

## **PAPER ISSUED FOR INFORMATION ONLY**

### **NORTHERN ISLES FERRY SERVICES - EXTERNAL**

#### *Current contract*

1. The Scottish Government directly subsidise ferry services from the mainland to Orkney and Shetland through the Northern Isles Ferry Services (NIFS) contract. These consist of passenger orientated, and freight orientated, services from Aberdeen to Lerwick and Kirkwall and passenger and freight services across the Pentland Firth between Scrabster and Stromness.
2. All of these services are currently operated by Serco Northlink Ferries (SNF) on behalf of Scottish Ministers through the NIFS contract. The contract is worth £223 million over 6 years and runs from 5 July 2012 to 25 April 2018.
3. The services carried around 300,000 passengers and 60,000 cars in 2015.

#### *Next contract*

4. Through the Our Islands Our Future work and following publication of the Empowering Scotland's Island Communities prospectus in June 2014, Transport Scotland has been working closely with Orkney and Shetland Islands Councils and other key stakeholders regarding the next NIFS contract, due to commence in April 2018.
5. In December 2015, Transport Scotland commissioned transportation consultants Peter Brett Associates to conduct a comprehensive STAG (Scottish Transport Appraisal Guidance)-based study to appraise the options for the specification of the next NIFS contract. This work is due to conclude later this year. Transport Scotland will also begin the procurement process for the next NIFS contract later this year.
6. The study is being overseen by a Working Group of key stakeholders, including Orkney and Shetland Islands Councils, Highlands and Islands Enterprise, HITRANS and ZetTrans. A wider consultation exercise with the public and other key stakeholders was conducted earlier this year.

### **ORKNEY & SHETLAND - INTERNAL FERRY SERVICES**

7. The 2012 Ferries Plan set out that the Scottish Government was willing to take on responsibility for the provision of lifeline ferry services. The Ferries Plan envisaged that any local authority wishing to transfer responsibility must also be prepared, where necessary, to transfer ownership of the ports and harbour infrastructure used.
8. Orkney and Shetland Islands Councils are currently responsible for the provision and funding of its own internal ferry services, including the funding of

vessels and harbours, which are, like other local government responsibilities, supported by the annual local government finance settlement.

9. Through the Our Islands Our Future work we have built a productive and cooperative relationship with Orkney and Shetland local authorities and the Empowering Scotland's Islands Communities (ESIC) prospectus gave a clear commitment to the continuation of joint working.

10. The ESIC prospectus indicated that *“the Scottish Government understands the significant financial challenges that can fall on individual Local Authorities, and is committed to the principle of fair funding in the provision of ferries and ferry infrastructure.”*

11. Transport Scotland officials are working closely with both Orkney and Shetland Islands Councils to take forward work which will allow us to meet these commitments. To that end we have been working closely with both Orkney and Shetland Islands Councils to take forward work which will allow us to meet this commitment. Transport Scotland are jointly working with the local authorities to consider the options and a STAG-style study is currently on-going and expected to conclude in the coming months.

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