



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 7 February 2023

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
5th Meeting 2023, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

*Ash Regan (Edinburgh Eastern) (SNP)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Murray Bain (Highland Council)

Carolyn Boyd (Scottish Government)

David Hibbert (Orkney Islands Council)

Charles Holmes (Scottish Government)

Councillor Moraig Lyall (Shetland Islands Council)

Russell McCutcheon (North Ayrshire Council)

Tirion Rees Davies (Scottish Government)

Scott Reid (Argyll and Bute Council)

Councillor Uisdean Robertson (Comhairle nan Eilean Siar)

Lorna Slater (Minister for Green Skills, Circular Economy and Biodiversity)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 7 February 2023

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, everyone. Welcome to the fifth meeting in 2023 of the Net Zero, Energy and Transport Committee. The first item on the agenda is a decision on whether to take items 6 and 7 in private. Item 6 is consideration of the evidence that we will hear today as part of our inquiry into a modern and sustainable ferry service for Scotland. Item 7 is consideration of our work programme. Do members agree to take those items in private?

Members indicated agreement.

Subordinate Legislation

Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023 [Draft]

09:01

The Convener: Item 2 is consideration of a draft statutory instrument. I welcome Lorna Slater, the Minister for Green Skills, Circular Economy and Biodiversity. Thank you for joining us today. I also welcome from the Scottish Government Carolyn Boyd, who is a solicitor; Charles Holmes, who is head of extended producer responsibility; and Tirion Rees Davies, who is senior policy officer for extended producer responsibility.

The instrument is laid under the affirmative procedure, which means that Parliament must approve it before it comes into force. Following the evidence session, the committee will be invited, under the next agenda item, to consider a motion to approve the instrument. I remind everyone that officials can speak under this item but not in the debate that follows.

I invite the minister to make a short opening statement.

The Minister for Green Skills, Circular Economy and Biodiversity (Lorna Slater): Thank you, convener. We want to reduce packaging waste in Scotland and to make sure that the packaging that we need is easier to recycle by introducing extended producer responsibility, or EPR, for packaging. That is a United Kingdom-wide initiative and we are working with the other UK Administrations on it.

You are to consider an order that makes provision for civil sanctions to be used by the Scottish Environment Protection Agency and to consider regulations that will require producers to collect and/or report data. Before I say a few words about those, I want to provide some information and context around EPR.

When packaging EPR is fully in force, local authorities will receive the full net cost of running efficient and effective collection and disposal systems for household packaging waste. That will be paid for by producers. Standardised labelling with a clear "Recycle" or "Do not recycle" message will make it easier for people to dispose of their packaging responsibly, and producers will have an incentive to make their packaging easier to recycle.

I will refer to the Packaging Waste (Data Reporting) (Scotland) Regulations 2023 as "the data regulations". They will make different producers collect and/or report on data about the

amount and types of packaging that they handle. That will apply from March this year. The data will be used to calculate the fees that they will have to pay in 2024, which is when we intend packaging EPR to come fully into force. Producers' data collection and reporting obligations will depend on the nature of their businesses, their turnover and how much packaging they handle. Most large producers will have to report data twice a year. Smaller producers will not be required to report until 2024, and the smallest will not have any collection or reporting requirements.

Similar instruments are being considered by the other UK Parliaments right now to ensure a consistent approach. The intention is that they will all be revoked at the end of 2023 by a UK statutory instrument that will establish the scheme and make provision for data reporting for future years.

The other matter is the enforcement amendment order. The Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023, which I will refer to as "the order", is unique to Scotland. It provides SEPA with access to civil enforcement measures such as fixed and monetary penalties for two instruments: the data regulations, which we have just discussed and which you are considering today, and the Deposit and Return Scheme for Scotland Amendment Regulations 2022—the DRS regulations—which added a new offence. That gives SEPA a flexible and proportionate set of tools to enforce the regulations.

In conclusion, packaging EPR will help to reduce greenhouse gas emissions by an estimated 2.2 million tonnes by 2023 and will provide an estimated £1.2 billion across the UK each year to local authorities for managing packaging waste.

