RURAL ECONOMY AND CONNECTIVITY COMMITTEE

AGENDA

24th Meeting, 2018 (Session 5)

Wednesday 26 September 2018

The Committee will meet at 9.00 am in the Mary Fairfax Somerville Room (CR2).

1. **Salmon farming in Scotland (in private):** The Committee will consider a draft report.

2. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.

3. **Pre-Budget Scrutiny:** The Committee will take evidence as part of its Pre-Budget Scrutiny from—

   Robbie Drummond, Managing Director, and David McGibbon, Chairman, CalMac Ferries Limited;

   Kevin Hobbs, Chief Executive Officer, and Jim Anderson, Director of Vessels, Caledonian Maritime Assets;

   and then from—

   Angus Campbell, Chair, CalMac Community Board;

   Ranald Robertson, Partnership Director, Highland and Islands Transport Partnership;

   Roy Pedersen, Author and Consultant;

   Rob McKinnon, Chief Executive, Outer Hebrides Tourism.

4. **Work programme:** The Committee will review its work programme.
The papers for this meeting are as follows—

**Agenda Item 1**
PRIVATE PAPER  
REC/S5/18/24/1

**Agenda Item 3**
Cover note  
PRIVATE PAPER  
REC/S5/18/24/2

**Agenda Item 4**
PRIVATE PAPER  
REC/S5/18/24/3

PRIVATE PAPER  
REC/S5/18/24/4
Rural Economy and Connectivity Committee

24th Meeting, 2018 (Session 5), Wednesday, 26 September 2018

Pre-Budget Scrutiny 2019-2020 (Investment to support Clyde and Hebrides ferry services)

Background

1. At its meeting on 27 June 2018 the Committee agreed to focus its pre-budget scrutiny on investment to support Clyde and Hebrides ferry services. This activity forms part of the Committee’s scrutiny of the Scottish Government’s budget process, as the Parliament moves towards a ‘full-year approach’ to the budget process.

2. A ‘full-year approach’ to the budget process, means building an element of budget scrutiny into all the work conducted by the Committee where appropriate, as well the continuation of specific pre-budget scrutiny.

3. At today’s session, the Committee will take evidence from ferry and transport interests in two panels. Firstly the Committee will hear from the ferry provider CalMac Ferries Ltd and Caledonian Maritime Assets Ltd (CMAL), the owner of ferries, ports and harbours and infrastructure relating to ferry services. Secondly, the Committee will take evidence from transport and community stakeholders – HiTRANS, Outer Hebrides Tourism, CalMac Community Board and Roy Pedersen.

4. HiTRANS, CalMac Ferries Ltd, Outer Hebrides Tourism and Roy Pedersen have submitted written submissions which are attached in the Annexe.

Purpose of today’s session

5. The Committee is seeking to explore the level of investment by the Scottish Government in the Clyde and Hebrides ferry services, and the impact this has on the wider rural economy in areas served by these services.

6. The Committee launched a call for views, including a survey, before summer recess and this closed on 7 September.

7. The call for views asked the following questions:
   - 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?
   - 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?
What would be the impact on services and island life if ferry services are not appropriately funded?

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.)

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.

8. This evidence session will explore these areas and other issues raised by respondents in the call for views.

Rural Economy and Connectivity Committee Clerks
September 2018
Annexe

SUBMISSION FROM CALMAC FERRIES LTD

Q1) Caledonian Maritime Assets Ltd funding - Do you think the current and proposed level of investment in new ferries and port infrastructure is enough to ensure resilience of the Clyde and Hebrides ferries network in future years? Yes or No and reasons for thinking this:

It is the role of the Government to provide the long term strategy for continuing to meet the needs of the communities that rely on ferry services.

Between 2012 and 2017 the number of cars carried has grown by 37% to 1.43m per year and passenger numbers have risen by 17% to 5.2 million per year.

Despite many Trust, local authority or privately-owned ports to which CalMac operates accruing millions of pounds in berthing dues, it is not clear how this income has been re-invested in ports.

