comments from all parties had been considered. WF have not had the opportunity to be involved in Steering Group discussions on the report but have fed back strongly with their comments on the draft report findings. These comments were confidential and it would be inappropriate to share these with Steering Group members, as it would be to share Steering Group comments with WF. [redacted] confirmed that she was trying to balance the views of all parties as far as possible.

[redacted] affirmed that WF will take steps to protect their market share and it was for any potential operator of a new vehicle ferry service to come to their own view as to the appropriate response. [redacted] asked the consultants to strengthen the reference to WF retrenchment in the report but to make clear that any reference in the report on WF response is speculative. **ACTION: Retain competitive response but expand narrative with regards to retrenchment and 'speculative' nature of analysis on competitive response.**

[redacted] reported the outcomes of observation he had undertaken of the level of vehicle traffic passing by the Dunoon Linkspan in the direction of the WF terminal and suggested that 65% of the vehicle traffic would shift immediately if a vehicle service was operating. The rest would switch over 2 years.

Notwithstanding all comments on the report discussed, DGFAG noted their general satisfaction with the structure and content of the draft final report.

Next Steps

[redacted] confirmed that she wanted the report published as quickly as reasonably possible. Further offline discussions between members about the issues raised during the meeting would be discussed with the consultants, who would finalise the report. However [redacted] did point out that it was unrealistic to imagine that the report would be published with 100% agreement from all members. As stated the report was not a blue print but a feasibility study that will answer the issue as to whether a non-subsidised vehicle service can operate.

The course of action over the coming weeks following publication would include proactive discussions with potential operators on their views on the service. [redacted]

offered Steering Group members the opportunity to be included in any such discussions.

The Scottish Government would also be contacting the European Commission to discuss the issues raised within the report and the next steps.

DGFAG asked to be informed of any progress and looked forward to further constructive dialogue on the issue. Once the report was published a presentation on the future procurement and different financing options for vessels would be welcomed.

offered to consult the Steering Group on the timing of publication.

Performance

The performance paper from Argyll Ferries Limited was reviewed. Technical reasons for reliability of the AFL vessels were discussed.

confirmed that she had asked officials for options on short term measures to improve the reliability of the current town centre service. asked if the primary vessel could be switched to the more reliable MV Argyll Flyer from the MV Ali Cat. NS agreed that this would be investigated. **ACTION: TS to ask AFL to switch primary vessels if operationally possible.**

AOCB

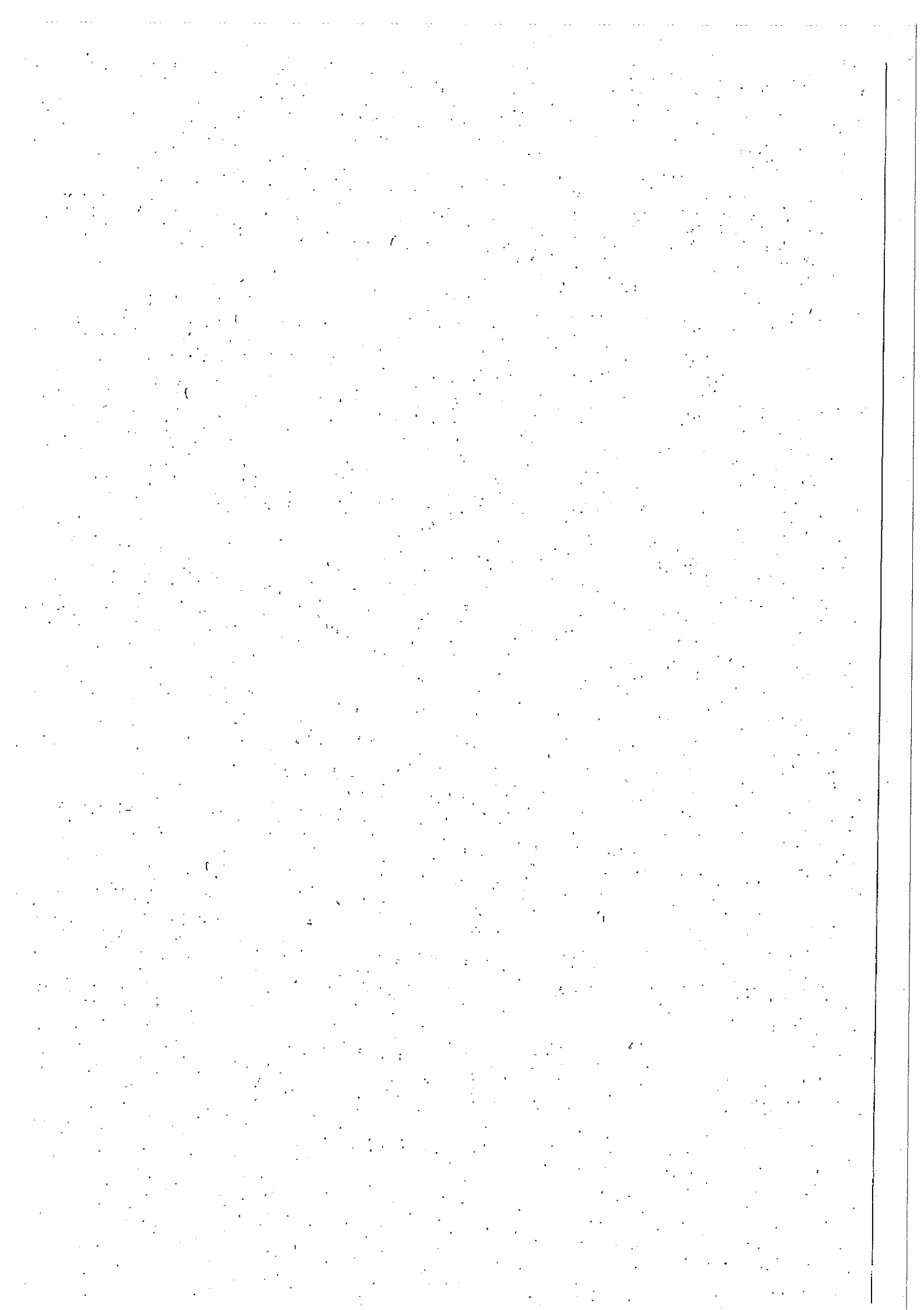
thanked all Steering Group members for their important contributions to the report but reminded again that 100% agreement on the final report would not be possible.

