The National Union of Rail, Maritime and Transport Workers (RMT) is the largest trade union in the Scottish ferry industry, organizing over 1,000 seafarers and shore side staff employed by public and private sector ferry companies in Scotland.

The majority of our maritime members in Scotland are employed by Caledonian MacBrayne on the Scottish Government’s £975m contract for Clyde and Hebrides Ferry Services (CHFS) from 2016-24 and beyond. Around 1,200 crew are employed on vessels serving the island and mainland communities, as well as the burgeoning tourist industry during the peak summer season, with staff numbers only reduced by around 100 in the off-peak winter period.

The Scottish Government’s subsidy to CalMac for the CHFS and Gourock-Dunoon contracts increased by £23m between 2014-15 and 2016-17, some of this will have funded the introduction of the Road Equivalent Tariff (RET) fares subsidy across all CHFS routes in 2015 and it is roughly in line with the estimate Transport Scotland gave Audit Scotland in last year’s report. In fact, Audit Scotland found in October 2017 that although Transport Scotland had spent £40m on RET since 2008-09, ‘The full cost implications of RET are unknown.’ This clearly needs better assessment and scrutiny by members of the REC Committee as part of their current inquiry.

In our view, RET is a crude formula to apply to Scottish ferry services and risks distorting service priorities away from a CHFS-wide lifeline provision to focus resources on the busiest and most lucrative routes. What must be identified and avoided at an early stage is if RET were to be used as an evidence base for breaking up or unbundling routes in the public CHFS contract. This must never be allowed to happen and alternative fare subsidy models must be pursued by Transport Scotland.

27 CHFS routes are currently operated by CalMac, with the majority recording passenger and vehicle volume increases in 2017. In the first year (October 2016 – October 2017) of the current contract, CalMac recorded 99.5% punctuality and 99.5% reliability over 137,526 sailings (2% more than the last year of CalMac’s previous contract).2

CalMac vessels are now carrying over 650,000 (14%) more passengers and over 250,000 (22%) more cars than they were in 2015, although the number of commercial vehicles is down.3 Between 2014 and 2015 passenger numbers actually fell across the CHFS network. As has been mentioned, the post-2015 increases in volumes are due to the RET fares

---

1 Pg 24, Transport Scotland’s ferry services Audit Scotland, October 2017
2 https://www.calmac.co.uk/Performance-and-passenger-growth
3 Ibid & https://www.calmac.co.uk/corporate/carrying-statistics
subsidy scheme first piloted in 2008 on the Western Isles, Coll and Tiree routes and rolled out across the CHFS network in 2015. RET does not apply to commercial freight vehicles over 6 metres, which explains the decline in that category.

What could undermine the resilience of the CHFS budget, however, is a combination of accelerating passenger and vehicle numbers compromising the capacity and reliability of an ageing fleet. The Ferries Plan’s prescription for vessel replacement on the CHFS network could also inflate costs, particularly the lack of a fixed approach to vessel procurement, in timetabling, financing and design terms.

We applaud the hard work and dedication of CalMac staff in delivering these impressive growth figures since 2015 but there are clear risks in an ageing fleet exposed to sudden and significant increases in volume. The average age of the CalMac fleet is 23 years; 15 of the current operational fleet of 31 vessels are aged over 23 years and neither Transport Scotland nor CMAL have planned for spare capacity in terms of relief vessels for the variable route conditions in which CalMac operate.

CalMac’s fleet maintenance expenditure increased by £5.8m between 2013 and 2017. CMAL’s vessel maintenance budget increased from £1.9m to £3m between 2014 and 2017. We also note the Scottish Government’s recent announcement of a further £3.5m Ferry Resilience Fund although it is not clear if this is for all ferries on publicly subsidised contracts in Scotland or just the CHFS fleet.

In our view, the fleet and crews currently serving the network are already at full capacity and the Ferries Plan did not set sufficiently tight timelines for those vessels it listed for replacement, even giving themselves a three-year leeway from the end of the Ferries Plan itself in 2022.

