



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 30 May 2018

Session 5



The Scottish Parliament
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Wednesday 30 May 2018

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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
17th Meeting 2018, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

Gail Ross (Caithness, Sutherland and Ross) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)
*John Finnie (Highlands and Islands) (Green)
*Kate Forbes (Skye, Lochaber and Badenoch) (SNP)
*Jamie Greene (West Scotland) (Con)
*Richard Lyle (Uddingston and Bellshill) (SNP)
*John Mason (Glasgow Shettleston) (SNP)
*Mike Rumbles (North East Scotland) (LD)
*Colin Smyth (South Scotland) (Lab)
*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Robbie Drummond (CalMac Ferries Ltd)
David McGibbon (David MacBrayne Ltd)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 30 May 2018

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning and welcome to the 17th meeting in 2018 of the Rural Economy and Connectivity Committee. I ask everyone to ensure that their mobile phone is switched to silent. We have received apologies from the deputy convener, Gail Ross.

The first item on our agenda is to make a decision on whether to take item 3 in private. Do members agreed to take item 3, on consideration of the committee's future work programme, in private?

Members *indicated agreement.*

Ferry Services

10:00

The Convener: The next item is evidence from CalMac Ferries Ltd on the Clyde and Hebrides ferry services. I welcome Robbie Drummond, who is the managing director of CalMac Ferries Ltd, and David McGibbon, who is the chairman of David MacBrayne Ltd. I extend a special welcome to anyone who is watching the committee on Facebook Live. If you wish to make a short opening statement, the floor is yours.

Robbie Drummond (CalMac Ferries Ltd): Thank you and good morning. I have met most of the committee, but for members whom I have not met, my name is Robbie Drummond, and I am the managing director of CalMac Ferries Ltd.

I would like to take this opportunity to make brief comments about the recent disruptions. However, before I do so, it might be helpful to the committee if I clarify where certain ferry-related responsibilities lie, because it is clear from comments in the press that that is not widely understood.

David MacBrayne Ltd, although it is owned by Scottish ministers, is a private company, which is operated under the Companies Act 2006, with its own board of directors. It is through our subsidiary, CalMac Ferries Ltd, that we deliver ferry services on the west coast of Scotland, under the terms of a contract that was awarded by Transport Scotland. The contract is closely managed by Transport Scotland on a commercial basis, and includes significant financial penalties should we fail to meet our contractual requirements, including technical reliability and punctuality.

Transport Scotland sets the fares and specifies the vessel fleet that we must use and the particular routes and timetables that we must operate. Our vessels are leased from Caledonian Maritime Assets Ltd—CMAL for short. Although we are responsible for maintaining the fleet and for decisions on how to deploy the fleet, decisions on vessel obsolescence, life extension or investment in new vessels sit with CMAL and Transport Scotland.

On the recent period of disruption, I sincerely apologise to all our customers for the inconvenience that has been caused. We care deeply about our communities and we understand the economic impact on island residents and businesses. We are very sorry for the recent disruption.

However, in many respects, the current challenge is about success: traffic across our network has grown at 37 per cent over the past

five years. Although that has delivered economic benefit to our communities, it has really stretched our services. Last year, we carried more than 5 million passengers, 1.5 million cars and just under 1 million metres of commercial traffic. Our 33 ferries made more than 137,000 sailings to 51 ports. During the summer period, we were running about 500 sailings per day.

However, in order that we can deliver the summer timetable that is set by Transport Scotland, all our major vessels are fully deployed. That means that in the event of disruption, we have no relief vessels available to provide cover. Our priority in the event of such disruption is to ensure that every community receives a lifeline service—albeit one that is less than the service that the community might expect. That has been the case with the recent disruption from the start of Easter, which is probably the worst disruption that the company has experienced in eight years. It has been a very challenging period for our staff, who have all worked incredibly hard. We have been working directly with communities to deliver the best services that we can provide for our customers.

I would like to reassure the committee that a significant amount of planning goes into how we minimise the impact of disruption. Such planning always involves locally based operations staff. Given the variability of our fleet, that is a complex task.

We have learned a number of lessons during the recent disruption. The first is that in a situation that has been fluid and challenging, communications have not always been as quick and as accurate as we would have liked them to be. I am absolutely committed to open and honest communications, so we are actively making changes to improve.

The second lesson is that our ticketing and reservations system which, as well as managing bookings, is the prime source of information for customers, is life-expired and needs to be replaced. We are looking at how that can be achieved.

The committee will be aware that I made reference recently to the challenges of maintaining an ageing fleet. We all need to be aware that as vessels age and systems become obsolete and therefore harder to repair, some impact on the service is likely, no matter how much effort goes into avoiding that situation.

Finally, we recognise that the Government has made considerable investment in vessels and port infrastructure. We look forward to receiving the vessels that are under construction at Port Glasgow, which will add much-needed resilience to our fleet.

I am happy to take questions from the committee.

The Convener: Thank you. If you or David McGibbon wants to answer a particular question, please catch my eye and I will try to bring you in, but please do not then look away while you give a 20-minute answer, or I will be forced to cut you off. If we can keep eye contact going we will keep the questions moving freely, I hope.

John Finnie (Highlands and Islands) (Green): Thank you for your statement, Mr Drummond. Can you outline the cause of the recent problems and talk about your efforts to find a replacement for the MV Clansman?

Robbie Drummond: The Clansman has been out of service and in dry dock for 65 days, while it has been having its tailshaft repaired. That required pieces of machinery going back and forth to Denmark—a significant repair had to be undertaken. There will now be another 10-day period in which the tailshaft will be permanently repaired.

