

Report to Partnership Meeting 14 September 2018

CONSULTATION

Rural Economy and Connectivity Call for Views - CHFS

Purpose of Report

To seek approval from Members for the draft response prepared by HITRANS

Background to Call for Views

Parliament is moving towards a 'full-year approach' to considering the Scottish Government's budget. This means an element of budget scrutiny will be built into all work conducted by the Rural Economy and Connectivity Committee. The Committee will also continue to carry out budget scrutiny into specific topics. At its meeting on 27 June 2018, the Committee agreed to focus its budget scrutiny on investment to support Clyde and Hebrides ferry services and the impact this has on the wider rural economy in areas served by these services.

The Ferries Plan makes recommendations regarding:

- where investment should be focused to improve connections for island and remote rural communities
- improving reliability and journey times
- seeking to maximise the opportunities for employment, business, leisure and tourism
- promoting social inclusion

The Ferries Plan also sets out proposals to develop ferry services and assets between 2013 and 2022, at an estimated cost of £390 million in capital and £10 million a year in revenue.

In addition, Transport Scotland's [Vessel Replacement and Deployment Plan \(VRDP\)](#), produced in 2016, gives an overview of how existing, planned and prospective vessels could be deployed across the Clyde and Hebrides ferry service network to deliver the commitments set out in the Ferries Plan and better meet forecast demand. The VRDP informs Scottish Government consideration of new vessel and harbour investments.

Questions in Call for Evidence

In particular, the Committee would like to know:

1. Is the current and proposed level of investment in vessels procurement and port infrastructure enough to ensure the resilience of the Clyde and Hebrides ferries network in future years?
2. Has sufficient investment been made to handle increased demand and passenger numbers, particularly since the introduction of the Road Equivalent Tariff? What impact could state aid and procurement rules have on ferries investment?

3. What would be the impact on services and island life if ferry services are not appropriately funded?
4. Do you have any concerns about the accessibility of ferries and port/harbour facilities and, if so, what investment might be needed to address these concerns? ('Accessibility' in this question means that anyone with a disability or mobility issue is able to access Clyde and Hebrides ferries, ports and harbours without difficulties.)
5. What level of priority should the Scottish Government give to funding Clyde and Hebrides ferry services within the overall transport budget, which also covers spending on other transport modes, including trunk roads, rail, aviation, buses, walking and cycling and low carbon vehicles? Please specify whether it should be high priority, medium priority or low priority and describe your reasons.

HITRANS Response to Call for Views

The draft HITRANS response to the Call for Views is included in the appendix to this report. Members and Advisors are asked to consider the detail and input any thoughts, comments or points they would like officers to include in a final draft for submission. The Committee has kindly agreed to receive a finalized HITRANS response after our meeting recognizing the benefit that a response that has been considered by the Board offers over an officer only response.

RISK REGISTER

RTS Delivery

Impact – Positive

Comment – The Call for Views offers an opportunity to help shape the future direction of how ferry services are funded and delivered.

Policy

Impact – Positive

Comment – The Call for Views offers an opportunity to help shape the future direction of how ferry services are funded and delivered.

Financial

Impact – Neutral

Equality

Impact – Neutral.

RECOMMENDATION

Members are asked to approve:

1. Note the report.
2. Consider the draft response to the call for views and suggest areas that might be added or changes to the draft response.

Report by:	Ranald Robertson
Designation:	Partnership Director
Date:	5 th September 2018
Background Papers:	Appendix A – Draft response to REC Call for Views on CHFS

SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE

DATA PROTECTION FORM

Name:	Ranald Robertson
Date:	7 th September 2018
Organisation: (if required)	The Highlands and Islands Transport Partnership (HITRANS)
Topic of submission:	Strategic Investment in Clyde and Hebrides Ferry Services

I have read and understood the privacy notice about submitting evidence to a Committee.

I am happy for my name, or that of my organisation, to be on the submission, for it to be published on the Scottish Parliament website, mentioned in any Committee report and form part of the public record.

I understand I will be added to the contact list to receive updates from the Committee on this and other pieces of work. I understand I can unsubscribe at any time.

