

## **RURAL ECONOMY AND CONNECTIVITY COMMITTEE**

### **DRAFT BUDGET 2019-20**

### **SUBMISSION FROM TIREE COMMUNITY COUNCIL**

#### **Introduction**

The Scottish Government (SG) published its Ferries Plan (FP) on 19 December 2012, which was based on the results of the Scottish Ferries Review.

The Ferries Plan '*makes recommendations on where investment should be focused to improve connections for island and remote rural communities, improving reliability and journey times, promoting social inclusion and maximising opportunities for employment, business, leisure and tourism*'.

In addition, Transport Scotland's Vessel Replacement and Deployment Plan (VRDP), produced annually supposedly gives '*an overview of how existing, planned and prospective vessels could be deployed across the Clyde and Hebrides ferry service network to deliver the commitments set out in the Ferries Plan and better meet forecast demand*'. The VRDP supposedly '*informs Scottish Government consideration of new vessel and harbour investments*'.

VRDP's have proven to be the vehicle for SG to amend the FP to accord with SG current investment planning which has proven to be at variance with the original FP. Hence only two 'major' ferries on order instead of three, and no 'small' ferries instead of three. ( FP App 1 )

The CalMac Community Board at its most recent meeting, with Transport Scotland in attendance, stated that the Ferry plan and VRDP are both outdated and inaccurate.

This submission has studied the evidence from Drummond CEO CalMac to the REC (May 30 2018 ). <http://www.parliament.scot/newsandmediacentre/109131.aspx>

Notwithstanding his public statements re CalMac's '*ageing fleet* ', and the CLANSMAN farrago was current, the REC's interrogation of Drummond was very weak. With possibly two exceptions, the REC's members come from non-ferry dependent communities. This was self-evident from the quality of the questioning. This included one member's Q based on the input of a friend who had a summer house on Islay. The ignorance of the REC on substantive ferry issues was salutary.

The REC subsequently launched this survey. Some of the Qs evidence the REC's ignorance a/o naivety.

## **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 the resilience of the Clyde and Hebrides ferries network in future years?**

No

**It is NOT enough to ensure the resilience of the Clyde and Hebrides ferries network in future years**

### **Re Current Level of Investment in new ferries:-**

The 2013 Ferry Plan stated:

8. The replacement of vessels will also require additional investment during the period of the Ferries Plan. The vessel replacement programme is provided at Appendix 1. We have identified a need for the following vessels to be replaced between 2015 and 2022:

4 'Loch class' vessels – probably to be replaced with further small hybrid ferries

2 medium sized vessels: (MV Isle of Arran and MV Hebridean Isles)

2 large vessels: (MV Isle of Mull and MV Lord of the Isles)

The 2018 reality is only two ferries are on order, H801 and H802 building @ FMEL, at a cost of £97m plus the recent £30m 'loan' to FMEL to ensure delivery.

Originally ordered (Oct 2015) for delivery 1<sup>st</sup> Q 2018 (H801) and 2<sup>nd</sup> Q 2018 (H802).

Delivery has been serially delayed with Transport secretary Michael Matheson most recent update (Aug 2018):

*"Ferguson Marine Engineering Ltd has advised that the first vessel, the MV Glen Sannox (801), will be delivered during summer 2019, and the second vessel (802) in spring 2020. Following delivery, Calmac Ferries Ltd require around two months for trials and crew familiarization"*

On these delivery prospects '**in-service**' delivery to CalMac of H801 will not occur till the end of the Summer 2019 t/table, and H802 mid-Summer 2020 t/table respectively'

- **Meaningful summer capacity, at best, is NOT added to the CHFS network till Summer 2020**
- **Meaningful fleet cascading options, as per the 2016 VRDP, to be implemented in 2018 now cannot be implemented till Summer 2020**

Statements made by FMEL as to the technical complexity (ie dual-fuel technology) of the these ferries are a nonsense.