We have, in partnership with CMAL, been considering the challenge of providing alternative vessels. We have been looking in real depth at alternative vessels for the past two or three years; our brokers are under instruction to search for vessels. It is clear that vessels are not available. The reason for that is, first, that the size of our ferries is quite unusual in the market; ferries tend to be much larger or smaller. Plenty of ferries are available for lease through Europe, in Greece and in Turkey, but the vessels are not fit for particular Scottish waters, cannot operate in ports of the size that we have and cannot operate at the shallow depths that we have in Scotland. Our brokers and CMAL brokers are under instruction to do a constant search for vessels: to date, no suitable vessel has come up.

It is worth saying that four weeks ago we went with CMAL to look at another vessel in Greece. We are constantly looking at vessels, and brokers are constantly coming to us with options. However, to date, we have not been able to take up any of those options.

John Finnie: Thank you. I have had representations made to me on various issues—as, I am sure, other members have. We could probably spend all morning putting those issues to you, to be frank, but the convener would not want us to do that, so I will give you a flavour of three or four.

The first is the lack of resilience and capacity in an ageing fleet. One representation to me talks about “questionable decision making” in the cancellation of the Mallaig to Lochboisdale ferry in the first half of June, which has been described as

“pitting one community against another”.

If I noted what you said correctly, you said that you have worked directly with communities and are keen to improve in that regard, but people have commented to me that there were

“inadequate communications to communities during unplanned interruptions”,

and that there was an

“inability to respond quickly to customers’ representations”.

Will you comment on those remarks, please?

Robbie Drummond: The first thing to say—I covered this in my opening statement—is that in summer our major vessels are 100 per cent deployed, so we have no spare capacity. That means that when we have disruptions of the size that we have experienced, we must prioritise: we must consider how we spread services across our communities.

We try to ensure that every community has a service, albeit that it might be less than they would expect. We do that by looking for the best fit right across our network. We do that in consultation with communities, and we have extensive communications with stakeholders. However, the solution is a lesser service than communities would expect, so the solution will be unsatisfactory. In periods of disruption, we work very hard to give our customers the right information through what might be a fluid and challenging situation.

John Finnie: I have a question about the pier at Uig, and the outage that will happen there. Will there be engagement with the community about that? There are frustrations, in any case, about what is seen as insufficient capacity on the Skye triangle.

Robbie Drummond: Yes. We have had to defer the Mallaig to Lochboisdale service, but there are options elsewhere in the triangle to get backwards and forwards. We are communicating with communities to make those options clear. All the passengers who were booked on those services have had their reservations moved to alternative sailings. They have all, to date, been accommodated.

John Finnie: You cannot be happy with the situation. Major organisations ordinarily have contingencies to deal with routine maintenance or routine breakdowns. I hear what you say about the challenge, but was that not apparent at the time of the contract being let? What does Transport Scotland have to say about the situation?

Robbie Drummond: As I said in my statement, the contract specifies the vessels that we must use, that we must take the fleet from CMAL, and which routes and timetables we must operate. We

are bound by that contract. Clearly, we are not in an easy place, given that we are one vessel down and are having to prioritise services to various communities. That is a very uncomfortable situation for us, and one that we do not want to be in. We have sincerely apologised for the disruption.

However, it remains the case that we have no spare vessels to accommodate this eventuality. It was not a minor breakdown; a major vessel has been out for more than two months, and is coming back in for another two weeks while we get back on track. There has been a period of major disruption—the worst the company has experienced for eight years. We have tried as best we can to provide the best possible service through that period.

John Finnie: You are aware of the great frustration in communities.

Robbie Drummond: I am aware of that. We understand and are very sympathetic to that frustration.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I want to take the argument a bit further. A friend of mine, who is not in my constituency, has made the point that this was the ninth consecutive Easter during which Islay has had service disruptions. That suggests that the problem is not related simply to the failure of a single vessel but is a systemic one that affects some communities. The problem is particularly affecting Islay’s commercial interests, including tourism—I was the minister who introduced the road equivalent tariff, so I carry some of the blame—the whisky exporting industry and livestock. Do you have any comments on the long-term problems that Islay and other communities have experienced?

Robbie Drummond: The Islay summit was held a number of months ago, and we heard about some of the challenges there. I talked about traffic growth across the network being at 37 per cent over the past five years, but traffic growth in Islay for the past five years has been approaching 50 per cent. Islay now has the benefit of a two-vessel service. However, the ferries plan says that, when there is an issue with the fleet, islands that have a two-boat service might have to go down to a one-boat service in order to maintain lifeline services across the wider network.

Clearly, Islay suffered at the start of Easter due to the Clansman disruption, but we worked very hard to move all our bookings, and customers were accommodated on new sailings. I am very sympathetic to the issues on Islay. I participated fully in the summit in which we heard about some of the challenges. We need to think about how we

can provide more capacity and resilience in the fleet.

10:15

Stewart Stevenson: I will just go on to that. You have made the point that you are contracted to source your vessels only via CMAL. Does the contract include a part that provides for variation in the contract?

Robbie Drummond: Yes.

Stewart Stevenson: Right. Have you asked for a variation in the contract to allow you to source vessels from companies other than CMAL?

Robbie Drummond: Transport Scotland has instructed both CalMac and CMAL to go out and look for new vessels, and has indicated that if we can find those new vessels, funding might be made available, depending on budget constraints, to bring those new vessels into service.

Stewart Stevenson: Are there other harbours that could accommodate vessels that are not suitable for the main harbour on Islay? I am sorry—I ask out of total ignorance of that subject. However, I understand that at least a couple of commercial operators have suggested that they could provide a wet vessel service, rather than the dry vessel supply that you get from CMAL.

Robbie Drummond: We and CMAL have been searching the market for six years, but no vessels have been found that could be accommodated anywhere across the network, including on Islay. The challenge is that vessels must be able to operate in particularly challenging Scottish waters and must be registered to do so. The waters are different from the waters in which vessels operate in Greece, Turkey or other places in Europe where there is spare capacity. The other issue that we have in Scottish waters is the extremely shallow draft and the fact that vessels elsewhere are simply not made to operate with such shallow draft. That is the challenge. If vessels were available, they would be brought up and presented to Transport Scotland as an option.

