

## **ISLANDS TRANSPORT FORUM – 9 MAY 2019**

### **AGENDA ITEM 5 – FERRIES PAPER**

#### **A) OUTER HEBRIDES STAG**

- The Scottish Government has made substantial investment in Western Isles Ferry services. As part of that, we have provided a dedicated vessel on the Mallaig-Lochboisdale route providing a daily return service through the summer. Furthermore, there have been additional sailings introduced on the Uig triangle since the Ferries Plan publication. We will be introducing new capacity on the Uig-Tarbert-Lochmaddy routes when the second of the new vessels (802) enters service. This is in addition to continuing to fund significantly reduced fares through RET.
- The Vessel Replacement and Deployment Plan (VRDP) keeps forecasted demand under review on an annual basis and helps develop long-term investment plans to meet this demand. The most recent Plan, published in January 2018, identified the Stornoway-Ullapool and Uig-Tarbert-Lochmaddy routes as ones where demand pressures were growing and committed to a comprehensive appraisal of future options, which is now underway.
- Transport Scotland has commissioned Peter Brett Associates (PBA) to undertake this work, in line with Scottish Transport Appraisal Guidance (STAG). They have been visiting communities throughout the Outer Hebrides to speak with ferry users, businesses, visitors and local representatives, as they look to identify and assess potential options for future investment and the provision of services. It is anticipated that the report will be completed in 2019.
- PBA have completed the appraisal work and are undertaking a further round of public meetings in May to present their findings.
- The final report, including the public feedback and cost to government, is expected to be completed by summer. This will feed into the next VRDP report. The options presented will be subject to discussion with the Comhairle and other stakeholders prior to the development of business cases for future development projects.

## B) VESSEL REPLACEMENT AND DEPLOYMENT PLAN

- The VRDP report for 2016 was published on 31 January 2018. This gives an overview of how existing, planned and prospective vessels could be deployed across the Clyde and Hebrides network to deliver the commitments set out in the Scottish Ferries Plan, and better address forecast demand.
- The next version of the VRDP is currently being drafted following receipt of updated ferry capacity forecasting on the ferry networks which were presented to Ferry Stakeholder Groups in December 2018.
- Key stakeholders will be consulted on the draft report in the next 2 months including the next round of Ferry Stakeholder Groups that will be held in June 2019.
- The VRDP will also take into account findings emerging from the Outer Hebrides, Mallaig - Armadale and Craignure STAGs. The final report including conclusions and recommendations will be considered by Ministers prior to publication later this year.
- The last VRDP published in 2018 focused on 4 priorities:-
  - **Oban – Craignure:** we have deployed a 2nd vessel in Summer (MV Coruisk) to ease capacity pressures. CalMac's intention is to cascade the MV Hebrides (Summer only) once 802 is in full service. Argyll & Bute Council have commissioned a Scottish Transport Appraisal Guidance (STAG) study of future redevelopment options for Craignure port. The findings have been shared with the Mull and Iona communities and a final report is close to completion.
  - **Mallaig – Armadale:** we have established the Mallaig - Armadale Infrastructure Working Group (MAIWG) to consider long term options. CalMac's intention is that the MV Coruisk will return to the route once the MV Glen Sannox is fully in service and the MV Isle of Arran cascaded. CMAL are leading a STAG study for both ports which is approaching completion.
  - **Outer Hebrides:** STAG study is concluding.
  - **Islay:** we have undertaken an assessment of vessel options and discussed this with the Islay Ferry Committee, Jury Community Council and other stakeholders. Argyll and Bute Council are completing an assessment of the engineering and cost requirements at Port Askaig to accommodate a larger vessel. CMAL have updated cost estimates for similar works at Port Ellen and Kennacraig. Design work on a new Islay vessel is underway and we intend to consult with communities again in 2019.

## **C) NORTHERN ISLES FERRY SERVICES PROCUREMENT**

### **Tender process timeline**

- The tender deadline was 29 April 2019, bids received will now be assessed in line with the terms set out in the ITT with a view to awarding a new contract in mid-summer ahead of the new service period commencing on 31 October.
- It should be noted that although the petition for Judicial Review of the decision to tender has been rejected by the Court of Session, a similar complaint has been sent to the European Commission, the outcome of which could have implications for the tender and future contract. We await the European Commission's decision on these matters.

### **Expert Panel to support tender assessment**

- The assessment of tenders is a strictly controlled and confidential procedure within Transport Scotland, the terms and processes of which are clearly set out in the ITT. Transport Scotland, as the contracting authority, is solely responsible and accountable for the conduct and confidentiality of the tender procedure. It is neither possible, nor indeed appropriate, for third parties to receive copies of commercially confidential bids, or for those parties to be involved in influencing the assessment of those bids and the eventual outcome of the competition.

## **D) RET UPDATES**

### **Northern Isles**

- The 2016 SNP manifesto stated that this Government will take action to reduce ferry fares to Orkney and Shetland.
- The then Minister for Transport and the Islands, Humza Yousaf MSP, subsequently announced in August 2017 plans to reduce passenger and car fares within the first half of 2018, through the application of Road Equivalent Tariff.
- Significant and genuine efforts were made to reduce fares on all ferry services to Orkney and Shetland within the planned timescales. However the presence of commercial operators on the Pentland Firth and the need to satisfy strict State aid and Competition rules has complicated matters.
- Reducing fares on ferry services on the Northern Isles ferry network remains a top priority and we will continue to pursue all avenues to deliver Road Equivalent Tariff, but given a State Aid complaint has been made to the European Commission by a private business regarding the introduction of RET we need to await the outcome of that process.
- We are fully engaging with the Commission to establish the way forward. Officials had a positive meeting with the Commission in Brussels on 12 November 2018. The Commission are considering further and will be contacting the Scottish Government for further information, clarification and discussion.
- Passenger and car fares on routes to Shetland (Aberdeen-Lerwick and Kirkwall-Lerwick) were reduced by 20% on 30 June 2018, which is possible as it does not affect Orkney services. Any reduction of more than 20% on Shetland services would risk distorting Orkney services, and therefore cannot be done at this time.

### **Clyde & Hebrides**

- RET has been hugely successful, providing a welcome boost to passenger numbers since its introduction on Clyde & Hebrides ferry services was completed in 2015.
- A network-wide evaluation of the impacts of RET, both positive and negative, has been commissioned by Transport Scotland, and is due to report around the end of the year.
- The results of the evaluation will inform future policy around RET.

## **E) FUNDING AND DELIVERY OF LOCAL AUTHORITY FERRY SERVICES**

- The Scottish Government understands the significant financial challenges that can fall on individual local authorities in respect of internal ferry services.
- Following positive engagement with the Cabinet Secretary for Finance, Economy and Fair Work, the Minister for Energy, Connectivity and the Islands was able to secure funding support of £10.5 million for local authority ferry services within the Scottish Budget for financial year 2019-20.
- Orkney Islands Council received £5.3m and Shetland Islands Council £5.2m. This brings the total additional support provided for Orkney & Shetland's internal ferry services over the past two years to £21 million.
- Discussions to establish long term solutions are continuing through the existing Working Group. Outline Revenue and Capital Business Cases are due to report by the end of June, which will inform discussions about the way forward.
- The Ferries Plan states that the Scottish Government could assume responsibility for Local Authority ferry services, at no net detriment to the Scottish Government. It noted that ultimately a transfer may not go ahead as the Scottish Government cannot guarantee to be in a position to provide additional funding. This offer to consider a transfer remains under the same principles.
- Discussions are continuing with Argyll & Bute Council regarding a potential transfer of responsibility of their four internal ferry services.