The application of dual fuel technology in maritime transport was introduced in 2000. In 2008, the UN body responsible for shipping standards, the International Maritime Organization (IMO) set out the fuel standard to apply from 2020. That fuel standard precipitated the shift to the application of dual fuel technology to N.European Ferries, with the first such ferry delivered in 2013.

As FMEL has subcontracted the ' technical complexity ', the issue here is to question **if FMEL was /is fit for purpose** to build such technical complexity.

As both vsls have incurred serial delay it is not unreasonable to assume further delay. Ergo no meaningful added route capacity will be deployed till Summer 2020 and Summer 2021 respectively, ie 2 yr slippage from original ordering.

This current level of investment amounts to a stark diminution of the investment plans of the Ferry Plan

Not only has there been a diminution of investment but also a failure, on Scottish Govt's part, to invest as per the Ferry Plan's Replacement Programme (App 1) below, which in itself does not correspond with (8)as above.

#### Vessel Replacement Programme

Proposal	Estimated Timing	Estimated Funding
Medium-term <ul style="list-style-type: none"> <li>▪ Replace MV Isle of Cumbrae</li> <li>▪ Replace MV Hebridean Isles</li> </ul>	To 2016	£45 m
Long-term <ul style="list-style-type: none"> <li>▪ Replace MV Isle of Arran</li> <li>▪ Replace MV Loch Linnhe</li> <li>▪ Replace MV Loch Riddon</li> <li>▪ Replace Isle of Mull</li> </ul>	To 2019	£90 m

#### Notes

(1) None of the ferries have been replaced.

(2) **This estimated 2016-2019 funding is an alarming underestimation of approx £100M.**

Concentrating on the major ferries ie MV's HI /IoA/IoM, subsequent VRDPs have extended the service of MV HI to at least 2022, and MF IoM indefinitely (indications to at least 2024)

Currently the only specific future ferry investment under consideration is a new ferry for Islay to allow the MV Hebridean Isles to be re-deployed. No tangible progress has been made to order such a ferry beyond the conceptual. Assuming the usual SG progress trajectory to order this ferry, in-service delivery is unlikely before 2023. In the commercial world in–service delivery could be achieved by 2021. If this Islay specific was to make any progress, than specific investment in this new building will be required to be incorporated in the 2019-2020 Budget

### Proposed level of investment in new ferries

There is no proposed level of investment in new ferries

Currently the only specific future ferry investment under consideration is a new ferry for Islay to allow the MV Hebridean Isles to be re-deployed. No tangible progress has been made to order such a ferry beyond the conceptual. Assuming the usual SG progress trajectory to order this ferry, in-service delivery is unlikely before 2023. In the commercial world in – service delivery could be achieved by 2021

VRDPs indicate that the MV Hebridean Isles, as /when a new ferry is deployed on the Islay route, may in turn be re-deployed within the CHFS network.

The REC has referenced:

Scotland's Fiscal Outlook. The Scottish Government's Five Year Financial Strategy May 2018

Notwithstanding its laudable sentiments re investment in transport /infrastructure there is no commitment to ferries other than the current FMEL units, under construction. This is a 5year strategy document with **NO** reference to any new ferry investment. This is in stark contrast to identifying and quantifying port infrastructure investment.

In the absence of any stated investment how does SG intend to complete the FP's stated Ferry replacement programme after 2019, through to 2025?

<ul style="list-style-type: none"> <li>▪ Replace MV Lord of the Isles</li> <li>▪ Replace MV Loch Fyne</li> <li>▪ Replace MV Loch Dunvegan</li> <li>▪ Replace MV Caledonian Isles</li> <li>▪ Replace Loch Tarbert</li> <li>▪ Replace MV Loch Buie</li> </ul>	To 2025	£97 m
---	---------	-------

At **current costs** this estimate needs to be adjusted upwards to a **minimum of £150M**. But view the recent £30M rescue to FMEL, £200M may be more realistic

**Linked to the shortfall to date, Scottish Government's commitment to replacement ferries has to be increased to a minimum of £250M (at current prices)**