Stewart Stevenson: Finally on this subject, it strikes me as being potentially unique that we have a transport provider that does not have a single vessel in the yard to cover for difficulties. For example, I cannot imagine ScotRail operating a successful service without having spare trains to cover outages, and I cannot imagine airlines not having aircraft to fill in or not having contracts with other operators to fill in. Is that a unique position and is it a sustainable one in the long term for communities on the west coast of Scotland? I chose the example of Islay, but we have heard about the situation in Lewis, Lochboisdale, Mallaig

and so on, where communities are suffering, as well.

Robbie Drummond: As we have already seen, there is a challenge in that our fleet is fully deployed and there are no spare vessels. I am less familiar with the railways, but if you talk to other ferry operators—I talk to them constantly, across Europe—you will find that they operate their fleets hard but have spare vessels available. They can therefore move vessels in and out if they want to provide additional volume in peak periods, when they change vessels around. In the event of disruptions, they bring vessels in and out. Our situation is different from that which is faced by other ferry companies.

David McGibbon (David MacBrayne Ltd): As far as the fleet is concerned, it would be great to have some spare capacity, which we have sometimes had in the past. However, I ask the committee to remember—again, this is outwith our remit—that the two new vessels that are being built in Port Glasgow were due for delivery this year and would have taken a lot of pressure off and given us some spare capacity, as we have had before. Mr Stevenson will remember that when the MV Loch Seaforth came into service, we had for a while the MV Isle of Lewis as spare capacity until the decision was made to give Barra a dedicated service. I was up in Barra only a couple of months ago, and I know that people there see the service as a sea change because they have a service that is great for tourism and great for the island. The quicker we get new capacity—again, that is outwith our control—the better.

The Convener: I am not sure whether I heard you correctly, Robbie. Did you say that you have been looking for a ferry for six years?

Robbie Drummond: Yes, and intensively for the past two or three years, along with CMAL.

The Convener: The fact that you have been looking for six years indicates just how difficult it is to find a ferry that meets the requirements. I think that you said in your opening statement that you had been to Greece to look at a ferry.

Robbie Drummond: Yes.

The Convener: What sort of price was that ferry being sold for?

Robbie Drummond: I have not yet gone into that. Again, that search is being led by CMAL, and it has not yet gone into that level of discussion.

The Convener: I assume that, if ferries are so few and far between that you have been looking for one for six years, anything that meets the requirement will have a fairly premium price.

Robbie Drummond: The expected price of a ferry will be into the tens of millions of pounds. It depends on whether we are going to buy it or secure it on a bare-boat lease basis. It certainly will not be a cheap exercise. Then you have—

The Convener: Sorry, but I think that that issue will come up later. I just wanted to clarify that point.

Kate Forbes has some questions.

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): I have two quick supplementary questions to Stewart Stevenson's point about the dry-docking programme this year. There have been questions about the dry-docking programme for smaller ferries not being completed before the beginning of the summer timetable, as it has been in previous years, particularly in relation to the Loch Bhrusda. Will you comment on that?

Robbie Drummond: We have 33 vessels, 10 of which are major vessels, four of which are medium vessels and the rest of which are minor vessels, so we run a very complex dry-docking process through the winter period, which goes from the start of October right through to March. Each major vessel is in for at least two weeks, and smaller vessels are in for one to two weeks, so that is a complex task. If you multiply the number of vessels by one to two weeks, you can see that it is a complex process. We faced challenges with the small vessel fleet, which were not to do with planning. A number of the smaller vessels were re-engined—they had new engines put in—as part of a programme in which we worked with our partner CMAL, and we had problems when those vessels came out, post re-engining, which caused some of the delays.

The Loch Bhrusda did not have a re-engining issue; it was an obsolescence problem, which illustrates some of the challenges that we face. There was a failure of a part on the Bhrusda that was, in essence, a hook. It is a very simple part and not very expensive, but it is obsolete; so, rather than the manufacturer being able to give us a replacement in two to three days, it had to create the part, which took two to three weeks. Because the very small part that failed was obsolete, the vessel was out of service for a much longer period than it would otherwise have been, and during a period when it was planned to provide a bit of extra cover on the Mallaig route.

Kate Forbes: Was the dry-docking programme this year similar to the programmes in previous years, or was the work done later?

Robbie Drummond: It was very similar to the programmes in previous years, because each vessel has a date by which the dry docking must take place, and we cannot go beyond that date. The challenge was that the smaller vessels had

issues when they came out. The challenge with the Clansman was not a dry-docking issue; it was an issue that emerged in dry docking. With the Clansman being out of service, we were one vessel down, which meant that, to avoid a bigger problem, we delayed dry docking some of the other vessels, particularly the Hebrides. The alternative would have been to be two vessels down out of 10, and we decided that that was not an attractive proposition and that being one vessel down for a slightly extended period was a better option. That is why the whole dry-docking process this year has been extended. It was a deliberate decision to try to have better capacity while the Clansman was out.

Kate Forbes: Will the proposals in the vessel replacement and deployment plan for fleet development and deployment improve the resilience of the network over the next few years?

Robbie Drummond: As David McGibbon said, two vessels are on order. They will potentially create a spare large vessel in the fleet, which will give us a choice about what we do with that vessel. Do we utilise it somewhere or do we keep it on a warm lay-up, ready to step in should there be a problem? It will also allow us to flex the fleet and put more larger vessels on different routes. For example, it would allow us to bring the Coruisk back to the Mallaig service. It certainly offers more resilience.

Does the document do what it says it will do? Having more vessels will provide more resilience for us, and that will certainly help. As the vessels are newer, they will also be more reliable.

Kate Forbes: You mentioned—

The Convener: You are pushing one question into about four, Kate. I will let you ask one more, and then we will move on.