Actually, that 2023 date cannot be right. We will have to correct that date.

The instruments are a crucial step in making that a reality, and I urge you to support them.

The Convener: I am sorry, minister. I missed that aside.

Lorna Slater: My notes say that the EPR will reduce greenhouse gas emissions by 2.2 million tonnes by 2023, but I do not believe that that can be correct.

Charles Holmes (Scottish Government): I think that it is a typo, minister. It has been established over the 10 years, so it would be from 2024 to 2033, I think. We can check that.

Lorna Slater: Thank you.

The Convener: Thank you for clarity on that.

There are questions from the committee.

Liam Kerr (North East Scotland) (Con): Good morning, minister. I am trying to understand the order, by which I mean the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023; you called it "the order". You are asking the committee to advise Parliament to pass a Scottish statutory instrument that allows penalties to be levied on a scheme that is not yet in place, has been delayed twice, may be further delayed, has changed already and, this week, has been the subject of reports of significant concerns and flaws. If that is all correct, are you therefore comfortable that this is the right way round of doing it? Should the actual scheme not be addressed to get that right before you start bringing in legislation to enforce in the breach?

Lorna Slater: Is the member referring to the deposit return scheme?

Liam Kerr: Yes.

Lorna Slater: When the regulations were passed, the deposit return scheme needed the order to go along with it so that they could be enforced. Parliament has already passed the regulations to make the offence, but SEPA now needs the powers to enforce that. I can go into it in some detail if the member would like.

The committee will recall that, last February, the Parliament passed the Deposit and Return Scheme for Scotland Amendment Regulations 2022. The regulations amended the original DRS regulations to support the delivery and successful operation of the DRS. In particular, they created a new requirement for persons selling drinks in Scotland, which are in in-scope packaging but not intended for sale in Scotland, to a person other than a consumer, to disclose, at the point of sale, that the items are not intended for sale in Scotland and cannot be returned for a deposit. Failure to do so would be an offence.

The new requirement was brought in after the industry raised the possibility of a grey-market operator sourcing products not intended for the Scottish market—therefore, they have not paid the deposit—and selling them to Scottish retailers, fraudulently charging the deposit and pocketing it. In cases where a distinct label is not adopted, that could pose a risk to the finances of the scheme, as well as undercutting honest wholesalers who have declared where their goods would be sold.

Liam Kerr: Minister, forgive me. You talked about labelling, for example. My understanding is that there is still some ambiguity over what labels might have to look like. My question, therefore, is this: is it not better to deal with things such as those ambiguities, rather than address the fines that will be levied when you have not even done the up-front basics of sorting out ambiguities such as labelling?

Lorna Slater: The regulations passed by Parliament do not specify labelling in any way; that is entirely for the industry to decide. We have no regulations or legislation about labelling.

Liam Kerr: Minister, you mentioned labelling. I am simply pointing out that there are ambiguities about the scheme, yet you are giving time to dealing with enforcement and fines. Are you going to respond to that point, or shall I move on to another question?

Lorna Slater: The members of the scheme may choose to put in labelling that would defeat the fraud. If they do not put in labelling, there is a risk of a grey market developing. When the regulations were passed last year, industry asked us to put the offence into them. It already exists as an offence, but, when you have an offence, you need somebody to enforce that offence. The offence already exists—it has already been passed by Parliament—but it is no good having an offence without having an enforcer. The order gives SEPA the power to enforce the offence.

The reason why we are doing this now instead of at that time is merely efficiency. We are bundling it together with the other order that we are bringing in. When we were creating the regulations, we knew that we would need to make the matching order for SEPA at the same time. We just waited until this moment, when another order was coming through, for the sake of efficiency.

Liam Kerr: Thank you. The second of my questions is about whether you can help me to understand your projections for the number of businesses that will be caught and potentially fined under this. Do you have any projections for how much money you might raise as a result?

Lorna Slater: Is the member asking about deposit return or extended producer responsibility?

Liam Kerr: I am staying with what you called “the order”: the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023.

