

## **Item: 11**

**Development and Infrastructure Committee: 5 June 2018.**

**Northern Isles Ferry Services.**

**Report by Executive Director of Development and Infrastructure.**

### **1. Purpose of Report**

To consider the specification for the future Northern Isles Ferry Services Contract.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, in 2016, Transport Scotland appointed consultants, Peter Brett Associates, to carry out a proportionate appraisal of the Northern Isles Ferry Services, prior to drafting the future Northern Isles Ferry Services specifications.

#### **2.2.**

That, as part of the appraisal process, Peter Brett Associates consulted with residents and key stakeholders, Transport Scotland, Highlands and Islands Enterprise, HITRANS, ZETRANS, Orkney Islands Council and Shetland Islands Council.

#### **2.3.**

Key points from the Appraisal of Options for the Specification of the 2018 Northern Isles Ferry Services Final Report, summarised in section 4 of this report.

#### **2.4.**

That, although the new Northern Isles Ferry Services contract was due to commence on 1 April 2018, the existing contract has been extended until October 2019 to consider the service specification in more detail and how the services should be procured in the future.

**It is recommended:**

#### **2.5.**

That the principles, attached as Appendix 2 to this report, be established, as the baseline position for the Council, to negotiate with the Scottish Government in respect of the contract specification for future provision of Northern Isles Ferry Services.

## **2.6.**

That the Executive Director of Development and Infrastructure, in consultation with the Leader and Depute Leader and the Chair and Vice Chair of the Development and Infrastructure Committee, should engage with the Scottish Government, with the aim of securing the most efficient and best quality outcome for Orkney for future Northern Isles Ferry Services, by evolving the baseline principles referred to at paragraph 2.5 above.

## **3. Background**

### **3.1.**

Passenger and freight ferry services between the Northern Isles and the Scottish mainland are essential to the economies and sustainability of both Orkney and Shetland Islands. The Scottish Ferries Plan did not make specific reference to what the provision for the Northern Isles Ferry Services should be beyond the duration of the current contract.

### **3.2.**

Transport Scotland commissioned Peter Brett Associates to undertake a comprehensive transport appraisal, in line with the Scottish Transport Appraisal Guidance, which involves considering a number of potential options for the specification of the next Northern Isles Ferry Services contract.

### **3.3.**

It should be noted that the Transport and Islands Minister has consulted with key stakeholders and Members of the Council in respect of the Northern Isles Ferry Services Contract and whether there is a desire from the Orkney and Shetland communities for this service to continue under Contract or whether consideration should be given to nationalising the service, consistent with the approach on the Clyde and Hebrides Ferry Service network.

### **3.4.**

The general consensus from those consulted in Orkney stressed the importance of the level of service provided, particularly in respect of quality of service and timetabling, and were relatively neutral in view as to whether the service should be Contracted or Nationalised in the future.

### **3.5.**

On 24 May 2018, following consultation with key stakeholders, Transport Scotland announced that the next Northern Isles Ferry Services Contract would be put out to tender.

## **4. Appraisal Report Summary**

### **4.1.**

Transport Scotland's Appraisal of Options for the Specification of the 2018 Northern Isles Ferry Services Final Report, found at:

<https://www.transport.gov.scot/publication/final-report-appraisal-of-options-for-specification-of-2018-northern-isles-ferry-services/> confirms security of the existing passenger and freight vessels for the new contract period. New tonnage has not therefore been considered as part of the appraisal report.

## **4.2.**

The key points outlined in the Final Report are summarised below however as the report was heavily redacted, it was not possible to consider current load factors and what effect Road Equivalent Tariff may have on demand and supply.

## **4.3. Approach to Fare Setting**

### **4.3.1.**

The Final Report outlines the approach to fare setting on the Northern Isles Ferry Services routes confirming a variant option for the Aberdeen route.

### **4.3.2.**

The proposed tariff formula would result in larger reductions in passenger and car fares for standard fare payers across all seasons. Islander fares would be most marked in peak season, with vehicle fares reducing by almost a half and passenger fares by around 60%.

### **4.3.3.**

The Final Report confirms that the application of Road Equivalent Tariff would also apply to the private sector operators on the Pentland Firth and that questions around how this fares system can be implemented is being addressed by Transport Scotland.

### **4.3.4.**

Although the price of cabins has been raised, Transport Scotland propose to maintain cabin fares for now. The possibility of a nominal percentage discount and simplification of pricing options at a later stage remains.

## **4.4. Demand and Capacity Impacts**

### **4.4.1.**

Vehicle deck and cabin capacity has been the concern most frequently cited by residents and stakeholders.

### **4.4.2.**

The Final Report acknowledges that the implementation of Road Equivalent Tariff, resulting in substantial fare reductions, will more than likely place a burden on available capacity. Therefore, it is likely that continuing with the current timetable will result in significant challenges in relation to capacity.