Kate Forbes: My question is about new vessels. Two new vessels are currently being constructed. How many new vessels have you had in recent years?

David McGibbon: I think that, when the minister was here, he said that we have had about eight new vessels in the past 11 years. From memory, I think that that is about right. We have had the three hybrids; we have had the Finlaggan, the Loch Seaforth, and the Loch Shira; and, before that, we had the Argyle and the Bute.

There has been regular investment over the past few years, but, in essence, that has been making up for the period before that. When I first joined the board, my predecessor said to the minister that we needed a new vessel every year for the next 20 years. We have not had that, but, to be fair, the Government is investing. I believe that the minister, when he was here, also

mentioned a new vessel for Islay, which is good news and is going to help.

The more vessels we have in the fleet, the more resilience we have. However, in a sense, we are victims of the success of the RET that Stewart Stevenson introduced. The RET has been a huge success across the network—everywhere you go, you will see the impact of it, particularly at the height of summer. It gives us issues in the sense that we are carrying a lot more people and cars, but that is great for the economy, it is great for tourism and it is great for the islands. The RET gives us pressures, but it has been a success.

Colin Smyth (South Scotland) (Lab): I will pursue some issues around the replacement plan. It is clear, from what we have heard today and from what we have read, that the current fleet is not fit for purpose. It is an ageing fleet—the average vessel is 23 years old. In fact, 15 out of your 31 vessels are over 23 years old.

The current VRDP has not enabled us to avoid the disruption that we have seen in recent months, and we have talked about growing demand. How confident are you that the existing plan will avoid a repeat of that disruption in the future?

Robbie Drummond: The VRDP process is led and managed by Transport Scotland. We work closely with it, as we do with CMAL, but you probably need to put that question to Transport Scotland. The fleet is fit for purpose now—it runs a service. The question that we are looking at is around the sustainability of that service and how future investment needs to bring more resilience into the fleet.

Colin Smyth: In your view, what needs to change in that plan to avoid similar disruption in the future?

Robbie Drummond: The plan needs to look at the long-term future of the service, and it does. I would like us to look forward 20 years and have an investment plan for the next 20 years for both vessels and ports. When I talk to other ferry operators, that is the timeframe that they are using in relation to their fleets. They are looking 20 or 30 years ahead, thinking about what sort of fleet they want to have in place in 30 years and what the infrastructure will need to look like. They are then plotting a path, over that longer timeframe, from where they are today to where they want to be. These are long-term assets. Ferry life spans are, on average, 25 years, but the infrastructure that we operate in is also important—it is a long-term asset, too.

Colin Smyth: One of your main assets is your workforce. I have a brief question about one of your ferries—the Isle of Lewis, which is 23 years old. You commissioned a private consultant to look at some of the health risks to seafarers from

vibration on what is obviously an ageing vessel. What steps are you taking across the fleet to deal with such health and safety concerns, given the age of some of the vessels?

Robbie Drummond: The health and safety of both our travelling customers and our staff are our absolute number 1 priority. We take those matters incredibly seriously. We are looking—again, with CMAL—at where we can improve facilities on board for our staff, so that they have the conditions that they would expect to have.

Colin Smyth: You commissioned a private consultant to look into the issue of the vibration on the Isle of Lewis ferry. What specifically are you doing to address that concern?

Robbie Drummond: I do not want to go into the details around that. The vibration is at an acceptable level, so it is not causing a health and safety issue.

10:30

John Mason (Glasgow Shettleston) (SNP): I will concentrate on the financial side of the RET, which has been mentioned. Can you tell us something about how the finances work? I understand that the fares are controlled and that there are inflationary increases. I think that £40 million has been provided by Transport Scotland to compensate for lower ticket income since 2008-09, which must work out at about £4 million a year. However, you have more vehicles and more passengers, who are paying more money. Will you give us an overview of how the RET has impacted on the finances?

Robbie Drummond: The RET has led to a reduction in average ticket pricing but a higher volume, the net effect of which is lower revenue coming to CalMac. When we bid for the contract, we recognised that and took it fully into account—the RET changes were known about when we made the bid. We estimated what our revenue would be and put in a bid relating to our costs.

It is important to recognise that the way in which the contract works means that we are fully on the hook for revenue growth, so we are incentivised to grow passenger and vehicle numbers. We work very hard with local and national tourism bodies to grow the traffic.

John Mason: How much lower is the revenue as a net effect? You have had £40 million extra from the Government, which is built into the contract. Is there still a net effect?

Robbie Drummond: Yes, there will be. Average revenue will be down, so there is an increase in subsidy. However, it is a hard number to disentangle, because that would require us to identify how much of the growth is due to lower

RET fares—a pricing impact. There is significant growth in tourism in Scotland anyway, which is driven by security fears and the lower value of the pound, and we know that that has had a revenue impact from which the contract is benefiting. To answer your question we would need to be able to separate out the specific RET impact, which we are not able to do.

John Mason: Is there any link between the revenue that you are getting—whether it is more or less—and your replacing vessels, or are those things completely separate, with no relationship?

Robbie Drummond: There is no relationship, because of how the contract works. We make a bid to Transport Scotland for a certain amount of subsidy to run the services for the period of the contract, and that is what Transport Scotland pays us, but that is completely separate from how it funds vessels, which is done through CMAL.

Mike Rumbles (North East Scotland) (LD): When the committee was on Mull, several islanders talked to us about the difficulties of sometimes being stranded and not getting back to the island. We have information before us on the result of the RET and the rising numbers of passengers and vehicles. It struck me, from looking at the tables, that, on the Oban to Craginure route, passenger numbers are up 14 per cent and cars are up 43 per cent; on the Oban to Lismore route, passenger numbers are up 18 per cent and cars are up 55 per cent; and on the Tobermory to Kilchoan route, the increases are 28 per cent and 75 per cent. There has obviously been a huge uplift in the number of vehicles that are going across to the islands. Has there been an increase in the number of passengers who have been unable to board services since the change in the fare structure?

