

Report to Partnership Meeting 26 April 2024

CONSULTATION

Islands Connectivity Plan

Purpose of Report

To share with Members the draft response by HITRANS to Transport Scotland's Consultation on the Islands Connectivity Plan.

Background

The Islands Connectivity Plan (ICP) is intended by Scottish Government as the replacement for the Ferries Plan which was published in December 2012. The ICP is broader in scope, taking account of aviation, ferries and fixed links, and onward and connecting travel.

The ICP has been in development for a number of years with most activity taking place in 2023.

The Islands Connectivity Plan will set out how ferry services, supported by other transport modes, will be delivered and strengthened, working towards a long-term vision, and supported by clear priorities and defined outcomes. The Plan will comprise an overarching Strategic Approach, supported by a number of delivery plans.

The first of these delivery plan papers were published on 31 January 2024. These are the Strategic Approach and an updated Vessels and Ports Plan.

Consultation

The Strategic Approach paper proposes Government's overall Strategic Approach to island transport connectivity including ferries, aviation, fixed links and, especially, addressing the strategic challenges facing the Clyde & Hebrides Ferry Services and Northern Isles Ferry Services.

The updated Vessels and Ports Plan provides detail on the Scottish Government's objectives for the Clyde & Hebrides Ferry Services and Northern Isles Ferry Services which the Scottish Government is directly responsible for.

Key actions set out in the Strategic Plan include:

- Improving the reliability of our ferry services by modernising the CMAL fleet, reducing the average age of the vessels to around 15 years by the end of the decade.
- Building the resilience of the ferry network by increasing standardisation of vessels and ports.
- Refreshed transport connectivity needs assessments for island and peninsula communities served by the Clyde & Hebrides and Northern Isles Ferry Services.
- Detailed appraisals of fixed link proposals for Sound of Harris, Sound of Barra and Mull.

- Alongside the draft ICP Strategic Approach, a refreshed Vessels and Ports plan for the Clyde & Hebrides and Northern Isles Ferry Services has also been published. Both documents are being covered in Public Consultation exercise that was launched by Transport Scotland on publication of both documents.

The draft HITRANS response to the ICP Consultation is included as an Appendix to this report. There are a number of areas that overlap with the topics covered through the CHFS 3 consultation. The matters covered in the HITRANS response are:

- Potential Removal of RET Fares for Non Island Residents
- Local Authority Ferries Capital Investment
- Ferry Fares for Under 22s

Risk Register

RTS Delivery

Impact - Positive

Comment – The ICP process and Consultation offer an opportunity to shape island connectivity to help deliver better outcomes for lifeline transport links.

Policy

Impact - Positive

Comment – Connectivity is critically important to island and peninsular communities and the slow pace of delivering new vessels identified in the Ferries Plan has been a particular strain on island communities in the last decade. This document is a positive step forward in framing future investment.

Financial

Impact – Neutral

Equality

Impact – Positive

Comment – Improving accessibility is an important part of the Consultation.

Recommendation

1. Members are asked to note the report.
2. Members are asked to consider the draft consultation response and suggest amendments to be made.
3. Members are asked to approve a proposal that following comments from Members and Advisors a final draft response be prepared by the Partnership Director for submission ahead of the Consultation deadline of 3 May 2024.

Report by:	Ranald Robertson
Designation:	Partnership Director
Date:	15 th April 2024
Background Paper:	Appendix – CHFS3 Consultation Response

APPENDIX A – HITRANS Response to Islands Connectivity Plan Consultation

POTENTIAL REMOVAL OF RET FARES FROM NON-ISLAND RESIDENTS

Fares have significantly reduced and made Scottish islands more accessible to everyone through the Road Equivalent Tariff (RET). The introduction of RET has been successful in growing demand for travel on the CHFS networks. However, this success was not reinforced with timeous introduction of new vessels to replace life expired tonnage or to increase frequency. This has left a perception that increased demand for travel on the network is a bad thing.

The role of RET fares in increasing visitor activity is evidenced in the 2020 report “Evaluation of Road Equivalent Tariff on the Clyde and Hebridean Network”. It states that RET fares have seen “growth in visitor numbers, expenditure and the length of the season”. It also states that “the visitor spend data.....suggest that visitors are spending fairly substantial sums of money on the islands”.