Lorna Slater: I do not have any numbers in front of me for exactly how many businesses we expect to fall foul of the offence. The offence relates quite specifically to the practice of sourcing products that are not intended for the Scottish market, not paying the deposit and then selling those products to Scottish retailers, fraudulently charging for the deposit and pocketing it. It would be people who commit an offence, implementing a grey market in those goods and effectively committing fraud, who would be caught out by it. It is an offence. We very much hope that no businesses will operate fraudulently, but any businesses that do will be guilty of that offence.

Liam Kerr: This is the final question from me at this stage, convener. The SSI—the order—amends the substantive DRS regulations. I can find nothing in the order about what the penalty will be. In the substantive DRS regulations, the penalty is expressed as being a penalty

“not exceeding the statutory maximum”,

but it does not go on to particularise that statutory maximum. Can you help the committee to understand what the penalty is that cannot be exceeded?

Lorna Slater: There are two separate things there. The penalty was established by the regulations, which have already been approved by Parliament. That is why the order does not mention it. The order simply gives SEPA the power to enforce those penalties that already exist and that are described in the regulations.

Liam Kerr: Yes, and what is the figure—the statutory maximum—that the penalty will not exceed, please?

Lorna Slater: Do we have that data in front of us?

Charles Holmes: I can help the member with that. I will say two things. The first is that the regulations for DRS set out a criminal penalty. This order allows SEPA to use a civil penalty instead, which is often a more flexible tool than going down the criminal route.

The 2015 order that this order amends sets out the values for the fixed monetary penalties. Those are set at £300, £600 or £1,000, depending on how serious the offence is assessed as being: whether it is low, medium or high seriousness. That is set out in the order. It provides for a variable monetary penalty. SEPA can set the value of that penalty when it imposes it, up to a maximum of £10,000 in this case. There is also the option of accepting an enforcement undertaking, which would be made by the person.

You therefore have the criminal sanctions, a fine of up to £10,000 on summary conviction or an unlimited fine on conviction on indictment, and we are adding the civil penalties, which are those more flexible penalties about which I just spoke.

Liam Kerr: I understand. Thank you.

Monica Lennon (Central Scotland) (Lab): Good morning. I think that we all agree that we want to move at pace towards a circular economy, so I welcome the clarification that we have had this morning.

Liam Kerr covered much of this but, in your opening remarks, you talked about SEPA needing a flexible and proportionate set of tools. I listened carefully to your exchange with Liam Kerr. When it comes to the order, what discussions has the

Government had with SEPA about how it intends to use the tools in practice? When the word “flexibility” is used, that can often mean uncertainty for businesses, especially when there is a scale, as there is here, of what can be considered non-compliance. How much discretion will SEPA have in making assessments?

Lorna Slater: SEPA has extensive experience of acting as the regulator for the existing packaging producer responsibility scheme, which has been in place since 1997. The new orders are part of a phased implementation approach to packaging EPR. Only producers with a turnover of £2 million a year that handle more than 50 tonnes of packaging will have reporting obligations. That is not the same threshold as in the existing system. Therefore, there should not be a significant number of additional producers for SEPA to regulate; it is more or less within what it is already doing.

09:15

As smaller producers will have reporting obligations from 2024, SEPA will step up its operations to prepare for the full system so that it can accommodate the additional numbers. Once the packaging EPR has gone live, SEPA will be able to recover the cost of regulating the scheme from producers so that it will be fully funded to discharge its duties. What we are talking about is more of an extension of what SEPA already does rather than anything particularly new.

Monica Lennon: I appreciate that, today, we are looking at the order but, as MSPs, we are all getting emails and inquiries from businesses and producers that still feel a bit uncertain about some parts of the wider legislation. They are not entirely sure of what they need to do to fully comply, but here we are today talking about potential fines. What would you say to reassure businesses that they will have clarity, guidance and support so that we are not just talking about punishment? There is a place for enforcement, but how will we make sure that people have the knowledge and the tools to fully comply?