Robbie Drummond: We clearly face a challenge throughout the summer period on certain peak sailings. However, that challenge involves the car deck. There is no challenge in relation to passengers travelling—indeed, we are trying to encourage more passengers to travel with us, because that is environmentally sustainable. It is also an area in which we are not capacity constrained. We are capacity constrained in relation to the car deck, which is a challenge.

In certain periods over the summer, sailings are full and communities—and, indeed, tourists—will not be able to get on them. There is always capacity during the week, but those sailings may be less attractive to people.

You mentioned growth, and I have talked about growth of 37 per cent across the network in five years. An interesting statistic is that, over the recent bank holiday weekend, the growth in our passenger numbers was 17 per cent, meaning

that we carried nearly 20,000 extra passengers over this year's bank holiday compared to last year's bank holiday. We also carried 8 per cent more cars, which was an extra 2,000. Over just those four days, you can see the growth that is being experienced across the network. That is not to do with the RET, because the RET existed last year; it is just growth.

Mike Rumbles: Do you know how many residents of the islands are unable to get on the ferries and have to stay over? If not, is there any way in which you can collect that information?

Robbie Drummond: No, we are not aware of those numbers, because there is no way of capturing them. If somebody goes online, is unable to book their favourite sailing and either decides not to sail or books an alternative sailing, we cannot capture that data.

The Convener: Another issue that was mentioned on the Mull trip is that islanders who are making an emergency trip—it could be for personal reasons such as a family bereavement—might struggle to get off the island. Is there capacity to keep spaces on the ferries to allow people to get off the island in extremis if the case is made? Are spaces kept in case such scenarios arise?

Robbie Drummond: That is an interesting question. Our contract says that we must operate the services on a first-come, first-served basis, so the sailings get booked up as passengers make their bookings. When we bid for the services, we offered to create a reserved space for five cars or whatever and to allow communities to manage that space. We offered that option, which could have been used when people had to travel to funerals or access medical services, but it was not taken up and the contract requires us to operate on a first-come, first-served basis. The matter could be looked at, but it would require a change to our contract.

The Convener: Thank you—that is very useful. I apologise if I have stolen your question, John.

John Finnie: No, not at all, convener.

Mr Drummond, we have been talking about the availability of ferries, but I want to understand the relationship between capacity and freight and the impact that freight has on capacity. It has been suggested to me that the Western Isles Council has been told that there have been discussions about the carriage of freight and that a sum has been mentioned but that the Scottish Government does not want to lease a vessel that was previously used for the conveyance of freight on that length of lease. Will you comment on that, please?

Robbie Drummond: I am not able to comment on any discussions that you have had. There is always an option to lease a freight vessel. That was done before for the Stornoway to Ullapool route. Transport Scotland could choose to look at that option again, which would require a vessel to be available that could be utilised on that route.

John Finnie: I understand that there is an offer, and the availability of a vessel simply to carry freight clearly would have the potential to free up capacity. Has any work that could be published or made available to the committee been done on the impact that that would have?

Robbie Drummond: A Western Isles Scottish transport appraisal guidance study has just started, and information will emerge from that. Communities will have the opportunity to comment as part of the STAG process, which should identify what the requirements are and therefore what the best vessel configuration is to meet those requirements. Transport Scotland is leading the STAG study, which is due to complete in 12 months or so.

John Finnie: People are frustrated because the process is torturously slow, and another year will have passed before it is finished. Do you have flexibility to deploy freight vessels to alleviate some of the pressures as a result of the carriage of heavy goods vehicles on your ordinary ferries?

Robbie Drummond: I refer to my previous point that we do not have any additional vessels. However, if a freight vessel were to be made available and Transport Scotland wanted to fund it, of course we could put that in place. We would have to recruit crew and make sure that such a vessel could be accommodated at the relevant ports. However, it could be put in place if funding were to be made available to do that.

John Finnie: Could you give an assurance that the trade unions would be involved in such a process? As you have rightly identified, there are issues with crewing and staff terms and conditions.

Robbie Drummond: I can give an absolute assurance that, if that were put in place, we would do it in the right way and offer the right terms and conditions to staff, as that is very important for us.

The Convener: I think that you have pushed that point quite a long way, John. I will not give Kate Forbes so much leeway with her question.

Kate Forbes: I will start quickly, then. There are some very impressive figures for carryings following the introduction of the road equivalent tariff, with carryings on some routes up by 33 per cent. First, does it concern you when there are either negative or very low figures? For example, I can see that Fishnish to Lochaline has a minus

figure for the change in carryings and Mallaig to Armadale has only a 0.3 per cent increase in passenger carryings. Secondly, how do RET figures drive the capacity that you provide? There could be a chicken-and-egg situation in which if there is more capacity, there will be more demand, and if there is less capacity, there will be fewer carryings.

Robbie Drummond: Clearly, there is a relationship between capacity and demand. We find that, as soon as we put another vessel on a route and it provides more capacity, that leads to further growth that is very positive for our communities. If we had more capacity, we would certainly want to deploy it, because that would be great for communities and would lead to good sustainability.

Kate Forbes: How do you mitigate the lower or negative increases in carryings?

Robbie Drummond: I am not sure what figures you are looking at but, clearly, we want to make sure that all our routes are growing and that we have customers using them all. Our mitigation is that our commercial department works very hard with local and national tourism bodies to try to drive more traffic through routes on which there is spare capacity. It will work on promoting those communities as fantastic places for tourists and on trying to grow those routes. We want to continue to do that, as it is an area in which we can continue to grow our revenue, which is good for CalMac as a business, for the returns that are generated for the Scottish Government and for communities, too.