#### **4.4.3.**

Unfortunately, due to heavy redaction within the Final Report, it was not possible to understand the current passenger, vehicle and freight load by route and what effect Road Equivalent Tariff may have on demand.

#### **4.4.4.**

As outlined by hauliers at the recent External Transport Forum and at the stakeholder meeting with the Transport Minister on 27 April 2018, demand for freight on the Aberdeen route is high between Kirkwall to Aberdeen return; however the current Contract does not provide an allocation of freight on the passenger vessels unlike Shetland counterparts.

#### **4.4.5.**

Any future contract specification for the Northern Isles Ferry Services should therefore take into consideration the freight demand in Orkney to and from Aberdeen. The freight issues are outlined in more detail at Appendix 1 to this report.

#### **4.4.6.**

Due to confirmation of Road Equivalent Tariff on the Northern Isles network, to be implemented later in 2018, it is likely that the existing level of service on both the Aberdeen and Scrabster networks will no longer be sufficient to meet demand.

### **4.5. Options**

#### **4.5.1.**

The Transport Scotland report outlined a number of options to react to the change in demand as outlined in the table below:

<b>Option</b>	<b>Description</b>
Tt1	Do Minimum – continue with the current timetable
Tt2	Offer a Friday north and Sunday south call at Kirkwall
Tt3c	Variations in the number of Kirkwall calls across the week.
Tt4	All sailing depart Aberdeen and Lerwick at 1900
Tt7	Operate a daily return sailing from Lerwick – Kirkwall
Tt9	Operate additional daytime sailings between Aberdeen-Kirkwall-Lerwick
Tt10	Operate additional daytime sailings between Aberdeen-Kirkwall-Aberdeen
Tt11	Operate three return sailings per day on Stromness – Scrabster all year round
Tt12	Operate three return sailings per day on Stromness-Scrabster for the full summer season, or another defined time period
Tt16	Agree a staggered timetable with Pentland Ferries offering 5-7 return crossing across the Pentland Firth per day

#### **4.5.2.**

A set of draft baseline principles for Orkney Islands Council to inform the future Northern Isles Ferry Services Contract are outlined at Appendix 2 to this report. It is proposed that these principles are presented to Transport Scotland as the key priorities for Orkney in respect of the contract specification for the future Northern Isles Ferry Services.

## **5. Conclusions**

### **5.1.**

As a means to address future capacity constraints, a number of options have been considered. Some of these options include possible enhancements for services to Orkney however some include possible reductions in service, as well as possible later departure times on the Aberdeen sailing. This would not be beneficial to Orkney residents, visiting tourists or freight.

### **5.2.**

It is critical to retain the existing level of service on the Aberdeen route from Kirkwall and if possible, enhance this further. The report focuses on passenger and vehicle demand whilst an increasing issue in Orkney is the transport of freight to and from Aberdeen, highlighted since the loss of the MV Daroja. A mechanism within the next Northern Isles Ferry Services specification is required to give greater consideration of the demand for freight to and from Orkney.

### **5.3.**

As a means to address the freight issues from Orkney, the future contract should consider better utilisation of the freight vessels to provide additional sailings both Northbound and Southbound to Kirkwall. Additional frequency by freight vessel would potentially remove some of the freight from the passenger vessels which could provide additional capacity likely to be demanded following the introduction of Road Equivalent Tariff.

### **5.4.**

A later arrival into Hatston, potentially at 01:00 would not be welcomed by the Orkney community and may deter tourists from using this service altogether. This would be extremely unpopular from a tourist perspective as hotels and bed and breakfast establishments would require staff to work longer as guests would be checked in at an even later time to that at present.

### **5.5.**

Perhaps the most popular option from both an Orkney and Shetland perspective is to operate additional daytime sailings between Aberdeen-Kirkwall-Lerwick. However, this would have significant implications on crewing.

### **5.6.**

Options to enhance the Stromness to Scrabster service include operating three return sailings all year round, or for the full summer season (May to October). Given the tourist season in Orkney appears to be extending, particularly from March onwards, it would be beneficial for the third sailing to operate beyond the summer season. The report confirms that the return to three return sailings would represent the pre-2012 position and is then deliverable within the current operating envelope.

### **5.7.**

Any consideration of a staggered timetable on the Pentland Firth route would need to be agreed by the commercial operator. The danger is that the popular timing points could be cherry picked by an operator, leaving the remaining operator with the quieter operating times.

### **5.8.**

The options to be taken forward and considered further are summarised in Table 5.1 of Transport Scotland's Final Report.

## **6. Links to Council Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Connected Communities.

## **7. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of A Vibrant Community.

## **8. Financial Implications**

There are no financial implications arising from the recommendations of this report.

## **9. Legal Aspects**

There are no legal implications arising directly from the recommendations of this report.

## **10. Contact Officers**

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## **11. Appendices**

Appendix 1: Freight Issues.

Appendix 2: Baseline Principles for Orkney Islands Council.