Lorna Slater: I assume that the member is talking about deposit and return and the EPR for packaging. In both cases, criminal sanctions are already available to us. With the order, we want to put in place civil sanctions—we want to have that other layer of enforcement so that going straight to the criminal sanctions is not our only recourse. Having another layer in between will allow SEPA some discretion around minor fines and will make the process more efficient. For both schemes, extended producer responsibility will come in for businesses in 2024. We will start the data collection this year so that we know what materials

they are producing, and they will start to pay the fees on those in 2024.

Further guidance for producers on their reporting requirements will be published in advance of the regulations coming into force, and we are developing a digital platform to allow producers to register and report their data. That is for the EPR scheme. Governments and regulators will continue to engage with key stakeholders to increase awareness of the new reporting requirements so that we can get the EPR off the ground ahead of the regulations coming into force.

With the deposit return scheme, which, as you know, has been accelerated and will come into place this year, on 16 August, extensive engagement is under way with businesses and stakeholders on the retailer side—the collection of scheme articles side—and with producers. I meet stakeholders and businesses regularly, as do my officials, to work through the details of that. The regulations for deposit and return were deliberately made quite broad to allow industry to find its own solutions. That is what industry had requested, and that is what it has done. This is about industry, ourselves and SEPA working together to make sure that we have the operational schemes ready for the new regime coming into place.

I want to be clear that the enforcement orders are providing that middle level of civil enforcement. They are not adding anything new, because the criminal sanctions would always have been there.

Monica Lennon: Okay. I have a final question. I want to get this on the record. I think that I heard Charles Holmes say that the fines are £300, £600 and £1,000. Is that correct? Can you give an example of the types of non-compliance that would result in fines of those amounts?

Lorna Slater: I cannot give an example of that. SEPA has the expertise to enforce. I do not know whether Charles has any additional information on that.

Charles Holmes: To help the member, the order sets out, for each offence, whether the fixed or variable monetary penalties or the ability to accept the enforcement undertaking apply, and it sets out whether the fixed monetary penalty is set at low, medium or high. We consulted SEPA when we set those. It tends to depend on things such as to what extent dishonesty is an element of the offence.

To take an example, the top line on the data reporting regulations in the order refers to

“Regulation 28(1) (contravention of regulation 14(3))”,

which, I think, is the obligation to report to SEPA if a producer becomes incapacitated and cannot do its job any more. Fixed monetary penalties and

variable monetary penalties are available, and enforcement undertakings are also available. That gives SEPA a lot of flexibility on how it responds to that, but the fixed monetary penalty is set low because it is something that is maybe more unlikely to carry an element of dishonesty. You might compare that with regulation 28(4)(b), which mentions

“recklessly furnishing false or misleading information to SEPA”.

That comes with a high fixed monetary penalty because such action is more likely to obstruct the functioning of the scheme and to perhaps involve some dishonesty as well. I hope that that is helpful.

Lorna Slater: It might also be helpful for the member to note that the order is not about the whole DRS or compliance with it. It is specifically about the new requirement on grey-market operation, which was identified when we passed the amendment regulations last year. The order is about that one particular aspect—the new requirement—because industry raised the possibility of the grey market. We have closed the loophole on that, but we now have to pass to SEPA the powers to keep that loophole closed.

Monica Lennon: That is helpful. Thank you.

The Convener: Before I bring in Mark Ruskell, I have to ask you a question, minister. When SEPA came to the committee the other day, we talked to it about its role and responsibilities. It is clear to me and, I guess, to many other people that, after the data hack that SEPA suffered, it has never really got back on its feet and is struggling to regulate various parts of the industry and to retain and use its data, because it cannot access that data.

Are you happy giving SEPA a bit more power to do something else? Are you happy that it has the resources to do that, given that its budget has not gone up? I ask that, because it seems that there is no more money and that SEPA is under pressure and cannot do the job that it is doing at the moment, yet you are giving it something else to do. Will that work?

Lorna Slater: We have already passed the regulations, so these things are offences. If you are going to create an offence, you need to have a body that can enforce the law on that offence, and that body is SEPA. There is a dedicated team at SEPA for the deposit return scheme. As I mentioned, once the extended producer responsibility scheme has gone fully live, SEPA will be able to recover the cost of that. Therefore, it will be able to use that money to resource itself and to fully discharge its duties in that area.