Peter Chapman (North East Scotland) (Con): I want to look a wee bit into the Scottish ferries plan for 2013 to 2022, which was a 10-year plan that was launched in December 2012. We are halfway through the period that the plan covers. It looks at where investment should be focused, improving reliability and journey times and maximising opportunities for employment, business, leisure and tourism. What progress has CalMac made on implementing the requirements that are set out in it?

Robbie Drummond: The ferries plan is a Transport Scotland document that looks at how it wants to provide those services. We have a contract with Transport Scotland that says that we must run certain routes and timetables, by using certain vessels. As far as I am concerned, that plan has been delivered by being embedded into the contract that we are now delivering. I guess that your question is about where we should look for the rest of it. I think that that falls to the VRDP, which looks at what future investment in vessels and ports will be.

Peter Chapman: To some extent, you are saying that the plan is almost irrelevant because it is embedded in what you do anyway. Is that a fair assessment?

Robbie Drummond: I would not say that it is irrelevant, because we were asked to deliver a service. If Transport Scotland wants to ask us to deliver more sailings or to deliver them with different vessels, and thereby deliver some more of the plan, that option is open to it through contract variation or whatever other mechanism it might want to employ. We would work closely with it to deliver anything different that either it or the communities want.

Peter Chapman: Do you think that the plan is succeeding and meeting the aims of improving journey times and reliability and maximising opportunities for business that are embedded in it? Five years in, do you feel that you are now ticking some of those boxes? Have there been improvements?

10:45

Robbie Drummond: I will pick up on some of those things. You talked about opportunities for local businesses. We are carrying significantly more traffic, and that means that the opportunities for businesses to get their products to market are increasing. We have seen some of that growth. Whether in the whisky trade or shellfish markets, that trade is increasing. That is opening up more opportunities for businesses.

You mentioned reliability. In contract year 1, our reliability and punctuality was 99.5 per cent. We can compare that with the percentage for rail, which is in the mid-90s. We are delivering well on that proposition. Clearly, the issues with the Clansman have knocked that back a bit, and we are not happy with that situation, but if we take that out, the reliability and punctuality of our service is very high.

Peter Chapman: I accept that. We have investigated the problems, but 99.5 per cent reliability of services is a fantastically good figure. I commend you for that.

The Convener: Can I clarify something? Did you say at the beginning that you buy into the plan but that it is not your plan and you cannot influence the outcome, or have I got that completely wrong?

Robbie Drummond: It is Transport Scotland's plan.

The Convener: It is Transport Scotland's plan and you cannot influence it because of the contract, so it does not really work. Is that what you are saying, or have I got that completely wrong?

Robbie Drummond: I would not characterise it quite in those terms. It is Transport Scotland's plan. Clearly, we can influence it, because we work with Transport Scotland and CMAL, and we had a key role to play in what the plan looks like. However, it went out for consultation with communities and it is based on what they wanted. Transport Scotland has now set the plan and said to us, "This is what you need to deliver," and that is what we are now delivering. We will work with Transport Scotland and CMAL to influence and work on where the plan should go in future.

The Convener: Thank you.

Kate Forbes: Moving on, I have a question on timetabling. What actions have you taken to increase opportunities for island residents to commute to the mainland?

Robbie Drummond: One of the improvements that we have brought forward in the contract is that we have a much more robust timetable consultation process. The way it works is that, at the start of each summer and winter period, we start up a consultation programme with communities. There is communication with them about what concerns they have and what changes to timetables they would like.

We then take the outcomes of all that consultation to Transport Scotland and have a discussion about whether it wants to fund additional sailings or changes to sailings that have been proposed by communities. The types of things that are proposed are changes to link up with other transport modes, additional sailings and indeed new routes. We take those discussions forward and, where we are able to do what has been proposed, we put the ideas forward to Transport Scotland.

Over the past two years, we have made a significant number of changes that have much improved connectivity with rail and buses. We have also appointed a transport integration manager, whose key responsibility is to work with rail and bus companies in improving that connectivity.

Changes have been made to make the timetable work better for communities. The options that we have to extend the working day are more limited because we are restricted by the working time directive. We can move sailings around, but extending them and creating more is more challenging because our fleet is pretty much at maximum capacity.

Kate Forbes: Do you consider peak commuting times when you devise timetables for islands that have a lot of residents who commute to the mainland?

Robbie Drummond: Yes. Our timetables are delivered around what the communities want and with their consultation. They are not even throughout; they focus on the areas and times that are most important for commuters.

Kate Forbes: On infrastructure, I presume that you work with CMAL and passenger groups to improve the accessibility of ferries and onshore facilities.

Robbie Drummond: Yes. Again, we do not own the ports or the vessels, but we work closely with their owners to improve accessibility. With ageing infrastructure, that is not easy.

We work very hard on the operational side of accessibility, which includes supporting customers who need additional access or support such as the ability to park their car in a more convenient area. We are also working with CMAL on the changes to physical infrastructure that could make a difference, such as lift provision, access gangways and that kind of thing.

Kate Forbes: Are all your ferries accessible to disabled passengers?

Robbie Drummond: Yes, they are all accessible, but not always in the easiest way because, for example, the ferries cannot have lifts put in. We always create an operational process by which disabled passengers can access the ferries.

Richard Lyle (Uddingston and Bellshill) (SNP): Since 2011, when I became an MSP, there have been a number of looks at ferries and meetings with CalMac. In session 3, the Transport, Infrastructure and Climate Change Committee undertook a detailed inquiry into ferry services and made nine recommendations to CalMac and the Scottish Government. The recommendations looked at speeding up processes, new innovative working practices to allow timetables to be improved, contracts between ScotRail and CFL allowing services to wait where possible for delayed trains or ferries without penalty and the Scottish Government facilitating discussions between ScotRail and CFL to identify capacity for improvement. Have most of the nine recommendations been implemented? Does the Clyde and Hebrides contract allow CalMac Ferries to hold services for late-arriving trains or coach services without financial penalty?