It was agreed that the report would be finalised following further offline discussions on the GT, berthing dues and the competitive response narrative between members, TS and the consultants.

The next meeting of the Steering Group would be agreed following the publication of the report.

End

Post Meeting Comments received from [REDACTED], DGFAG



GOUROCK-DUNOON FERRY SERVICES STEERING GROUP

Monday 27 October 2014, Argyll Hotel, Dunoon

Attendees

[REDACTED], Deputy First Minister
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Inverclyde Council
[REDACTED], Argyll & Bute Council
[REDACTED], Argyll & Bute Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland
[REDACTED], Transport Scotland

apologies

[REDACTED], Inverclyde Council
[REDACTED], Argyll & Bute Council
[REDACTED], Inverclyde Council
[REDACTED], Dunoon Gourock Ferry Action Group
[REDACTED], Inverclyde Council
[REDACTED], Transport Scotland

1. Welcome and Introductions

All members were welcomed by [REDACTED] to the ninth meeting of the Gourock Dunoon Ferry Services Steering Group. Round table introductions took place.

2. Minutes of meeting and matters arising

Revised minutes of the previous meeting had been circulated and were discussed. TS reported that all actions from eighth meeting had been undertaken or were progressing. Steering Group members were asked to submit any further comments to Transport Scotland (TS). DGFAG commented on the late arrival of papers including the first draft of the June minutes. TS advised papers would be supplied in a more timely manner in future.

ACTION : Comments on Steering Group minutes of 30 June 2014 were asked for before formal sign off.

explained to members that responses to a further two freedom of information requests had been published on TS website. Following agreement these minutes and those from 30 June 2014 would also be made publically available.

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

(i) Procurement options – GD SG 2014/2/1

At the Steering Group meeting of 30 June 2014, there was discussion of the possibility of using the competitive dialogue procedure for the next ferry service contract procurement. TS undertook to consider this and other procurement options and talked through the submitted paper.

updated that a decision on the procurement route (competitive dialogue or restricted procedure) will be taken as part of the procurement process which was now being led by a dedicated team within TS led by.

Steering Group members discussed the three main issues within the paper, namely the pros and cons of a competitive dialogue process, the current procurement rules that would govern any future options and the ever tightening procurement timetable. explained that competitive dialogue cannot be used to encourage bidders to come forward with a vehicle carrying service but that this could be done by other parties in parallel to the procurement process.

DGFAG members were not content that all had been done by TS to fully investigate and consult with the EU Commission on the future provision of service between Gourock-Dunoon. It was suggested that questions raised by the EC had not been fully answered. stated that she was satisfied that TS officials had thoroughly worked through policy issues and reiterated that all work had been carried out for the benefit of the community and in good faith.