Ref Para 8 of the FP confuses the time-line of SG's replacement commitment. The current time -line to 2022 shows:

4 'Loch class' vessels – no definite plans to replace

MV Isle of Arran still in service and maybe replaced ie can be sold as possibly surplus to requirements by 2020

MV Hebridean Isles still in service with nebulous commitment to be replaced on Islay service by 2022/23

MV Isle of Mull and MV Lord of the Isles still in service, with no intention of replacing by 2022

Drummond of CalMac has stated its Reservation system is **NOT FIT FOR PURPOSE**. Investment to date has failed to rectify this status. What investment commitment has SG made to CalMac to deliver a reservation system which is **FIT FOR PURPOSE?**

**With this lack of investment in hardware and software, there will be a continuum of the current lack of resilience, of the Clyde and Hebrides ferries network, in future years**

**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

RET is a distance based fares structure, which ties ferry fares to the cost of traveling 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.

The ref to passenger numbers shows ignorance of the current ferry reality. See Audit Scotand Report (Oct 2017)

**0.3% Passenger increase 2007-2016. cf 16.8% increase in vehicle traffic**

**Ferry passenger capacity is NOT the issue.**

Sufficient investment **has NOT been made to handle increased vehicle traffic**. This has been exacerbated since the introduction of RET.

This has been substantiated by successive annual VRDPs

It is also confirmed by Audit Scotland's Oct 2017 Report referencing SG '*did not set clear objectives and targets for RET*' ergo SG did not know, when it introduced RET, what appropriate investment decision were required.

As SG has yet to deliver its only post-RET ferry investment decision (H801/H802 @FMEL), than the current CHFS fleet is having to cope with this RET promoted traffic . The only interim solution would appear to be SG's discreet shelving of the FP's Replacement Programme as none of the ferries in the FP's fleet replacement programme have been replaced per se, nor are planned to be replaced.

The quantum of investment in ports and harbours if of much lesser relevance. But TS and SG have shown scant regard to co-ordinating such investment to match ferry plans. Delays at Stornoway incurred an addit £4m collateral costs. In-action @ Craignure made a nonsense of the FP and subsequent VRDPs.

Investment in port and harbours has been miss-managed, and possibly disproportionate (Arran Terminal) .

## **EU State Aid Rules**

**What impact could change 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?**

Any impact would arise from the consequential political decision. SG in all its public statements is committed to nationalising Ferry provision. This would be a very retrograde step.

SG has not maintained its own commitment to ferry investment, so why would any change in EU rules, or Brexit impact on SG's ferry investment?

## **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.**

Silly Q. There may be a serious deterioration in the socio-economic condition of the islands. But current funding may be miss-directed as there is a strong case for unbundling CHFS Routes ie Arran and Mull and possibly Lewis to become subsidy free, or certainly subsidy reduced. This would target funding to the routes which needed it most

The bureaucracy of managing funding is disproportionate, and an obstruction to effective management

**These Supplementary Q's by the REC have been asked: -**

(1) 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.)

NO concerns other than on board door hinges . Old fashioned. Only a muscular ships bo'sun can open. Norwegian ferries have 'power -assisted hinges.

**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.**

A high priority. To date SG has under-funded its own commitments. It now requires upward adjustment to compensate, and to ensure SG meets its past and future ferry commitments

If you live in Edin or Glw you have many travel options to travel anywhere, not just in terms of mode of transport but also timetabling and cost. The islands do not have such options. Island Life Line support should mean life line support. This should dictate compatible Government investment which by its very nature must have a high priority.

Ard- Campbeltown should be dropped from the CHFS network. The deployed ferry MF Isle of Arran has proven so unreliable that a successful journey has become a lottery. It is still cheaper and quicker to travel from Glw by car. Bus takes approx same time, but offers 5 services/day /7 days /week. It is approx £7/passenger more expensive. Anecdotal evidence suggests that undue political pressure skewed objectivity to incorporate this service in the CHFS network.