In operational terms under the current contract, the failure of planned dry-docking periods has contributed to the problems associated with increasing volumes on ageing vessels, with a series of CalMac ferries having to return to dry dock for further repair and maintenance shortly after the planned period for that work.

This was evident in the knock-on effects on reliability and fleet organisation from the breakdown of the MV Clansman earlier this year. The extended maintenance period caused widespread service disruption due to the re-deployment of other vessels, including the MV Isle of Arran and MV Hebrides which are not formal relief vessels. Even though the Clansman returned to service on 2nd May, the vessel again returned to dry dock in June for replacement of its tailshaft.

The proposals in Annex 1 of the ten-year Ferries Plan would cost an estimated total of £390m in capital investment (mainly on CHFS vessel design and procurement) and £10m

---

4 Answer to Question S5W-15993, 01/05/2018
5 Pg. 39 The Government’s Programme for Scotland 2018-19
6 https://www.calmac.co.uk/article/6081/MV-Clansman-returns-to-service
per year in revenue up to 2022, although the final six vessels earmarked could be replaced up to 2025, by which time all six would be over 30 years old.

Since publication of the Ferries Plan in December 2012, two hybrid ferries (MV Lochinvar in 2013 and MV Catriona in 2016) and the MV Loch Seaforth (2015) have been brought into service. The Lochinvar has replaced the Isle of Cumbrae on the Lochaline-Fishnish (Mull) route. The older vessel remains in service, much to the concern of crew required to work 13 hour shifts on a vessel over 40 years old containing a single toilet for all crew and passengers and a mess room that only fits two crew members at a time.

In addition, the MV Hebridean Isles, which was due to be replaced by 2016 remains in service on the Kennacraig to Islay route. Until recently, CalMac staff were being accommodated in portacabins based on Kennacraig Pier which had been introduced as a short term solution.

As well as a lack of spare vessel capacity in the event of increased or repeated periods of maintenance, the introduction of changes to hours of work at the beginning of this year have reduced the amount of ‘on the job’ maintenance that CalMac staff, particularly engineers, can perform when vessels are in operation.

The two LNG fuelled ferries ordered from Fergusons Marine have been ordered but their introduction has been significantly delayed, adding extra cost to the contract. This is discussed in further detail below.

Regrettably, the Scottish Government continues to favour PFI-style procurement, especially for larger ferries. To our knowledge, this method of public procurement in the ferries sector has not been subject to any public sector comparator by the Scottish Government and its use in procuring three passenger ferries on the NIFS contract (at a total cost to RBS of £98m) has benefited the bank involved at the expense of the taxpayer and Scottish ferry services.

This model was again used to procure the MV Loch Seaforth. We note that the cost of the Loch Seaforth in terms of leasing it from Lloyds Bank and associated infrastructure upgrades will cost the taxpayer £67m by 2022, with no option for CMAL to buy the vessel outright. This is according to members of the Scottish Government’s Expert Ferry Group (EFG), including the designer of the RET scheme. RMT and fellow CalMac trade unions were not invited to sit on the EFG when the Scottish Government created it in 2014.

The 18-month delay in the delivery of the MV Loch Seaforth also incurred unnecessary additional charter costs and indicate that vessel design is also an area of avoidable cost increases in relation to the CHFS contract.

---

7 Lord of the Isles, Loch Fyne, Loch Dunvegan, Caledonian Isles, Loch Tarbert & Loch Buie
8 Maritime & Coastguard Agency, Merchant Shipping Notice 1876 (Dec 2017)
9 Written Answer 24.05.12 to Question S4W-07192
10 See Press and Journal article 20 August 2018
11 Written Answer 02.05.14 to Question S4W-20827
These concerns have, regrettably, been reinforced by the significant slippage in the delivery dates and financing of the two new liquefied natural gas (LNG) fuelled ferries ordered in 2015 from Ferguson Marine. Despite being directly procured by CMAL and being launched in November 2017 to replace the 34-year old Isle of Arran on the busy Ardrossan-Brodick route, the introduction of the MV Glenn Sannox into service has been delayed until summer 2019 and the second vessel will not come into service between Uig-Tarbert/Lochmaddy until 2020\textsuperscript{12}.