Robbie Drummond: I slightly covered that before. We put in place a much more robust timetable consultation process and we have a transport integration manager, who works directly with train and bus companies on proper integration.

We are subject to very significant penalties when we are late or we do not meet timetables

but, under the contract, we are allowed to, in waiting for a train, delay a service and not be penalised for that. However, that is challenging, because if we delay the first sailing of a six-a-day service, the next five sailings will all be late. Those sailings might have passengers who are trying to make connections so, although we might help some passengers, we create challenges for others during the rest of the day. Although we are not penalised under the contract, it is a difficult balance to manage.

Richard Lyle: I understand that that can have a knock-on effect. There was a recommendation about lengthening the sailing day. Do you do that? So that I know for my own benefit, how much did you pay in penalties last year?

Robbie Drummond: The majority of our ferries operate close to the maximum working day, which is set by the amount of hours that the crew is allowed to work. That is an issue, because if we delay the first sailing of the day by half an hour, that might mean that we are not able to operate later sailings, which is really challenging. The options of extending the day and adding sailings are not available to us without bringing on additional crew, which means a complete step change in costs. Even to put on one sailing, we would need a whole crew, which is challenging.

Richard Lyle: You say that you now work with ScotRail and bus operators to develop timetables that allow easy transfer between public transport modes. Do you really do that? I understand that ScotRail services are sometimes late and buses are sometimes late because of traffic and so on, which makes your services late, but, unlike ScotRail services, you cannot skip-stop. How long would you hold back a ferry for a late train or bus?

The Convener: The concept of a skip-stopping ferry is very interesting.

Richard Lyle: I understand that ferries cannot skip-stop, but they can go a wee bit faster to make up the time.

Robbie Drummond: We have operating protocols in place with rail and bus services so that there are contact points and we know when late-arriving trains or buses will arrive. Those protocols are slightly different depending on which ferry they relate to. The response for short routes will be different from the response for longer routes. It is a matter of balancing and managing the situation across the whole day.

Richard Lyle: Does ScotRail contact you to say that the train from wherever to Oban, for example, is late?

Robbie Drummond: Yes, it does. Operating protocols are in place so we will be aware of that.

Richard Lyle: So there is regular contact. Thank you very much.

Colin Smyth: One way to improve connectivity between the rail and ferry services would be to have the same company run both. The Government has legislated to enable a public sector bid for the current ScotRail franchise, which runs to 2025 but could be broken in 2020, and it has been suggested that CalMac could be a public sector bidder. Have you had any discussions about preparing a public sector bid for the franchise?

David McGibbon: I, too, saw the comments in one of the tabloids about “Caledonian MacTrain”. We are in the public sector—we are owned by the Scottish ministers. We want to expand the group’s ports, harbours and ferry services nationally and internationally. We have noted the comments on rail. We do not have any experience in rail but, in terms of developing the group, we would be interested in exploring the possibilities. The board has discussed that but only that. We would need to know an awful lot more about what it entailed and what the costs would be but, without any commitment, we would be interested as a public sector body in considering it.

Colin Smyth: The clock is ticking on that. Has the Scottish Government been involved with the company on it?

Robbie Drummond: As David McGibbon said, we have indicated our interest in having a discussion with Transport Scotland about the possibility of us operating a rail service. However, the key thing for us is the shape of that rail service. If there was to be a contract, what would the nature of the contract be? What would our relationship be with Network Rail and what would our relationship be around the transfer of risk? There is a load of questions to be answered about the shape of the contract before we get into any discussions.

David McGibbon: We have not had detailed conversations, but we have indicated to Transport Scotland that we are willing to talk.

Jamie Greene (West Scotland) (Con): Good morning. If my ears do not deceive me, we have just spent the past hour talking about the lack of resilience on Scotland’s ferry services, yet you have just said that you are interested in running our rail network. Am I correct?

David McGibbon: Well, we are a company owned by the Scottish Government. We are in the public sector. We are in transport and know a bit about it. Therefore, we would be interested in at least exploring with the appropriate Transport Scotland rail officials what it would entail. That is all that we are saying at the moment.

Jamie Greene: Okay. To go back to ferries, it sounds like there is a bit of a perfect storm at the moment. We have an ageing fleet of vessels and a network that is at capacity with absolutely no resilience in terms of spare vessels. However, we have an operator that has no ability to alter some of the decisions that are key to improving the situation. You say that those are all decisions for Transport Scotland. You are not in charge of routes, timetabling or fares. You are told what type of vessels to use. You are not in charge of the investment decisions, plan or strategy. Are you happy with the status quo? It sounds like something is amiss in the system.

Robbie Drummond: You have described the nature of a franchise contract. We run a contract to run a ferry service. We work closely with our communities on what that service needs to look like and we have committed to a range of improvements through our bid that will make that a better experience. We are also committed to working with CMAL and Transport Scotland on how to improve resilience for the future and on the strategy and long-term plan. We are committed to working in partnership with them and to improving the service as we progress through the contract, but it is a contract. Are we happy with the situation? We knew the situation when we bid for the contract and we are doing the best that we can with the assets that we have available. Our staff work incredibly hard to provide a robust service.

11:00

Jamie Greene: None of this happened overnight. How did we get to the situation where there is no capacity? All that it takes is for one large vessel to go offline or for the delivery of new vessels to be delayed, as it has been, and the knock-on effect is suddenly felt across Scotland.

People are watching this meeting online. Islanders must be furious about the situation. The Parliament is discussing the Islands (Scotland) Bill today, yet all that I hear in response to our questions about what has gone wrong and how that will be fixed is that all that is outside your control.

Robbie Drummond: We are saying that there has been growth and that we are doing the best that we can to deliver the best service that we can with the vessels that we have. I am not sure what else I can say.