The Convener: There is a huge amount of supposition about SEPA generating funds to fund the organisation. What you have said is that SEPA has to do that because it is the one that needs to do it, but what I have said to you is that it does not have the resources and the capability to do its current job. You can say one thing, but the fact of the matter is another. Can you clarify that for me, please?

Lorna Slater: Absolutely. The point of the EPR scheme for packaging is that it will be self-sustaining. It will allow SEPA to fund itself by recovering the cost of enforcing the scheme. That is built into the EPR scheme. I am happy to pass to Charles to provide more detail.

Charles Holmes: The minister is quite right. I add that we, as the four nations, are taking this opportunity, on behalf of the four regulators, to build a new information technology system for the reporting of data. The national packaging waste database, which has been online for some time, will be replaced with a new system that is, we hope, a bit more state of the art. I hope that that provides some reassurance.

The Convener: Thank you. I will keep to myself my views about Government IT schemes, having seen them in operation in the six years that I have been in Parliament.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to ask about the equivalent UK regulations. The UK Government decided not to go down a civil penalties route. Can you explain why the Scottish Government's thinking on that is different?

Lorna Slater: I can explain our thinking. I do not understand why the UK Government has not taken that option, because it makes sense to me. The data regulations create various offences and already provide for criminal penalties, where those can be prosecuted through the court. That is baked into the regulations. Using the enforcement powers in the data regulations alone means that SEPA's only option would be to go straight for those criminal offences and refer things to the procurator fiscal. That would mean that any person convicted of an offence would be fined up to £10,000 on summary conviction or, if prosecuted by indictment, given an unlimited fine. That is a big jump to those heavy enforcement measures.

Criminal courts are a powerful tool to address serious wrongdoing. However, it can be time consuming and resource consuming to pursue a conviction through them. Moreover, the results are uncertain and, as members have suggested today, possibly disproportionate if you go straight to the criminal prosecution of someone who commits a minor offence. The civil penalties that we are

introducing provide an alternative to criminal prosecution. That means that SEPA can take a much more flexible and proportionate approach, reflective of its expertise as Scotland's environmental regulator.

Mark Ruskell: Right. Has industry fed back on that?

Lorna Slater: I am happy to pass to Charles Holmes on that. Have we had feedback, Charles?

Charles Holmes: I do not think that I have had any specific feedback. However, from my experience of working on the deposit return scheme, I know that industry always welcomes that kind of proportionate engagement with SEPA. I cannot speak for my contacts in industry, but I think that industry tends to welcome the idea that SEPA has a more flexible toolkit so that it does not have to jump straight to criminal sanctions and can be a bit more agile in how it responds to non-compliance.

Mark Ruskell: Right—because it reflects the circumstances of how the offence perhaps came to be. It is a very technical regulation, but that brings me to the end of my questions.

Liam Kerr: A couple of things arise for me, minister. On the civil penalty, what happens to the money that is raised in fines? Did I hear you tell the convener that SEPA retains it to fund itself?

Lorna Slater: No, that is not correct. I was referring to the fact that the extended producer responsibility for packaging will require that everyone who produces packaging pays a fee into the scheme and that money will go to fund the scheme. It is not the money from penalties.

Liam Kerr: I see. What happens to the fines?

Lorna Slater: I do not know.

Charles Holmes: The fines are paid into the consolidated fund, so they are available for general public spending. There are three parts. There are the fines; there are—

Liam Kerr: Forgive me, Charles. First of all, minister, did you just say, “I don't know”, when I asked you what happens to the fines, just to be clear?

Lorna Slater: I did, yes.

Liam Kerr: Interesting.

Charles, you said that it goes into the consolidated fund. Can you explain for the committee what that means in terms of where it has gone and who gets to use it, please?

Charles Holmes: I might have to come back to the committee on that, to be honest, unless Carolyn Boyd, our solicitor, would like to answer the question. I think that it is the same as saying

that they are just available as part of the Scottish Government budget, but I would not swear to that.