We support the principle of RET. We also support its extension to the Northern Isles services and local authority operated services. That will ensure that these communities are treated on the same basis as those elsewhere in the HITRANS area.

For the CHFS network we are of the view that islander fares should not be increased from the current RET levels.

There is some scope to increase the current fares for non-islanders during the summer timetable. However, that should not be on routes of low frequency (i.e. 1-2 return sailings per day) because of the lack of reasonably close substitute sailings for users to switch to. Where fewer than five daily return sailings are operated on a route the application of a peak tariff should not apply to more than one set of return crossings (i.e. an inward and outward service).

Capacity constraints impose costs on our island communities. We would therefore also support the introduction of price incentives to encourage off-peak travel.

We believe that islanders and non-islanders should pay the same fare during the winter timetable. Increasingly, lengthening the visitor season is an aim of tourism organisations. Having visitors paying the same fare as residents in the winter - and possibly in early and late summer - would contribute to growing the tourist season and help to reduce capacity constraints in the peak visitor months.

There is also scope to vary the fares for cars according to vehicle length. That would properly reflect the amount of deckspace taken up by each one. This change would simply be a reversion to the length-based car fares that existed prior to RET.

The scale of any fare increases for non-islanders would have to be evidence-based, as would any reductions in existing fares. In particular, the benefit versus cost ratio of RET fares needs to be properly understood.

There is a need to ensure that fare levels do not undermine what are already fragile economies. This particularly applies to tourism. As an example, the most recent (2017) Outer Hebrides Visitor Survey shows around 219,000 visitors to the islands in that year. Some 177,000 were either leisure visitors or Visiting Friends and Relatives. Most will have travelled by ferry rather than air.

In 2017 the average spend in the Outer Hebrides per non-business visitor was £317 (which is £394 in today's prices). The average party size was 2.5 visitors. Thus, in 2017 the average tourism spend per party was £792 (£985 in today's prices). That is the amount of spend that could be lost to the Outer Hebrides if the level of fare increases for non-islanders led to a visitor party choosing not to visit.

Ferry fares themselves increase the total expenditure that visitors make during their trip. In the Outer Hebrides the summer 2024 RET fares (rounded) for a return for car and two passengers are all above £100:

- Uig-Lochmaddy: £103.
- Ullapool-Stornoway: £166.
- Oban-Castlebay: £231.

Some visitors also use the inter-island ferries to travel between different parts of the Outer Hebrides and thus spend further money on ferry fares.

It is generally recognised that many of the CalMac routes serve islands where tourism is a very significant part of the economy. That is in a context where many islands are seeing continued population decline - including the loss of young people.

Research is required to better understand the impacts of potential fare increases for non-islanders. That could include:

- Revisiting the findings of previous RET evaluations.
- Repeating previous fare price elasticity exercises.
- Obtaining data - including by survey if required - on the current split of traffic between islanders and non-islanders on each route.
- Using more detailed data to break volumes down by the various categories that comprise "cars" - e.g. LGVs, motorhomes.
- Investigating how a more accurate measure of vehicle capacity utilisation could be devised. That would give a better understanding of the extent of current capacity constraints.

The findings and conclusions from the research should then be the subject of a consultation. That would help to identify issues and potential disparities or anomalies.

There are, of course, other solutions to addressing vehicle capacity constraints apart from fare changes. Introducing more smaller ferries would provide greater overall capacity - and without requiring major port investments.

In terms of eligibility for islander fares we would support the inclusion of island residents who are currently students and live at mainland addresses during term-time. That would mirror the eligibility criteria for Scottish Government's Air Discount Scheme. There is a view that reduced fares for students encourage them to make more visits back home and thus, by maintaining the connection, they are more likely to return to live there when they complete their studies.

People who work on an island, but do not live there could be eligible for islander fares if they work in sectors of the economy with recognised labour shortages - e.g. education, healthcare.

LOCAL AUTHORITY FERRIES CAPITAL INVESTMENT

Introduction

It is very disappointing that the Islands Connectivity Plan does not include the ferry services operated by/on behalf of local authorities. That is despite the consultation documents acknowledging that the challenges these services face are the same as those faced by services directly funded by Scottish Government. The consultation documents make the following statements (*emphasis added*):

“Although not covered by this Plan, local authority ferry fleets face similar challenges to those facing the CHFS and NIFS networks”.

