1. 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

Why do you think this?

The Comhairle recognise and acknowledge the level of investment made by the Scottish Government in the Clyde and Hebrides Ferry Services (CHFS) but do have real concerns with the nature of the investment and the robustness of the associated decision-making by the Government and Transport Scotland on its behalf. The Comhairle submits that had the same investment been made in a more prudent manner, the service would have a greater number of faster vessels with greater flexibility of deployment across the network and a more targeted investment in the necessary infrastructure.

This currently ranges from its subsidisation of the CHFS Operating Contract, the financial support given to the RET (Road Equivalent Tariff) fare support mechanism available on routes to the Western Isles since October 2008 and the Sound of Harris and Sound of Barra routes since October 2015 and investment in assets and infrastructure, including most recently the MV Loch Seaforth and infrastructure improvements at Stornoway and Ullapool, and the currently ongoing procurement of the NV802 and the development of infrastructure improvement projects at Tarbert (Isle of Harris), Lochmaddy (North Uist) and Uig (Skye).

It is clear, given the recent unplanned interruptions and significant knock-on implications arising from the long-term unavailability of the MV Clansman and, at the time of writing, the MV Hebrides, that there is insufficient resilience within what is undoubtedly an ageing fleet of vessels. The non-availability of a single vessel in the fleet, planned or unplanned, has wide-ranging implications across the entire CHFS network particularly during the peak period of April to October and, given the lifeline nature of these services to communities across the Outer Hebrides, these implications are not sustainable and present a very real risk to the social and economic wellbeing of the islands.

The Comhairle recognise the role of the annual Vessel Replacement and Deployment Plan in analysing the existing provision of CHFS services and using the outputs from the analysis to identify, prioritise and recommend to Scottish Ministers where future investment may be targeted and how central to this is the delivery of the Scottish Ferries Plan 2013-2022 as it relates to CHFS.
The outputs from this annual exercise quite clearly identify a growing number of routes to and within the Outer Hebrides that are experiencing increasing capacity constraints during the peak periods. The financial implications of this to the islands is detailed elsewhere in this response.

Whilst it recognises a commitment from the Scottish Government to seek to address these issues through the undertaking of the Outer Hebrides Ferry Services STAG Assessment, the Comhairle do not feel confident that the current levels and, more importantly, the pace of investment and progress will make sufficient in-roads to addressing the issues of resilience and capacity.

It is recognised that additional investment in vessels could take the form of the building of new vessels and/or the procurement, through leasing or outright purchase, of additional vessels to augment the existing fleet and whilst any such investment is to be welcomed, the Comhairle remain concerned that, given the current performance associated with the development and delivery of the two new dual-fuel vessels currently being built by Ferguson Marine Engineering at Port Glasgow and both of which are now 18-24 months late, the procurement and building of new vessels appears to be a very long delivery process and one likely to make little difference to capacity and resilience in the short to medium terms.

The unavailability of suitable and affordable additional tonnage in an EU market continues to be cited by Transport Scotland, Caledonian Maritime Assets Ltd (CMAL) and CalMac Ferries Ltd (CFL) as the key “blockers” to the leasing or outright purchase of additional vessels.

The Comhairle recognise the challenge associated with this, particularly in the context of the significant variety in the scale and nature of ports and link-spans across the network and the need for vessel “fit”, but there must be an acceptance at the highest level that more must be done and additional financing must be provided to facilitate the sourcing of additional vessels.

The Comhairle recommend that the Rural Economy and Connectivity Committee request a serious and thorough reconsideration of the development, procurement and delivery mechanisms for new vessels, the outcomes of which must improve the efficiency and cost effectiveness of the wider vessel provision strategy. In addition, additional resources must be allocated to the sourcing of additional vessels through leasing and/or outright purchase.

The Comhairle would wish to take this opportunity to also express concerns regarding the robustness and prudence of a number of recent investment decisions by the Scottish Government.