Carolyn Boyd (Scottish Government): I can certainly say that the funds go into the Scottish consolidated fund. We may need to come back to you in writing to provide further information.

Lorna Slater: I will happily write to the member on that.

Liam Kerr: I would be grateful.

Charles Holmes: There are the fines; there are the producer fees, which are charged from 2024 and are paid to the local authorities for running their systems; and the third sum of money is the charge that SEPA and the other regulators can levy on producers to fund their operations. That is what the minister was referring to when she talked about funds accruing to SEPA.

Liam Kerr: I understand. Thank you. The key point, it feels to me—I appreciate that we will go to debate in a minute—is that the fines raised do not come back to the DRS specifically, perhaps to help that scheme or to help producers or whatever.

Who is the arbiter of whether a breach of the order merits a criminal prosecution or requires a civil prosecution? “Prosecution” is the wrong word, but you know what I mean. Will SEPA be the arbiter of that?

Lorna Slater: Correct.

Liam Kerr: Thank you.

The Convener: I guess the question then is how to appeal it, but that will come out, probably, in further legislation.

Let us move on to agenda item 3, which is the formal consideration of motion—

Lorna Slater: We can address the question of appeal, if the convener is interested.

The Convener: We will continue with agenda item 2, so you can tell me how to appeal it.

Charles Holmes: I will make one point quickly, before I pass over to Carolyn Boyd.

SEPA has guidance that is issued by the Lord Advocate, as the head of the prosecution system, on whether to go down a criminal or civil route. That guidance states that, if it is a particularly significant offence, it would be appropriate to report it to the procurator fiscal who can pursue a criminal case.

Carolyn Boyd can answer the question about appeals.

Carolyn Boyd: Where SEPA has made the decision to impose a civil sanction, in accordance with the Lord Advocate's guidance, it would relay

that intent to the party, who can then make written representations in relation to that. That goes to SEPA. If, thereafter, SEPA continues down the enforcement route and imposes the penalty, there is then a right of appeal to the Scottish Land Court.

The Convener: Okay. That is helpful. Thank you.

We will move to agenda item 3, which is the formal consideration of motion S6M-07583, calling for the committee to recommend approval of the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023.

I invite the minister to move the motion.

Motion moved,

That the Net Zero, Energy and Transport Committee recommends that the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023 be approved.—[Lorna Slater]

The Convener: Are there any contributions from members?

09:30

Liam Kerr: I find myself pretty uncomfortable with the idea that we might put this forward to Parliament for approval today. I have heard this morning that we seem to have a DRS—I am talking about the order specifically—that has, for whatever reason, been beset with challenges, yet here we are dealing with what happens in a breach before working out the details of the scheme. I am troubled that—I think that I heard this earlier—the minister does not know what specifically the civil penalty attaches to, has not projected how many will be caught by the measure, has not projected how much might be raised by it and, so, does not know the impact of the scheme. I appreciate that this is subject to clarification, but I think that the fines will go to the Scottish Government pot rather than specifically to help improve and amend the scheme to make it better. For all those reasons, I will struggle, subject to the rest of the debate, to vote for the approval of the SSI.

Fiona Hyslop (Linlithgow) (SNP): I think that the minister has been helpful in setting out the specific requirements for the order. Fines going to the consolidated fund is not unusual in such circumstances. The explanation about the attachment of the order to legislation that has already gone through Parliament makes sense. With any new scheme or operation, you need to get your powers in place in advance, and that is what the order does, particularly in relation to what the minister helpfully explained were the concerns that industry had about a grey market. The fact is that SEPA will then have civil penalties and, if we

do not pass this order, all we have left is the criminal basis. That explanation was very helpful in explaining that the measure is a response to industry.

The points that Monica Lennon raised—the minister no doubt knows this because she has had correspondence from me and others about the wider DRS—are still issues that need to be addressed to give confidence in six months' time when the scheme goes live. However, where the specifics of the SSI are concerned, they address industry's needs and are responsive to its needs because the grey market will harm industry.

