

Islands Transport Forum

Report to Meeting of 25 October 2018

Northern Isles Internal Ferry Services Funding and Delivery Orkney and Shetland Inter Island Transport Studies – Outline Business Cases

Purpose of Report

The purpose of this report is to present the most up to date position on the work on funding and delivery of Northern Isles Internal Ferry Services with Scottish Government, Transport Scotland, Orkney Islands Council, Shetland Islands Council, HITRANS and ZetTrans.

Background

For number of years Orkney Islands Council and Shetland Islands Council, along with HITRANS and ZetTrans, have been engaging Scottish Government and Transport Scotland on the principles of funding and delivery of inter island ferry services.

The underlying principle is that the provision and funding of inter island ferry services (and indeed inter island air services) presents an unsustainable challenge for the Councils in terms of the costs of running services and the costs of capital investment required to maintain and improve services where needed. For the Clyde and Hebrides network (much of which provides the same purpose as the Northern Isles inter island services) this challenge is met directly through Scottish Government funding.

The principle is perhaps best summarised through the March 2016 update of 'Empowering Scotland's Island Communities' which stated *"The Scottish Government is committed to the principle of fair funding in the provision of ferries. This is particularly true in relation to the revenue and ferry replacement costs of both Orkney's and Shetland's internal ferry services. The Scottish Government is fully engaging with both Councils on this issue and will be considering their proposals in detail in order to achieve that fair funding position"*.

In over the course of late 2015 to late 2016 each of the Councils undertook inter island transport studies adopting STAG and Transport Scotland Business Case methodologies. The studies culminated in the production of Inter Island Transport Strategic Business Case for each of the archipelagos.

These cases underpinned dialogue with Transport Scotland and Scottish Government Ministers and successfully supported the provision of additional funding to the Councils to support the costs of providing service in the current financial year 2018/19.

The Councils continue to work with Scottish Government to secure funding for financial year 2019/20.

Current Position

HITRANS and ZetTrans have commissioned consultants to support the Councils in developing the Outline Business Cases for inter island transport services and infrastructure which will form the basis of longer term funding and delivery options from 2020/21 and beyond addressing both revenue and capital investment needs. The work is intended to be jointly funded by Transport Scotland, Orkney Islands Council, Shetland Islands Council and Highlands and Islands Enterprise. A summary of each commission is: -

Orkney Inter-Island Transport Study: Outline Business Case

HITRANS have led a procurement process with input from Orkney Islands Council and Transport Scotland to commission a consultant to undertake the capital Outline Business Cases in relation to inter-island transport to the following island groups of the Orkney Islands:

- Outer North Isles
- Rousay / Egilsay / Wyre

The scope also includes the undertaking of an Outline Business Case for the revenue budget for the Orkney Network as a whole.

Following the assessment of tenders, Transport consultants Peter Brett Associates have been appointed and the initial client group meeting took place in September. The post award inception work has identified a need to extend the overall timescale for the full OBC into 2019/20 but the revenue OBC work will be completed by March 2019.

The project will be overseen by a project Client Working Group consisting of HITRANS, Orkney Islands Council, HIE and Transport Scotland. The Client Group will be chaired by Orkney Islands Council.

Shetland Inter-Island Transport Study: Outline Business Case

ZetTrans has led a procurement process with input from Shetland Islands Council and Transport Scotland to commission a consultant to support the process of developing: -

- Capital Outline Business Case for the Fair Isle Ferry
- Capital Outline Business Case for the Whalsay Transport Link
- Revenue Outline Business Case for the inter island ferries network

Following the assessment of tenders, Transport consultants Peter Brett Associates have been appointed and the initial client group meeting took place in September. The OBC work will be completed by March 2019.

The issues arising out of the OBC work will be presented to a Working Group established by the Minister for Transport and Islands comprising Transport Scotland, Orkney Islands Council, Shetland Islands Council, HITRANS, ZetTrans and Highlands and Islands Enterprise.

Key Issues

Scottish Government has provided increased funding in the 2018/19 budget and has committed to working with the Councils to find a long-term funding solution for inter island ferry services ~~by~~.

Although this additional funding is very welcome, it falls significantly short of the ongoing revenue costs and has not so far addressed the capital investment required to sustain (and improve where needed) ferry services in the Northern Isles. The funding arrangements currently being considered by Scottish Government and Transport Scotland must take this into account.

The OBCs will establish the future service requirements and the associated revenue and capital requirements in detail which in turn will enable the Councils and Scottish Government to establish, with clarity and confidence, the funding and delivery models to be applied beyond the short term of next financial year, i.e. from 2020/21 onwards.

The two Councils are currently limited to planning service funding one year at a time which is preventing the ability to commit to projects and service development beyond the immediate term. In turn this is limiting the capacity to make optimal decisions in terms of maintaining existing assets and engage communities in the longer term perspective of island connectivity needed to support business and community resilience. This is having a detrimental impact on people and businesses.

Recommendation

1. Members are asked to note the report.
2. The Minister is asked to note the importance of establishing longer term position on funding for both revenue and capital (and any associated delivery mechanisms).

Report by: Michael Craigie / Ranald Robertson
Shetland Islands Council/ ZetTrans/ HITRANS
15th October 2018