“The costs of providing ferry services are high and rising creating an affordability challenge for both the Scottish Government and local authorities”.

“Many Scottish ferries – CHFS, NIFS and local authority ferries – are ageing and some are overdue for replacement. This makes them more likely to break down and it can take longer to repair them when specialist parts are needed. Many ferry ports are also in need of major renewal or replacement works”.

“A collaborative approach between all local authorities and Transport Scotland will be essential going forward to enable for more sustainable island transport connectivity.”

The case for investment in local authority ferry services must always be considered alongside the CHFS / NIFS investment need.

Funding of the Services

The overall aim of the Councils is an outcome that would put the funding and operation of the ferry services on a stable and sustainable long term basis. That is, through revenue funding to cover service operation plus capital funding for new vessels and harbour infrastructure.

The key issue for the local authorities of Orkney, Highland and Argyll and Bute (and also for Shetland) is capital investment to support resilience on their lifeline ferry services. That is for both new vessels and infrastructure.

This would also include greater sailing frequency and longer operating days on services in Argyll and Bute and Orkney. That would be based on Transport Scotland’s recently revised Routes and Services Methodology.

Age of Vessels

There has been long-term underfunding of the vessels and infrastructure of the local authorities’ ferry services.

The scale of the challenge and the urgency of the situation reflects **the significantly older vessels**

operating local authority ferry services compared to those in the CMAL fleet. The Table shows the much older age profile of vessels in the local authority fleets compared to the CMAL fleet, with many vessels operating beyond their intended life.

	Mean Age (Years)	Median Age (Years)	Percentage of Vessels over 30 years old
CMAL	25.5	27	38%
Orkney	31.4	34	70%
Highland	35	35	50%
Argyll and Bute	34	30	25%

Neither Orkney and nor Argyll & Bute have seen a new build vessel introduced to their fleet this century. Further, there is almost no new tonnage on order in the three local authority fleets.

With ageing ferries, the capital cost to replace the local authority vessels is far in excess of the level of capital expenditure that can be supported by General Capital Grant.

Case for Capital Investment In New Vessels and Harbour Infrastructure

The case for investment reflects:

In particular **the age of current vessels** – both *per se* and compared with those in the CMAL fleet.

The need for harbour upgrades to make the infrastructure fully fit for purpose and accommodate new vessels as these are added to the fleets, and which offer climate change resilience.

The need to maintain vessel reliability, reduce current maintenance and repair costs and remove the current challenges in obtaining replacement parts due to the age of the vessels. Increasingly, outages can last many weeks. This has left some communities with no or very limited ferry services with negative economic and social impacts. For example, in 2023 Corran Ferry's vehicular service was more or less suspended for a whole year as the two vessels suffered technical faults and repeated breakdowns.

The need for ferry services that fully enable people to live and work in the islands/areas served while also providing access to services and opportunities elsewhere.

The need to meet accessibility legislation and provide acceptable passenger comfort in the context of an ageing population in the areas/islands served by the ferries.

Procurement of new ferries that will offer alternative fuel opportunities.

Priorities

Local Authority	Summary of Requirements and Capital Costs
Orkney	The immediate priorities are replacement of the four vessels serving the outer North Isles and the replacement of the ferry which serves Rousay, Egilsay and Wyre - plus associated pier infrastructure upgrades. Replacement of all existing vessels over time and related infrastructure upgrades. The cost is estimated at between £840 million and £956 million
Argyll and Bute	A new vessel on the Jura service, cascade of current Jura vessel to Luig service and introduction of a light fixed link for Easdale. Estimated cost of £25m - £50m

Highland	A new vessel on the Corran service and upgrade of slipways. £52m if a single new ferry, £70.5m if two new vessels were procured
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A potential funding structure would be for UK Government and Scottish Government to provide capital funding. That would be via the Levelling Up Fund and/or a new Objective One type arrangement that recognises the special circumstances of the Highlands and Islands in the UK context. A possible model would be for UK Government to provide 40% of the funding and Scottish Government to provide the remainder (i.e. a further 60%).

FERRY FARES FOR UNDER 22s

We welcome that there will be detailed consideration of proposals to introduce free foot passenger travel for under 22-year-old island residents. However, this should not be limited to inter-island ferry services within the Outer Hebrides, Orkney, and Shetland.