Non-standard submissions

Occasionally, the Committee may agree to accept submissions in a non-standard format. Tick the box below if you would like someone from the clerking team to get in touch with you about submitting anonymously or for your submission to be considered but not published. It is for the Committee to take the final decision on whether you can submit in this way.

I would like to request that my submission be processed in a non-standard way.

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

DRAFT BUDGET 2019-20

SUBMISSION FROM THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP (HITRANS)

Do you think the current and proposed level of investment in new ferries and port infrastructure is enough to ensure the resilience of the Clyde and Hebrides ferries network in future years?

No

We accept that the level of investment in new ferries has increased in recent years and in information provided to Ferry Stakeholder Groups by CMAL there has been some reassurance that the recent level of investment in port improvements including at Ullapool, Stornoway, Colintrave, Wemyss Bay, Brodick, Oban and planned investment at Lochmaddy, Uig, Tarbert, Ardrossan and Craignure will if maintained be sufficient capital investment to ensure fit for purpose port infrastructure across the network. Similarly, for ferries there has been a step up in investment in new build ferries since 2010 with four new major ferries delivered or in build and three small ferries built in this time. However, the previous period of underinvestment allied to badly focussed investment choices where the investment in more new ferries and a net increase in the fleet to improve frequency and accessibility has not been favoured by Scottish Government limiting the benefit derived from that investment. To overcome the period of underinvestment there needs to be a short term increase in spending on ferries and infrastructure to provide an appropriate and fair level of service on lifeline routes to island communities.

When reviewing the investment choices made by CMAL, Transport Scotland and CalMac both before and since the inception of the Tripartite Network Strategy Group there have been a number of decisions that have provided more limited network benefits than could have been achieved had different choices been taken. There has been a lack of engagement with communities and stakeholders before decisions that have a far-reaching impact on the social and economic wellbeing of island communities. The absence of a full STAG appraisal with emphasis on objective led decision making embedded in consultation with communities is a real concern when viewed alongside aspirations for empowering communities. We have seen STAG work undertaken in the past to inform ferry decision making but the results of these exercises have not been taken on board by those making investment choices. Two examples of this are:

Stornoway to Ullapool ferry service options – From 2002 to 2015 this route was served by MV Isle of Lewis with a separate freight vessel operating overnight. As it became evident that capacity on the passenger service was becoming constrained MVA Limited were engaged to undertake a STAG on options for increasing capacity. At public engagement events the views of local stakeholders were gathered and the overwhelming majority was clear that a 2-ferry service would be the preferred solution and this could be achieved by replacing the freight ferry with a new build roll on roll off passenger ferry to operate alongside MV Isle of Lewis. This would have allowed a minimum of four return journeys to operate throughout the year on the route with options to increase this to as many as 6 return sailings on certain days of the week or to operate five return sailings on most days in the summer. Such a transformational change in service delivery would have afforded capacity for both freight and passenger traffic to grow. Despite the STAG study reflecting this strong local desire and recommending the 2-ferry option as the best solution this recommendation was overlooked in favour of a single large ferry with associated port investment. MV Loch Seaforth was ordered giving a significant like for like increase in capacity on MV Isle of Lewis but not when compared to the previous capacity offered by MV Isle of Lewis and Clipper Ranger freight ferry. MV Loch Seaforth cannot deliver the same frequency of passenger service with the loss of additional peak season

thrice daily return journeys. Audit Scotland in their ferry service performance audit confirmed that the port investment to accommodate MV Loch Seaforth came at a capital cost of £31 Million. The build cost of MV Loch Seaforth is believed to be £44 Million but this vessel is financed through a lease with Lloyds Banking Group. To build a second ferry to operate alongside MV Isle of Lewis could have been achieved for a cost of less than £30 Million and would have avoided any port investment. Such a vessel could have been of similar scale to MV Hebrides which would have provided much greater fleet flexibility. Instead the Stornoway route is completely reliant on a single vessel that cannot serve any other route on the network. Two new build vessels could have been built for less than the port and vessel investment that was required to deliver MV Loch Seaforth. There are arguments in favour of the single vessel in terms of environmental / fuel savings and crewing costs. However, the former would have been offset to a large extent by the capacity benefit and new cleaner engine technologies. The 2-new ferry option could have provided a good opportunity to develop a better crew to passenger ratio than is currently the case across CHFS operations when compared with other ferry operators and this has been a subject of regular discussion at the Expert Ferry Group. Had two new ferries been designed to be as efficient as possible it is a perfectly reasonable hypothesis that this could have been achieved with a similar crewing complement as for the single MV Loch Seaforth.