Q2) Handling increasing passenger numbers. 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? Yes or No and reasons for thinking this:

As above, the challenge is the need to have a strategy and plan for the long term sustainability of the islands.

From an operational perspective, standardisation of port infrastructure and ferry design to allow better flexibility in the deployment of the fleet would improve resilience and reduce operating costs.

Q3) EU State Aid Rules. What impact could changes to the application of EU state aid and procurement rules have on ferries investment – whether as a result of a British exit from the EU or through some other change?

No Comment

Q4) Impact on island life i) 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 they require to access day-to-day services and emergency services.

It is impossible to overstate the importance of lifeline ferry services to the long-term economic sustainability of remote and vulnerable island communities. Ferry services operated by CalMac Ferries Ltd are also important in their own right to island
communities. An economic impact study carried out by the prestigious Fraser of Allander Institute highlighted that CalMac’s £145m of turnover (in 2014) supported a total of £270m worth of turnover across Scotland as a whole. In addition 1,476 jobs at CalMac supported a total of 5,883 jobs across Scotland as a whole.

The jobs provided at CalMac tend to be long term - on average, each employee has spent 13.6 years with the company and average wages at CalMac (£29,683 in 2014) were 12% higher than the average wage in Scotland.

**ii) 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 issue of an ageing population, and with it an increase in people facing mobility challenges, is already being felt in islands, and it is important to invest in facilities which enable ferry services to be used by a wide cross section of the population, otherwise there may be a requirement to site some facilities and services that are currently only available on the mainland on the islands too.

An increasing proportion of CalMac’s customers will have mobility issues, or simply need help with luggage or children’s buggies when using its services. In these circumstances the company does everything it can to make journeys as easy as possible by providing personal assistance which can be arranged in advance of sailing.

**Q5) Transport spending priorities. 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, medium or low priority and reasons for thinking this:**

It would not be appropriate for us to comment on Government spending priorities
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, Colintraive, 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.
SUBMISSION FROM ROY PEDERSEN

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?

Yes

The current and proposed level of investment is well in excess of best practice elsewhere (e.g. Norway) and productivity extremely poor and deteriorating. This is due to outmoded and costly ferry and terminal design and inefficient operational practice (see separate submissions for detail).

As examples: whereas in Norway, the typical ratio between car spaces and and passenger capacity is around 3 to 1, the average ratio for CalMac open water vessels is around 7 to 1 with full passenger capacity rarely if ever reached, necessitating much larger crews than actually required. For most Scottish routes the actual traffic ratio is around the Norwegian average of 3 or 4 to 1. These large crews live on board, necessitating on-board hotel crew accommodation which adds to the capital and operating cost of ships and impairs ship handling. The alternative of crew living ashore on island communities served would contribute to the government's objective of island economy, population retention and reduce ship capital and operating costs. Note that whereas for the larger CalMac vessels it takes nine personnel to berth and cast-off a ship, this is done in Norway with one hand, due to efficient "lock-on" linkspan design. Thus, if more cost effective policies and practices along Scandinavian lines were adopted, much improved and higher capacity services could be provided for less public money. It is instructive that the capital and operating costs of Western Ferries and Pentland ferries, who adopt these broad principles, are about one third those of CalMac, enabling them to generate traffic at no cost at all to the public purse. Pentalina has a summer crew of eleven compared with NorthLink's Hamnavoe with a crew of 40 on a subsidy of some £10 million per year, yet Pentalina carries the majority of passengers, cars and commercial vehicles across the Pentland Firth at no cost to the public purse. Likewise Western Ferries one route carries more cars than all the CalMac Clyde routes combined. This is down to cost effective ship and terminal design and operation.

Handling increasing passenger numbers

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?