Firstly, with regard to the replacement of the MV Isle of Lewis on the Stornoway Ullapool route, the associated STAG assessment quite clearly identified in 2009 that the provision of
two Ro-Pax vessels on the route would provide the necessary “step-change in service frequency and quality” whilst accommodating rising demand. This was a conclusion welcomed and supported by the Comhairle.

The subsequent decision by the Scottish Government to procure a single, larger vessel (the MV Loch Seaforth) was met with frustration and dismay by the Comhairle and the wider community in the Outer Hebrides. There remain a lack of clarity around the rationale for this decision.

The significant investment in the vessel and infrastructure improvements at both Stornoway and Ullapool ports have resulted in only a minimal increase in route capacity and a minimal reduction of journey times. Indeed, capacity constraints on the route at peak periods are already evident only two seasons after the introduction of the MV Loch Seaforth. Concerns are also being expressed regarding the long-term sustainability of the use of that vessel as a dedicated freight vessel on the overnight sailing and the financial implications of the repairs and maintenance required as a result of high levels of wear and tear.

The Comhairle, along with many other key stakeholders, also contend that the current lease arrangements for the provision of the MV Loch Seaforth with Lloyds Bank do not represent best-value for the Scottish Government and, more importantly, the “public pound”. Whilst it is recognised that the procurement of the vessel though a third-party lease may have been the only affordable option at the time, significant effort must be made in establishing a more cost-effective provision once the term of the current lease expires, if not before.

The Comhairle recommend that the Rural Economy and Connectivity Committee seek clarification on the rationale for the choice of the MV Loch Seaforth on the Stornoway Ullapool route and to request that every effort is made to ensure best-value for the “public pound” in the development of alternative funding arrangements for that vessel.

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?

2. 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

Why do you think this and do you have any route specific examples to support your view?

As highlighted above, the Comhairle recognise the role of the annual Vessel Replacement and Deployment Plan (VRDP) in analysing the existing provision of CHFS services and using the outputs from the analysis to identify, prioritise and recommend to Scottish
Ministers where future investment may be targeted and how central to this is the delivery of the Scottish Ferries Plan 2013-2022 as it relates to CHFS.

The outputs from this annual exercise quite clearly identify a growing number of routes to and within the Outer Hebrides that are experiencing increasing capacity constraints during the peak periods.

There is a clear step-change in passenger and vehicle numbers following the introduction of RET on routes to the Outer Hebrides and, without a proportionate increase in capacity on the majority of the routes, this has made a significant contribution to the constraints now apparent during the peak summer period. Indeed, it should be noted that the peak period has now extended from the traditional June, July and August to now running from April through to October, almost entirely consistent with the period of the operator’s summer timetable.

The 2015 issue of the VRDP highlights the need for a more evidence-based approach to ascertaining the scale and nature of these capacity constraints and a commitment was made by the Scottish Government to undertake the Outer Hebrides Ferry Services STAG Assessment.

Progress on this assessment work has been slow since the initial commitment was given in December 2016 but the consultancy work is now being taken forward managed by Transport Scotland on behalf of the Scottish Government and the outcomes, anticipated in spring 2019, will provide a very clear picture of the impact of RET and other factors such as the increasing popularity of the islands as a tourist destination is having on demand and the ability of the current fleet and infrastructure to cope.

The assessment process will also identify a number of preferred options in terms of improving capacity, connectivity, integration, reliability and resilience on all routes to and within the Outer Hebrides.

However, consistent with the answer to Question 1, the Comhairle do not feel confident that the current levels and, more importantly, the pace of investment and progress will make sufficient in-roads to addressing the issues of resilience and capacity.

The Comhairle recommend that the Rural Economy and Connectivity Committee note the progress of the Outer Hebrides STAG Assessment and, in due course, seek to ensure that the outcomes associated with needs for prioritisation and investment are taken cognisance of and implemented by the Scottish Government.