There was a desire from the Action Group to fully respond to the EC and explore their current position. Discussions around this issue were had and reiterated the Scottish Government's policy that it would like to see a vehicle carrying service between Gourock and Dunoon town centre. went on to state that although this was the policy, the Scottish Government/Transport Scotland has to operate within the legal, commercial and procurement constraints set by the Commission and that there continues to be significant barriers to the delivery of such a service.

suggested pressure on the EC from additional sources such as MEPs should be brought to bear. There was discussion over whether future vessels would be required to be at least 40m, in line with the recommendation of the MVA report. There were concerns that TS would not require sufficiently robust vessels. confirmed that there was not a substantive disagreement on this point but that a clear wording would be needed. This would be returned to at the next meeting.

said that collectively there would have to be a sense of realism by all parties as to the hurdles involved and that the locus of this group was to inform procurement decisions on the most optimal service, for future commuters between Gourock and

Dunoon town centres. [redacted] agreed though that the EU Commission's letter detailed within GD SG 2014/2/1 did not 'close the door' and that in parallel with other work it should be responded to.

TS undertook to respond to the issues raised within the EU Commissions letter, detailed within GD SG 2014/2/1.

ACTION : TS to respond to EU Commission letter.

Members discussed the separation methodology of accounting as required by the European Commission for any future vehicle/passenger service. This was stated as a critical issue and as such TS agreed that a paper on the issue would be produced by the end of 2014.

ACTION : TS to produce a paper on the separation methodology of accounting as prescribed by the EU Commission for any future vehicle/passenger service by the end of 2014.

[redacted] observed that few conclusions could be drawn from the market engagement exercise last year as the responses tended to be contradictory and respondents had no clear view of Harbour Charges which were the main cost that would prevent a vehicle service. [redacted] added that TS were happy to consider further market engagement and would welcome the Steering Group's views on this matter.

ACTION : TS to consider further market engagement and would welcome further comments from Steering Group members.

(ii) Vessel procurement options – GD SG 2014/2/2 – addendum (see also previous paper GD SG 2014/1/3)

The paper sets out the options open to Ministers under the relevant EU legislation and guidelines for procuring new vessels for the service and is an addendum to GDSG/14/1/3 tabled at the last Steering Group meeting. Members noted the paper and welcomed its findings.

The Scottish Government's working assumption is that new-build vessels are needed, however SG cannot rule out that suitable options will emerge on the charter or second hand markets during the tendering process for the next operating contract. As well as this the SG could commit to building new purpose spec vessels for the route but could not however, require any future bidders to take them on. [redacted] noted that SG could build vehicle-passenger vessels and offer them to bidders to use either in vehicle-passenger or passenger-only mode.

(iii) Harbour charges options – GD SG 2014/2/3

[redacted] talked through the submitted paper. Discussions on the historic significance of CMAL's charges and their recently revised approach to the charging process were discussed. It was noted that the MVA report showed that the harbour authorities would receive significantly more dues from a vehicle-carrying service.

■ noted that an action to review what CMAL's harbour charges at Gourock would have been under their previous charging structure was included in previous minutes but had not been delivered. ■ noted that the MVA report included a scenario based on applying the CMAL's former charging structure to Gourock as a standalone port and that the previous action point had been overtaken as the MVA study had now completed and CMAL was not going to revisit its network-wide charging structure. However, he agreed that further consultation on the issue was needed and suggested a meeting between DGFAG, Transport Scotland, Argyll & Bute Council, Inverclyde Council and CMAL. ■ noted that Inverclyde Council had no locus in this matter.

ACTION : Meeting to discuss the approach of harbour dues in Gourock and Dunoon to be arranged between interested parties by TS.

DGFAG members submitted a report on harbour charges at Dunoon at the meeting which was handed to TS for review and information.

(iv) Options for next steps – GD SG 2014/2/4

The options outlined were discussed by Steering Group members and DFM reiterated that all members should be mindful of the issues and hurdles associated with SG's desired wish for a vehicle/passenger service. There is a need to also consider an optimal passenger only service to ensure that all options are considered.

■ explained that TS were the procuring authority and that they would continue with an open and transparent procurement process. SG was working in good faith with the Steering Group and both communities to find a way through the barriers of achieving a vehicle and passenger town centre to town centre service.

A number of drafting amendments were proposed prior to publication.

Action: TS to circulate a revised version prior to publication.

4. Current contract issues:

(i) AFL performance – GD SG 2014/2/5

The submitted paper was reviewed by Group members and no comments received.

Two issues on the current service were raised:

- Better positioning and access through the safety barriers at Gourock pier was needed.
- Argyll Ferries Improvement plan – one previously submitted document. Progress report and updated improvement plan sought.

ACTION : TS agreed to raise both issues with AFL.

(ii) Proposed winter services during Wemyss Bay works – GD SG 2014/2/6

Paper was noted by Steering Group members.

5. AOCB

All Steering Group members wished the [REDACTED] the very best for the future and thanked her for her attendance as chair of the Group.

The Action Group submitted a paper on pier charges at Dunoon Harbour which was retained by TS

6. Next meeting

[REDACTED] suggested keeping this open for now pending progress on the various issues discussed.

End

**February 2015
Transport Scotland**