Jamie Greene: So the fault is not yours; it is Transport Scotland’s.

Robbie Drummond: We are not saying that. We take responsibility for our delivery, but we do not own the longer-term strategy for the fleet, which sits with Transport Scotland. We all need to acknowledge that the RET has been a fantastic

success for the communities and that tourism traffic has grown significantly, which has been of benefit. We need to have a conversation with Transport Scotland, CMAL and our stakeholders about what the long-term strategy for vessels and ports needs to look like for the next 20 to 30 years to deliver the service that we all want.

Jamie Greene: Who makes the decision to bid for a ferry service? Does CalMac, David MacBrayne or Transport Scotland do that?

Robbie Drummond: The bid is made by David MacBrayne, which is a private company that has its own board of directors. That company wants to grow and do other business, whether that involves ferries or other logistics operations—the committee will be aware that we won a large contract to operate Marchwood military port. It is purely for David MacBrayne's board to decide which opportunities to pursue and which opportunities best fit the purpose of the business.

Jamie Greene: Although the communities of Orkney and Shetland have publicly rejected the concept of CalMac running the ferry services there, do you intend to bid for those services?

Robbie Drummond: As I said, we are a business that wants to grow. I would not characterise the situation in the terms that you used; I think that people said that they did not want the services to be allocated to a single operator and that they wanted a competition, from which the best operator would emerge. Having won a number of bids, we are confident about going up against private operators. We believe that we can deliver a better and more cost-effective service for customers. We are not at all afraid of competing on any terms.

Richard Lyle: Some time ago, David MacBrayne, which is the holding company, said:

“assuming that vessels have a lifespan of 30 years, vessels need to be replaced at a rate approaching 1 per year.”

The vessels that are to come to you are being built at Port Glasgow. What is proposed for the future? Will one vessel be built every year? What has the Government said?

Robbie Drummond: That comes back to the strategy for identifying the approach, and that is the VRDP, which Transport Scotland owns. Two new vessels are being built at Port Glasgow and there is the option of building another ferry for the Islay service. The VRDP needs to address the strategy for vessel delivery. I have said that the average age of our fleet is 22 years; we have eight vessels that are more than 30 years old. A review of the long-term future is needed to maintain resilience.

Richard Lyle: You have said that you need one vessel to be built a year, which would help you and help workers at Port Glasgow.

Robbie Drummond: We have made no statement about needing one per year. Your comment is simply a question of maths. If you want to maintain 30 vessels at the same age, you need a frequent development programme. We have no demands. We will operate the service with the assets that we have available and make the best job of it that we can.

Richard Lyle: But you would like one a year. Perhaps I have pushed that too far.

The Convener: I think that you are trying to put words in people's mouths.

Does CalMac Ferries actually feed into the Government's review of ferry procurement? Does it say, “This is what we need. This is when we need it. How are you going to produce that?”, or is it the other way round and the Government tells you what it is going to give?

Robbie Drummond: Let us be clear. Are you talking about procurement or about the replacement strategy?

The Convener: I am talking about the procurement of new ferries and replacements.

Robbie Drummond: We are part of a tripartite discussion that involves Transport Scotland, CMAL and ourselves. We look at what the strategy might be and what the specifications of any future ferries might look like. If we are looking at the Islay vessel, for example, we will be clear about our requirements for that vessel and we will put that forward to Transport Scotland and CMAL to deliver that.

Stewart Stevenson: We have heard about 11 new vessels in recent years. Have they reduced or increased the average age of the fleet?

Robbie Drummond: If you look at the chart of the age of our fleet over time, you will see it going up the way, so clearly it has had a positive impact, but the average age of our vessels is 23. That is just a matter of fact.

Stewart Stevenson: Is there a difference between the large vessels and the small vessels?

Robbie Drummond: Not a material difference.

The Convener: When are the two ferries that are being constructed going to be delivered, and is that when you expected them to be delivered?

Robbie Drummond: As David McGibbon said, they were expected to be delivered this summer. The latest indication is that they will be delivered sometime in winter 2018-19. As soon as they are

delivered, we will be able to put them into operation.

The Convener: I always get confused about this, and I am sure that the committee will understand my confusion. Is that the winter of 2018 or the winter of 2019? Is it the winter of this year, or the winter of next year?

Robbie Drummond: It will be during our winter timetable for 2018-19, which is next winter.

The Convener: November is winter, is it not? So that is November 2019.

Robbie Drummond: No, it is November 2018.

The Convener: Between 2018 and 2019. I always get confused, and I would like to understand. We usually get into a discussion about seasons, and that confuses me.

Robbie Drummond: Our winter period runs from October 2018 through to March 2019.

The Convener: Okay. When those two ferries come in, will you still be looking for an additional ferry?

Robbie Drummond: As we have said, the VRDP has already identified the need for an additional ferry on the Islay route, so that is the next one that we will be looking to put in place. The two ferries that are coming in give us improved resilience, because they will enable us to do a cascade through the fleet and it could free up a major vessel, either to be used as a spare vessel or to be deployed somewhere else. It gives us real improvement in our resilience.

The Convener: My question is simple. I am sure that most businesses, if they had been looking for a bit of machinery for six years and had no luck in finding it, might realise that they are looking for something that they will have to buy new or commission, rather than buy second hand. That is the position that you are in. Are you going to keep looking for something that is not there?

Robbie Drummond: We have already told Transport Scotland that we will commit, along with CMAL, to continue looking for vessels. As none has emerged in six years that is suitable, there is not a high expectation that any will emerge over the next six years, but we will continue with that process, because one may emerge, and that could offer a shortcut to providing additional resilience. However, the most likely and obvious way to increase resilience is to build more vessels in future.

The Convener: Maybe you should have commissioned it four years ago, but let us leave it at that.

It has been a useful session for the committee. Thank you very much for coming along.

11:10

Meeting continued in private until 11:43.

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