EU State Aid Rules

3. 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?
The Committee will be aware of the announcement in February 2017 by Humza Yousaf MSP, then Minister for Transport and the Islands, of a policy review of ferry procurement to “consider the implications of the European Commission’s response on the Teckal exemption and State aid rules to protect and ensure future provision of our ferry services”. The announcement also confirmed that the review would “engage key stakeholders, such as the unions and communities, on the future approach to the provision of ferry services”.

The Comhairle and other key stakeholders in the Outer Hebrides welcomed the opportunity to contribute to the subsequent review process and in its response to the associated consultation process, the following areas were identified as priorities:

- Service costs, fares and fare structures, and other financial implications
- Service performance - reliability, punctuality and standards
- Governance and service management arrangements
- Contribution to local economy, employment and sustainability

There remains the need for greater clarity on the implications of Brexit on a significant number of service areas at a national and regional level, including state-subsidised ferry services; however, subject to it being possible for Scottish Ministers to apply the Teckel exemption and meet State Aid rules, and importantly that they could ensure the continued provision of safe, efficient and effective ferry services that meet the needs of island and remote rural communities and provided value for money, the Comhairle support the position that the ferry services be provided by an in-house provider.

The Comhairle recommend that the Rural Economy and Connectivity Committee note the Comhairle’s policy position on the procurement and delivery of ferry services and that greater clarity on the impacts of Brexit be secured as a matter of urgency to ensure the continued provision of safe, efficient and effective ferry services that meet the needs of island and remote rural communities and provide value for money.

**Impact on island life**

4. 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.

The provision of lifeline ferry services to and from the Outer Hebrides is central to the sustainability and wellbeing of the island communities. The economic and social potential of the islands can only be fully realised when reliable and sufficient transport links are in place between the islands and the mainland.
While the Comhairle welcomes the support of the Scottish Government in terms of subsidised ferry services and the sustained availability of Road Equivalent Tariff, there are significant capacity issues during peak periods which are constraining socioeconomic development. These capacity issues have been reported by travellers, the local Tourism sector and hauliers and, while some carrying statistics are available from ferry operator, Caledonian MacBrayne, it has been difficult to prove the actual socioeconomic impact of a constrained ferry service.

In order to accurately review the current impact of a constrained ferry service and its growing impact going forward, an Economist was commissioned to carry out a study into ferry capacities across the Outer Hebrides

The Study indicates that, over the last four years, vehicle carryings have increased by 25% while summer passenger numbers have increased by 21%. The key pinch point is the Ullapool – Stornoway route with the new MV Loch Seaforth already operating at, or near, maximum capacity in July and August with an average capacity of 88% from June to September. The report projects growth in demand of between 3% and 9% per annum going forward and this could double visitor numbers by 2022. This level of growth simply cannot be accommodated by the MV Loch Seaforth but could mean an increase of visitor spend by between £4.6m (at 3% growth rate) and £7.9m (at 9% growth rate), leading to an annual employment impact of between 84 FTE and 144 FTE.

Transport Scotland’s Vessel Replacement Deployment Plan contains an estimate of unconstrained demand across the CalMac network. Average Weekly Capacity Utilisation (WCU) percentages cover the nine peak weeks in July and August and a WCU above 70% indicates that full sailings are a regular occurrence. The WCU for the Uig – Tarbert – Lochmaddy triangle was 71% in 2015, forecast to rise to 78% in 2018 before a new, higher capacity vessel takes over the route in 2020.

The Study report models future capacity constraints on the basis of three growth scenarios: Low growth (3% increase in demand); Medium growth (6% increase in demand); and, High growth (9% increase in demand). The scenarios suggest that, by 2022 on the Ullapool – Stornoway route, the following percentage utilisation of a second ferry would apply: 29.7% (Low growth); 39.8% (Medium growth); and, 51.1% (High growth). The associated increase in visitor spend with a second ferry available would be: £4.6m from 13,178 additional visitors (Low growth); £6.1m from 17,656 additional visitors (Medium growth); and, £7.9m from 22,670 additional visitors (High growth). The additional FTE’s created by this additional spend, by 2022, will be in the region of 366 (Low growth), 447 (Medium growth) and 534 (High growth).