We wish to see the extension of the under-22s Concessionary Travel Scheme to passengers on ferry and air services where these are the main or only mode of public transport in an area.

Air services are included because they provide rapid access to areas with a larger range of services and activities. They also provide day trip opportunities from some islands where these are not possible by ferry.

The case for free ferry passenger fares (and free air travel from some islands) for residents aged under 22 years is that it would:

- Treat island residents equitably - i.e. on a par with their peers elsewhere in Scotland.
- Enhance access to employment, education, services and leisure activities.
- Help support demand for ferry and air services.

The Table below shows the lack of equity in the current system for free bus fares for those aged under 22.

Local Authority Area	Uptake of Cards Among Estimated Eligible Population	Average Trips per Cardholder per Annum	£ per young person living in the area
Comhairle nan Eilean Siar	48%	46	£42
Orkney	51%	49	£47
Highland	47%	67	£60
Argyll & Bute	56%	70	£74
Glasgow	67%	124	£158
City of Edinburgh	93%	201	£356
Scotland average (mean)	68%	107	£139

Source: Scottish Government: Free bus pass scheme costs and uptake: FOI release. Covers 31 January 2022 to 3 February 2023

There is a lower uptake of cards in the four HITRANS areas compared to the Scottish averages. The figures range from 47% (Highland) to 56% (Argyll & Bute). That compares to around two thirds in Scotland as a whole and in Glasgow, and to more than 90% in City of Edinburgh.

Cardholders in the HITRANS areas also make fewer trips per annum. These range from approaching 50 (Comhairle nan Eilean Siar, Orkney) to 70 (Argyll & Bute). That is clearly below the figure for Scotland and even more so for Glasgow and City of Edinburgh.

The outcome is a very much lower level of support for each young person in the HITRANS areas compared to the Scottish average and the major cities. In the HITRANS area the level of support per young person ranges between £42 (Comhairle nan Eilean Siar) to £74 (Argyll & Bute). That is greatly below the figures of around £140 for Scotland as a whole, around £160 for young people in Glasgow and over £350 in Edinburgh.

These numbers reflect the low population density and public transport frequency in the HITRANS areas.

As a consequence our region's young people derive a proportionally lower benefit from national policies and funding streams. This puts them at a disadvantage compared to young people elsewhere.

Free travel for under 22s living in the islands is essential to ensure parity with their mainland peers.

We suggest a staged approach to introducing free fares for residents under 22.

First, on the following services:

- From Coll, Colonsay and Tiree to Oban - by air or ferry.
- Air and ferry routes from Eday, Stronsay, Sanday, Papa Westray, Westray and North Ronaldsay.
- Ferry routes operated by or on behalf of Argyll and Bute Council and Highland Council.
- Ardmhor-Erisky and Berneray-Leverburgh in the Outer Hebrides.

It is unclear why the proposals in the Fair Fares Review include only some of the above routes. They exclude ones which are island-mainland. The report does not provide a rationale for excluding island-mainland routes, despite some of these being the main or only mode of public transport in an area. Further, the proposals exclude the Islay-Jura ferry route despite this being an inter-island service.

We welcome that an Islands Communities Impact Assessment (ICIA) is being carried out. We would expect the ICIA to highlight that the exclusion of island to mainland ferries from Under 22 free travel would result in some islands being disadvantaged relative to those where free travel is proposed.

Thus, the effect of the policy would be significantly different in islands excluded from the scheme compared to those included in it. This would require consideration of what could be done to mitigate the effect of excluding some islands from the Under 22 free travel scheme.

Thereafter, the roll out of free fares to other islands would be on a planned longer term basis using agreed criteria. For example, the first tranche could include other islands with smaller populations and limited service provision - e.g. Iona, Raasay, Gigha.

A range of factors account for the numbers of young people living in the islands. HIE's research¹ with people aged between 15 and 30 years HIE has shown the importance of transport in affecting the attractiveness of the Highlands and Islands.

The attractiveness of the islands will affect young people's decision whether to continue to live there. Transport costs are part of that decision making process. Failing to address fare costs for young people will make the islands less attractive compared to mainland areas. That is in a context where many islands have a declining population, including among young people.

¹ <https://www.hie.co.uk/research-and-reports/our-reports/2018/may/31/yp-research/>