Lismore – Following discussion with island community representatives and other local stakeholders regarding a desire within sections of the Lismore community for the island's vehicular ferry service to operate on the short crossing between Point and Port Appin rather than the current (longer) CalMac route from Achnacroish to Oban a STAG study was commissioned by CMAL in partnership with Calmac Ferries and Argyll & Bute Council. This STAG again followed the objective led process, consulted local community interests and key stakeholders. Three options (Option 2a - Port Appin Ro-Pax ferry with Lismore - Port Appin – Oban bus; Option 2b - Port Appin Ro-Pax with Oban passenger ferry; and Option 3 - retention of existing service pattern with new vessels and improved terminal facilities) were taken forward to the Part 2 Appraisal. Overall, Option 2a was found to be the most favourable of the options considered. Both Option 2a and 2b offered significant user benefits. In addition, in the longer term, it was found that Option 2a would require less annual operating subsidy as it depends on a single vessel.

The recommendation of developing a roll on roll off car and passenger service between Lismore and Port Appin has not been progressed at all nearly a decade on. CMAL have now indicated that the slipway in Oban from which the Lismore ferry operates needs capital investment (estimated at £3 Million) yet there appears to be no consideration of returning to the option favoured in the earlier STAG. The Ferries Plan recognises the need for investment in the road to Port Appin as well as facilities at both ports but there is clearly a case to consider this investment now as a better long term solution than investing in the status quo which it is hard to believe does anything other than making the shorter crossing less likely to be delivered.

The recent decision to place a contract for vessel 801 and 802 to provide a 25 – 30% increase in capacity from current vessels on the Ardrossan to Brodick, Lochmaddy to Uig and Tarbert to Uig ferry services represents an estimated investment of over £200 Million in ports and vessels without any STAG appraisal or meaningful engagement with communities to understand if these solutions either best meet transport planning objectives for the islands of Arran, Harris & Lewis, North Uist, Berneray, Benbecula, South Uist and Eriskay. Had a STAG appraisal been undertaken stakeholders including HITRANS would have contributed a view that the best solution would have been to provide dedicated vessels that could operate from the existing infrastructure (and other ports on the network) for the two routes across the Little Minch. The 'Triangular' ferry route was a step change in ferry service provision to the Outer Hebrides when the hoist loading MV Hebrides was introduced on the short sea crossing from Uig in the Isle of Skye to Lochmaddy in North Uist and Tarbert in Harris in 1964. This saw daily services introduced replacing the long sail from Kyle of Lochalsh. The connection between North Uist and Harris was a welcome development offering the opportunity for travel between those islands and for passengers to travel from Uig via the other island to improve

connections to the mainland using Skye as the land bridge. The route ceased to be a triangle in any meaningful sense with the introduction of the Sound of Harris car ferry in 1996 which also provided additional timetabling opportunities for the MV Hebridean Isles. The current MV Hebrides entered service in 2001 providing a 30% increase in capacity. This increase was pre-RET and the post RET growth has led to constrained capacity on the route. With the introduction of the Vessel Replacement and Deployment Plan providing better intelligence on future demand forecasting the need for greater capacity to Uist and Harris was identified as an early priority for the major vessels fleet. HITRANS would support this conclusion but our contention would be that an opportunity has been deferred by not at this point making the natural step change in provision that would only be possible by introducing a new ferry to operate alongside MV Hebrides. A similar ferry to MV Hebrides would deliver a 100% increase in route capacity. There would have been the opportunity to use this second ferry to cover for relief events and as part of the cover during maintenance cycles when a single vessel shared operation on both routes could be provided for a quieter period of the year (perhaps for a fixed 6 – 8 week period). The cost of this new build vessel would be £30 Million. There would be a need for port investment but on a much-reduced basis than is planned for the introduction of hull 802 with the focus being on Uig where the vehicle marshalling area would need to be configured for the two vessel operation and a breakwater / wave shield has been a longstanding aspiration of the Uist and Harris communities. Even with a port investment of as much as £20 Million there would still be a saving of at least £50 Million from the single larger vessel strategy that has been favoured by CMAL and Transport Scotland.