The Comhairle recommend that the Rural Economy and Connectivity Committee note the above economic impacts of an inadequate ferry service.
5. 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.

It is widely recognised that “inaccessible public transport can create barriers to employment, it can create barriers to social engagement, it can even create barriers to health and wellbeing” and that breaking down these barriers “will produce a transport system that is easier for everyone to use and it will help lead to a fairer and more equal Scotland”.

The procurement and delivery of CHFS by Transport Scotland and CalMac Ferries Ltd respectively recognise the need to comply with national and international legislation associated with accessibility. There are however many financial and operational challenges associated with achieving this.

Whilst legislative standards associated with ensuring appropriate levels of accessibility in the design and specification of new vessels and infrastructure are relatively easy to achieve, as has been highlighted above, the fleet of vessels utilised on the CHFS routes is ageing and most vessels do not provide easy access to all areas for passengers with reduced mobility. This is not only relevant to elderly or infirm passengers but also foot passengers with heavy luggage and/or young children, prams, etc.

The provision of specific funding support through previous and current rounds of the Ferries Accessibility Fund goes some way to address accessibility issues on these vessels and the associated infrastructure. However, particularly in the case of any alterations to vessels, retro-fit improvements are expensive and often require the respective vessels to be taken out of service.

There is a wide range and variety of port owners and facilities across the network and whilst the Ferries Accessibility Fund is available for some improvements and alterations, there undoubtedly remains a lot to do in terms of ensuring safe and easy access for all passengers to a reasonable level of consistency across the network.

In addition to ensuring adequate assets and infrastructure, it is recognised that good customer care and assistance by staff on the ferries and at the ports is a key factor for passengers when deciding if ferry travel is possible, practicable or comfortable.

The Comhairle recommend that the Rural Economy and Connectivity Committee note the continuing need for investment in existing vessels and infrastructure to ensure the accessibility needs of all passengers are met. The need to ensure that all commitments made by CalMac Ferries Ltd in terms of staff training and customer care and assistance are fulfilled must also be recognised.
Transport spending priorities

6. 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

Why do you think this?

Scotland’s islands include many fragile areas facing many challenges such as declining population, scarcity of economic opportunities, proportionately fewer young people, geographical and transport challenges, and below average income levels. The issues of remoteness, and of how best to deliver services for the benefits of Scotland’s islands efficiently and effectively, remain.

The Scottish Government recognise the significant contribution that Scotland’s islands such as the Outer Hebrides make to the wider successes and economic wellbeing of the nation. The Government also recognise the contribution that efficient and affordable ferry services make to the social, cultural and economic wellbeing of the islands and hence Scotland.

The Scottish Ferries Plan 2013-2022 clearly sets out the commitment to delivering first class sustainable ferry services to island and peninsular communities, thereby stimulating social and economic growth across Scotland. The planned improvements set out in the Plan were to “enable our rural and remote communities to thrive and to continue to make a significant contribution to Scotland’s economy”.

It is therefore essential that investment in sustaining and improving ferry services is accorded a high priority to maximise the economic and social potential of remote and rural communities such as the Outer Hebrides.

The Comhairle recognises that Scottish Government is working within very tight financial pressures and faces many competing priorities, even within other transport areas including trunk roads, rail, aviation and buses. The Comhairle would however wish to emphasise the lifeline nature of ferry services to the islands and the very limited choice that communities and business sectors are faced with when wanting and needing to travel to, from and within the islands.

The Comhairle recommends that the Rural Economy and Connectivity Committee note the significance and priority accorded, and commitments already made, by Scottish Government to the provision of effective and affordable ferry services and the lifeline nature of these services to communities where there is generally no alternative means of transport.