The other explanation of the applicability of the similar wider scheme to the rest of the UK, in terms of the packaging, was helpfully set out as well. Like Monica Lennon, I had some queries on points of clarification, and the minister, in response to Monica Lennon's questions, set out those issues very well. Regardless of our views on deposit return more generally, the order is helpful housekeeping legislation that provides powers to SEPA, as the relevant authority, on civil matters, which is very helpful. The fine levels that were described, namely £300, £600 and £1,000, are helpful in terms of the responsiveness and proportionality that we expect from such a scheme. I do not see any problem in supporting the order.

Monica Lennon: I do not have much to add. We are all aware that we are having this discussion when we know that public perception and confidence are really important. We heard some robust questions and answers there, and that is important, but, as Fiona Hyslop touched on, it is, at the end of the day, quite a technical order. It might seem counterintuitive to be talking about sanctions when we do not have all the later details, but we know that we need to have not only robust enforcement and deterrents but also opportunities for when stakeholders need guidance. The key things are flexibility and proportionality, and we have had some reassurance on those today. The committee will continue to keep a watchful eye on things.

Mark Ruskell: I do not have much more to add to those points. There is a proportionate approach in the regulations. The introduction of civil penalties makes sense and is in line with the approach that industry wants. The critical thing right now is building certainty with the DRS, and, clearly, some of the public narrative is about undermining it and attempting to show that the scheme will perhaps not be introduced, but I have confidence that it will be introduced and will be a success. The order is an important part of putting in place another part of the scheme to ensure that there is that business certainty and that business knows what is coming and what the penalties will

be if there is a failure to apply the scheme adequately.

The Convener: I have some comments to make. I am deeply concerned that we are asking SEPA to take on further responsibilities when it does not have the resource and the staffing to do so. We are also asking it to take on the responsibilities of, in the minister's words, funding its operations from within the scheme and of becoming the judge, jury and, as it were, implementer of the fine when it is put in place. I have problems with Government agencies being asked to take on all those responsibilities, especially in relation to a criminal offence.

On the regulations, the minister made it clear that the offences will be known and that it is up to producers to work out what to do to avoid them but that there is a regulation to punish them if they do not do so. To me, that is putting the cart before the horse, and I struggle with that. I have real problems understanding how it will work, so trying to legislate on a small part of it is really difficult for me. It puts me in a corner in which I would rather not be.

Those are my comments. If any other members want to make a contribution, I am very happy to take it.

Jackie Dunbar (Aberdeen Donside) (SNP): I disagree with what you are saying about SEPA. Yes, SEPA had difficulties in the past—I have my own views on that—but that may be muddying the waters a little over what we are trying to do. From what the minister said today, a small area needs to be tightened—a loophole. I was pleased to hear that the industry has been engaging on that. From what I can gather from the minister, people in industry are a lot happier with what is being suggested. We have a fair way to go for the whole scheme to come into place. Today is just a small part of that. After hearing what the minister has said today, I am more reassured than I was before, so I am happy to support the motion.

Liam Kerr: Will you take an intervention?

Jackie Dunbar: No. I have finished. Sorry, Mr Kerr.

The Convener: If you want to come in, you can, Liam—it is a debate.

I take your comments, Ms Dunbar. I suppose we are at opposite ends of the spectrum on SEPA, Jackie, but that is where we are.

If there are no other contributions, I ask the minister to sum up and respond to the debate.

Lorna Slater: Thank you. It may be complicated for all of us to have both orders at the same time. One order is about the enforcement measures for the data-gathering regulations. We have spoken

about that today; and the other order matches a loophole that we closed in the DRS regulations—it does not enforce the whole DRS. Amending the DRS regulations last year, which we did at the request of industry, did three things: it changed the date for DRS, pushing it forward to this year; it closed the grey-market loophole; and it changed how we handle crawlers, which is a specific industry issue. Those were industry requests. We implemented the regulations in Parliament last year, and the order merely joins up with them. We chose to bundle them together for efficiency, but I am afraid that our doing so may have added a bit of complication to our discussion today.