Ferguson Marine is asking for additional funding from the Scottish Government to complete the contract and this breakdown is all the more surprising given the same shipyard’s role in constructing the MV Catriona, MV Hallaig and MV Lochnivar, on time and on budget between 2012 and 2016, although these are smaller vessels. Fergusons also built the 18-year old MV Hebrides currently working on the Uig-Tarbert/Lochmaddy route.

The Vessel Replacement and Deployment Plan (VRDP) drawn up by Transport Scotland, CMAL and CalMac was published December 2016\textsuperscript{13}, before the impact of RET was fully felt on the CHFS network. As such, the VRDP document needs to be re-visited, with workforce representatives from RMT engaged at an early stage, including in the vessel design process.

CalMac staff are also concerned over the age and working conditions on the small ferry CHFS fleet – particularly the four ‘Loch class’\textsuperscript{14} vessels built 32 years ago, Loch Ranza, Loch Riddon, Loch Linnhe and Loch Striven.

We believe that these vessels are and have not been fit for purpose for some years, particularly in terms of car carrying capacity. These four ferries have only ever been able to carry a maximum of eight cars, yet the introduction of RET has seen significant passenger and car carrying increases and is adding to the general pressure on these ageing vessels.

All four small ferries are in a poor state of repair and need constant expenditure on the ramps, hydraulics, lounges, toilets and mess rooms, not to mention hull repairs during dry-dock periods. Given these factors and the serious access issues for passengers with disabilities or mobility problems. It would seem from the re-engine and other work carried out on them that CMAL is trying to get another decade of service out of at least two of these vessels which appears risky and expensive.

Clearly, the age profile of the current CalMac fleet presents problems in terms of accessibility of these lifeline ferry services with a disability or mobility issue. It is worth noting that our members, particularly on older vessels working the busiest routes such as the Isle of Arran on the Ardrossan-Brodick route are often required to physically assist passengers experiencing difficulties accessing the vessel.

\textsuperscript{12} Written Answer 16.08.18 to Question S5W-18231
\textsuperscript{14} Routes: Loch Ranza (Tayinloan–Gigha), Loch Riddon (Largs–Cumbrae, summer & winter relief Tarbert, Portavadie & Lochranza) Loch Linnhe (Tobermory–Kilchoan, summer & winter relief Inner Hebrides) and Loch Striven (Oban–Lismore)
Accessibility should be a bigger consideration in the vessel design and harbour infrastructure upgrade work. RMT continue to seek inclusion in these processes at an early stage, as our members have the sort of working knowledge of CHFS routes and services that would be invaluable in the early stage of these significant public sector procurement projects.

In order to sustain the high levels of public investment required by vessels and harbour infrastructure on the CHFS network, greater simplicity over financing and future service provision go hand in hand with better maintenance scheduling and design of new vessels. This should mean the Scottish Government formally adopting a policy of direct purchase of new vessels and bringing the CHFS contract back in-house on a permanent basis.

Public investment in the CHFS contract must be maintained and safeguarded for the long term. We strongly believe that one way to achieve this would be through an end to the constant, expensive and pro-private tendering process which has dogged CHFS and other lifeline Scottish ferry services since the start of the century. The opportunity to finally end competitive tendering of the CHFS contract now exists in the form of the ‘Teckal’ exemption from Maritime Cabotage Directive 3577/92 which the RMT has championed since 2015 and which led to a revision of the Scottish Government’s interpretation of that Directive.

We remain committed to removing tender costs from the CHFS and wider publicly subsidised ferry network in Scotland and look forward to continuing the dialogue with the Scottish Government and the European Commission over bringing the CHFS contract permanently in-house.

The tendering process also creates costs which take public funds away from services, such as ‘subsidy clawback’ mechanisms that divert much needed resources from direct investment in the fleet, harbour network, booking system and on-board services such as Wi-Fi.