HITRANS recognise that the decisions taken on ferry service investment are complex and must consider a range of factors. We have heard and understand the rationale that has guided recent investment decisions and where we disagree with decisions taken trust we have shared that with colleagues at CMAL, Transport Scotland and CalMac Ferries Limited. What we are asking is that lessons are learned from past decision making processes and a more inclusive approach is taken in the future. This must have a foundation in Green Book principles and should be influenced by a robust appraisal methodology. As things stand STAG offers the best toolkit available to provide that need. The exclusion of communities from decisions being taken on the ferry services that provide their lifeline is unacceptable in a Scotland where we have set out a very different vision in the Fairer Scotland Duty and where the place for local input and guidance is enshrined in the Community Empowerment Act. A positive step has now been taken by Transport Scotland in commissioning PBA to undertake a STAG appraisal looking at all the ferry services to and within the Outer Hebrides. While it is frustrating that such a STAG was not taken before over £100 Million was committed to port and vessel investment to deliver 802 and enable her to serve the routes across the Little Minch it is nevertheless the right direction of travel in making better informed decisions. A similar STAG exercise must be a priority for ferry services from Oban. This is urgently needed with capacity constraints affecting Mull and aging vessels being relied upon, particularly MV Isle of Mull. While Ministers have announced a new build ferry for Islay this reflects a natural progression towards meeting forecast demand in line with the recommendations of an earlier STAG process. The widespread welcome of this underlines the value and longevity of a proper appraisal process.

Has sufficient investment been made in vessels and port/harbour facilities to handle increased passenger numbers, particularly since the introduction of the Road Equivalent Tariff (RET) fares?

RET is a distance based fares structure, which ties ferry fares to the cost of travelling the equivalent distance by road. The formula for calculating RET fares involves a fixed element and a rate per-mile, based on independent research into the cost of motoring.

No

While investment levels have clearly received a greater priority in recent years this follows a long period of underinvestment particularly on routes served by larger ferries (classified as Major Vessels). RET has delivered positive results in growing the market and increasing traffic to and from our island communities. This demand side change is welcome and over the years it has been sustained. Achieving the supply side change to accommodate this traffic growth was always going to be challenging given capital costs and delivery timescales of new / larger ferries. This is complicated by the shallow draft restrictions that apply at many CHFS ports limiting the opportunity to bring in tonnage on a lease basis. The only new major vessel that has been introduced post introduction of RET on the route it serves is MV Loch Seaforth. Therefore, the current major vessel fleet is entirely made up of vessels designed to cope with pre-RET levels of demand. This has naturally brought challenges to the operator who have taken the interim step of sweating the assets as much as possible but the fleet is becoming increasingly stretched.