No

I was the original architect of RET and its application has generated additional traffic which has taxed the capacity of many existing routes. The answer to addressing this
is not vastly expensive bigger and bigger vessels operating relatively infrequent services on long routes to and from unnecessarily complex terminal infrastructure, but efficient simpler vessels, providing more frequent services, where feasible on the shortest practicable routes, with live ashore crews working shifts to extend operating hours. For example two simpler twelve (live ashore) crew vessels of say 80 car 250 pax capacity, at £22,million each, will provide more capacity and generate more traffic and revenue than one £48 million 30 crew 130 car 1,000 pax as currently building. Such simpler vessels will not require expensive terminal investment. The current investment of some £100 million underway for one vessel and two terminal upgrades for Ardrossan - Brodick, if replicated throughout the Clyde and Hebrides network, would result in astronomical cost. See my papers to the Expert Ferry Group - Scandinavian/Scottish Ferry Comparisons, Little Minch Study and West Coast Ferries Scoping Study. These all demonstrate how greater capacity and revenue can be generated for much less public investment.

Finally RET is a very blunt instrument and rather out of tune with modern yield management practices. In a number of cases the fare subsidy to tourists travelling on Clyde and Hebrides services is greater than the spend of tourists on the island communities visited where accommodation is in many cases already at (or beyond) capacity. In addition to more cost effective vessels and terminals as outlined above, policies worth considering for addressing this issue, are higher fares on peak tourist services, no RET on camper vans whose users contribute little to island economies and certainly no RET on commercial vehicles.

EU State Aid Rules

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?

EU state aid rules are designed to foster competition and value for money in the provision of public services by discouraging unfair practices. Over the last two decades or so, various Scottish administrations have tended to frustrate these aims by making the tendering process for Clyde and Hebrides Ferries so complex, inflexible and expensive as to discourage market entry by more efficient providers. For example, under the existing policy, an incoming operator would be expected to operate the same vessels, with the same crewing terms and conditions, to the same schedules on the same routes applying the same fares policy as before, all as a large single bundle. This removes any scope at all for innovation. The separation of CMAL as asset owner, from Calmac Ferries was designed to enable any incoming operator to rent the operating assets on an equal basis. This has not turned out to be a satisfactory arrangement in practice and seems to exacerbate the inefficiencies alluded to in the previous sections. It is worth noting that in Norway, although not an EU member, the state aid rules apply and routes are tendered as smaller bundles. Operators are entitled to own their own vessels and to innovate, within certain parameters.

Bearing in mind the current uncertainties of Brexit, It is difficult to assess the impact of any changes to state aid rules. Whether under current or revised future rules, however, there is scope for a more flexible approach and in particular by allowing easier entry of more innovative and cost effective operators for selected routes or
smaller bundles of routes. If the practices of Western Ferries and Pentland Ferries were adopted, the capacity and traffic generation potential could be significant and the savings to the taxpayer very considerable, thereby enabling public funds to be redirected to vital services such as health and education.

Impact on island life

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 Scottish Government has listed the following inter-related aims for island and remote mainland communities of sustainability, reversing population decline, supporting economic development, accessing mainland services and social integration.

Depending on geography and distance, these aims can be addressed by the following hierarchical scale (1 being a minimum and 6 an optimum) of available travel options:

1. Daily access to and from main Scottish centres without the need for overnight stay en route
2. Day return access to a regional centre with adequate time for business or social purposes
3. Timings convenient to hauliers for import of supplies and export of products
4. Timings useful to tourists to maximise visitor spend in the communities served
5. Daily commuting in either direction where distances are short
6. Evening travel to extend access opportunities in either direction for business and social purposes

Many current services are less than optimum in achieving an appropriate level of access as outlined in the above hierarchy. To that extent, therefore, they fall short of what is desirable. As outlined in previous sections, improvements, addressing this is not so much a question of “more funding” as of “more cost effective application of funds” in terms of simpler vessel and terminal design, shorter (and therefore cheaper) routes, greater frequency, more appropriate manning levels, etc. In other words, getting better services for less public funds will aid the aim of sustainability. By basing crews on the island communities served (rather than on board ship) will aid the joint aims of reversing population decline and supporting economic development.