For example, during the tender process for the 2016-24 CHFS contract RMT supported the continuation of the ‘clawback’ mechanism, partly as a safeguard against the contract being awarded to Serco (there is no clawback mechanism in the Northern Isles Ferry Service contract between Transport Scotland and Serco).

Since the current contract was awarded to CalMac in May 2016, over £12m has been clawed back from CalMac and at least some of that has been re-directed away from CHFS vessels and routes. Over £10m was also clawed back from CalMac during the previous contract (see Annex 1), representing ‘Transport Scotland’s share of efficiencies made by the company in excess of the allowable operator return.’

Turning to infrastructure, 21 CHFS harbours are local authority owned and the remaining 26 are owned by CMAL. The Audit Scotland report from last October highlighted the inefficient relationship between CMAL financed harbour improvement works at non-CMAL owned

---

15 Pg 9 CalMac Annual Report year to 31 March 2015 [https://www.calmac.co.uk/corporate/annual-reports](https://www.calmac.co.uk/corporate/annual-reports)
harbours and the harbour dues charged to the CalMac fleet at those same ports. It is essential that the Scottish Government better regulates public expenditure on CHFS infrastructure improvements to ensure that these works are not excessively expensive to the public purse and that the effect of public investment in the CHFS contract is maximised in public service terms.

The Scottish Government should certainly consider increasing Local Government grants to take account of the cost of upgrade and other work required at the 21 local authority owned ports and harbours in order to accommodate growth and resilience of the CHFS network.

Of the Ports and Harbours on the CHFS network earmarked in Ferries Plan for upgrade work, only Ullapool and Stornoway are local authority owned and that project (which ran over time) was linked to the introduction of the MV Loch Seafirth on that route.

A failure to secure an appropriate funding level for lifeline ferry services and infrastructure in the Western Isles would risk significant damage to the economy and society, primarily in remote island communities but also on those mainland ports such as Ardrossan where a significant number of local jobs depend upon the delivery of publicly funded projects designed to enhance ports and harbours on the CHFS network.

The lifeline nature of the ferry services provided by the CHFS contract give it a high priority in funding decisions, in our view. In terms of contract value, it is second only to the ScotRail franchise. The economic, public health, education, family and social connections promoted by regular and reliable ferry services for island and mainland communities served by the CHFS contract cannot be replicated by any other mode of transport.

Retaining skills and jobs in CalMac is directly linked to the effectiveness of the services provided to CHFS communities and of the Scottish maritime sector as a whole, underlining the high priority that the Scottish Government must continue to give these lifeline ferry services in all funding decisions in transport and connectivity budgets.
Annex 1 – Subsidy Clawback under the CHFS contract

<table>
<thead>
<tr>
<th>Year</th>
<th>£ grant clawback</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>1.09m</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.417m</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.813m</td>
</tr>
<tr>
<td>2010-11</td>
<td>0.875m</td>
</tr>
<tr>
<td>2011-12</td>
<td>3.07m</td>
</tr>
<tr>
<td>2012-13</td>
<td>0.19m</td>
</tr>
<tr>
<td>2013-14</td>
<td>1.92m</td>
</tr>
<tr>
<td>2014-15</td>
<td>1.98m</td>
</tr>
<tr>
<td>2015-16</td>
<td>6.2m</td>
</tr>
<tr>
<td>2016-17</td>
<td>-</td>
</tr>
<tr>
<td>2017-18</td>
<td>6m</td>
</tr>
<tr>
<td>Total</td>
<td>£22.55m</td>
</tr>
</tbody>
</table>

16 Unless stated, clawback figures from [https://www.calmac.co.uk/corporate/annual-reports](https://www.calmac.co.uk/corporate/annual-reports)
17 In this year only a figure for ‘Grant Payable’ by CalMac to the Scottish Ministers, not ‘Clawback’.
18 ibid
19 [https://www.calmac.co.uk/Performance-and-passenger-growth](https://www.calmac.co.uk/Performance-and-passenger-growth)