It is important that fleet investment is prioritised and this should focus on removing bottlenecks to each island community. Therefore, consideration should be given to identifying the islands where capacity is particularly constrained across a full operating day. Fleet flexibility should also be a consideration and this will mean working to extend the operational life of several current vessels. With little or no spare capacity within the current fleet it would be useful to see the fleet increase by at least one major ferry. In feeding into a STAG process HITRANS would suggest in addition to the new 90 metre ferry for Islay a build programme could be extended to include two 85 metre long RoPax ferries to serve Colonsay, Coll & Tiree and a new 85 metre ferry to provide reliable, dedicated and increased frequency between Lochboisdale and Mallaig. MV Clansman would become the main ferry for Barra while also providing some rotations to Mull while the smaller new build ferries were serving the Argyll islands. This would allow existing ferries to be cascaded to other routes in the network including the provision of a second RoPax to Stornoway, a dedicated ferry for the Uig – Tarbert; 2 large ferries serving Arran and the return of MV Coruisk to the Armadale service. The new vessels would see older vessels replaced as they become available with a net increase in the fleet of two ferries. This would provide a transformational impact on island accessibility and capacity across the network. Effort should be made to achieve efficiencies in crewing and fuel through the new fleet. For example, crossings to the Isle of Wight that have comparable sailing times with the Mull and Arran services are delivered by ferries with a crew of approximately 13 on vessels of higher capacity than the MV Glen Sannox will offer to Arran. Indeed, the CalMac service to Rothesay represents a similarly efficient operation to the Isle of Wight services already. This change in operation can be achieved incrementally with no loss of jobs as staff turnover naturally. While there will be a significant capital cost in renewing the fleet to meet the increased demand of RET this should be supported by undertaking a detailed analysis of the socio-economic benefit RET has delivered to island communities. The scheme has delivered exceptionally well for our fragile island communities and it is important that this benefit is measured.

What impact could changes to the application of EU state aid and procurement rules have on ferries investment - whether as a result of British exit from the EU or through some other change?

Changes to the UK's relationship with EU State Aid rules could impact on whether ferry services continue to be tendered. This is the subject of consideration by Scottish Ministers but clearly the key impediment to direct award is currently State Aid rules so a change in our relationship with these could alter how ferry services are delivered.

How might island life be affected, particularly access to essential services, if Clyde and Hebrides ferry services are not appropriately funded?

'Appropriately funded' in this question means that island communities are provided with the level of ferry service that they require to access day-to-day services and emergency services.

Ferry services are the lifeblood of island communities in the same way as roads are for communities throughout the country. In all but a very small number of cases ferries are the primary mode of access to island communities unless a fixed link has been provided. This is evident in the significantly higher number of people using ferry services to travel to islands. Ferries move goods and vehicles that sustain our island communities. A comparison with other areas is in how roads serve a community when compared to the role of rail.

Do you have any concerns about the accessibility of ferries and port/harbour facilities, and, if so, what investment might be needed to address these concerns?

'Accessibility' in this question means that anyone with a disability or mobility issue is able to access Clyde and Hebrides ferries, ports and harbours without difficulties.

The fleet of ferries on the Clyde and Hebrides routes are aging and do not always allow passengers to access all areas of the ship if they have reduced mobility. Fleet renewal will improve this and ferries such as MV Clansman do include lift facilities to multiple levels. Where passenger accommodation can be kept to a single level this can make achieving full accessibility easier so good vessel design is important.

Accessibility is not just whether all passengers can access all areas of a ship. It is important that we remain focussed on integration with other modes and the ease of that interchange for persons with reduced mobility. Improved ticketing and information can be significant drivers of a good journey experience. The Accessible Travel Framework has set an excellent policy direction and CalMac should be commended for the way they have bought into this important service consideration.

What level of priority should the Scottish Government give to funding Clyde and Hebrides ferry services within the overall transport budget, which also covers spending on other transport modes, including trunk roads, rail, aviation, buses, walking and cycling and low carbon vehicles?

High Priority

As set out above the CHFS network is a lifeline to many island communities. This was evident in the impact the loss of a single vessel (MV Clansman) caused earlier in 2018. Our island communities are completely reliant on having fit for purpose ferry services and now services are stretched and require well targeted investment. There is scope to achieve much within existing funding levels and efficiencies can be made at the same time as improving service levels and island accessibility. The Islands (Scotland) Act has underlined Parliament's recognition of the value and contribution our island communities make and it is essential that lifeline ferry services deliver for the communities they serve. To this end there needs to be a greater influence from island communities to ensure that the right investment choices are taken and the decisions made empower our islands.

Looking at the entire network of Scottish Government funded ferry services we should underline that the availability of an expanded fleet of ferries would offer an opportunity to share relief cover between CHFS and Northern Isles Ferry Services where there are concerns that the annual dry dock requirements on those services will also require adequate cover.