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.
One significant concern is the design of the recently developed CMAL funded ferry terminals for larger vessels whereby passengers board and disembark via a walkway connected to the side of the vessel often necessitating negotiation of a stairway. It is simpler and much more efficient for all passengers, including those with mobility impairment, to board and disembark on one level via the linkspan so long as there is a barrier separating passengers from vehicles. This method is common practice in Scandinavia. Western Ferries and Pentland Ferries. Vessel/shore access is thereby quicker and much less expensive to provide.

**Transport spending priorities**

**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?**

Medium Priority

Virtually all government spending is a question of balance. Not everything can be a top priority. As indicated in previous sections, current spending on Clyde and Hebrides ferries is well in excess of international norms and productivity is poor and getting worse. This is not to say that good ferry services should not be provided, but by adopting best practice, better services can be provided for less expenditure. In which case moneys saved could be redeployed on other transport investments or on other vital and cash strapped services such as health and education. For more detail on how Clyde and Hebrides ferry services can be provided on a more cost effective basis, see may papers tabled to the Expert Ferry Group: Scandinavian/Scottish Ferry Comparisons, Little Minch Study and West Coast Ferries Scoping Study. I can supply copies as supplements to this submission.
SUBMISSION FROM OUTER HEBRIDES TOURISM

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?

There are two issues.

- The first is reliability. The performance of the vessels over this season demonstrates that achieving a resilient service is going to require significant investment - we have had 4 major events in recent months where service was withdrawn for several days, including a two month outage and a vessel left drifting at sea.
- The second is capacity. We need to really think what we mean by appropriately funded. We would suggest that this means the level of ferry service:
  - Does not disadvantage island life and economies,
  - Is not a constraint to development and growth of island economies (65% of car traffic is from visitors to the islands).

The current service is a significant constraint on growth, yet any increases in capacity are modest and will take almost a decade to achieve in the case of the new Uig triangle ferry

Handling increasing passenger numbers

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?

No

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

All but one of the routes to and between the Outer Hebrides exceeds Transport Scotland’s own upper limit on capacity utilisation in the peak period.

The additional traffic is welcome, but it is creating “black-out” periods where islanders cannot travel, which contributes to tensions on the islands about the impact of tourism, which is then exacerbated by reliability issues

EU State Aid Rules

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?
This is not our area of expertise, but it is not clear to us that relaxing EU rules would have significantly changed the structure of the recent West Coast Ferry Contract.

We also understand that even after the UK’s departure from the EU, other international commitments mean the UK will retain legislation of a similar type to the existing EU rules.

It is of concern to island businesses how the funding from EU sources, which has contributed significantly to ferry infrastructure projects over the years will be replaced when the UK leaves the EU.

**Impact on island life**

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.

On tourism directly 80% of tourists arrive by ferry, and in the peak season ferry availability is the limiting factor on the number of visitors on the islands.

More broadly it will limit the availability and increase the cost of supplies brought in from the mainland, reduce the islands’ ability to compete for investment and lead to people feeling cut off, so choosing to leave the islands for the mainland, exacerbating the population challenges.

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 facilities on-board and in port as well as the procedures of the operator, Calmac, appear to provide a good level of accessibility on the major services with modern vessels (e.g. Stornoway-Ullapool).

This is more challenging on some of the older vessels and smaller routes

**Transport spending priorities**

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?

This is the limiting factor on growth of tourism, which is a major growth industry for the islands, and key to addressing population decline.

The current service is creaking at the seams in terms of both reliability and capacity.

The ferry service is fundamental to supporting fragile island communities and giving them a vibrant future - multiple other policy areas are dependent on a properly-functioning ferry service.

The ferries are the island railways - significant investment has gone into ScotRail infrastructure in recent years and our ferries need and deserve a similar long-term plan to produce a service that fully meets future needs of both islanders and those who visit.