On extended producer responsibility and SEPA, there already is a UK-wide extended producer responsibility scheme called packaging recovery notes, which SEPA manages. That has been in place since 1997. As the four nations of the UK, however, we all want to improve our recycling measures and how we fund them so that local authorities do not have to fund picking up the litter and implementing recycling schemes. We want the polluters to pay. The four nations have therefore agreed to improve our extended producer responsibility for packaging. The first step to that with the regulations today is to collect data on what packaging is out there, so that, when the regulations come into force, we know where to start.

The conversations today are about implementing the civil penalties. The criminal penalties are already in the regulations, so we are not adding anything new; we are adding a more proportionate intermediate layer.

Thank you all very much for your time today.

Liam Kerr: Will the minister take an intervention?

Lorna Slater: Certainly.

Liam Kerr: I agree with you: it is unhelpful or unfortunate, perhaps, that we have both of these orders together. This is the intervention that I was going to put to Jackie Dunbar: how do you deal with the convener's point about SEPA and resourcing and becoming judge and jury? What is your response to the convener's challenge?

Lorna Slater: The order today covers two matters of enforcement. One is the very particular loophole that was already closed on DRS. SEPA already has the job of enforcing DRS. All that we are adding today is the closure of that one loophole—one tiny bit of it—because that was added last year with the amendments. SEPA already has that, and it already has enforcement responsibility for the existing EPR scheme, which is called PRN and has been in place since 1997.

We are not adding to SEPA's burden; all we are doing, because we have to follow the proper procedure, is matching its powers with the new regulations. It has the powers to enforce the old regulations, which it does adequately and well. If we create new regulations, we have to give it the powers to enforce them. It is a very technical process. Parliament has already passed the regulations; we just need to put in place all the pieces to make them work.

The Convener: The question is, that motion S6M-07583 in the name of Lorna Slater be agreed to. Are we all agreed?

Members: No.

The Convener: We are not agreed. There will be a division.

For

Dunbar, Jackie (Aberdeen Donside) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Lennon, Monica (Central Scotland) (Lab)
 Regan, Ash (Edinburgh Eastern) (SNP)
 Ruskell, Mark (Mid Scotland and Fife) (Green)

Against

Kerr, Liam (North East Scotland) (Con)

Abstentions

Mountain, Edward (Highlands and Islands) (Con)

Motion agreed to.

That the Net Zero, Energy and Transport Committee recommends that the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2023 be approved.

The Convener: The committee will need to report on the outcome of this instrument in due course. I invite the committee to delegate authority to me, as convener, to finalise the report for publication. Are you all happy with that?

Fiona Hyslop: It would be helpful to see what that report says before it is published.

The Convener: Okay, the report will be circulated to all members of the committee once the clerks have drawn it up.

Mark Ruskell: What will the timescale be for the circulation of the draft report?

The Convener: The aim is to have the report completed by the end of this week.

Mark Ruskell: I would appreciate the opportunity to have a look at that in advance of the next meeting.

The Convener: I have said that the committee will see the report in draft before it is signed off, and you can pass comment on that.

Thank you very much, minister, and thank you to all of your officials for attending today.

I will now suspend the meeting to allow for a change of witnesses.

09:44

Meeting suspended.

09:52

On resuming—

Ferry Services Inquiry

The Convener: Welcome back. Our next evidence session is part of our inquiry into a modern and sustainable ferry service for Scotland. I refer members to the papers for this item.

This is our seventh evidence session for our inquiry. Today, the committee will hear from two panels of local authorities that either operate ferries or have important ferry services in their area—or, indeed, both.

Our first panel will explore two key issues: the interisland ferries in the Shetland and Orkney groups, and the northern isles ferry service, which is let and managed by Scottish ministers and which links the northern isles to the Scottish mainland. I am pleased to welcome Councillor Moraig Lyall, chair of ZetTrans and the environment and transport committee at Shetland Islands Council; and—when we can re-establish the connection—David Hibbert, technical superintendent for marine services at Orkney Islands Council. Thank you both for accepting our invitation.

Moraig, I guess that, as you are here in person and on your own at the moment, Shetland will dominate our lines of questioning. I am sure that you will be delighted about that. It is a lonely shift, sitting at that end of the table on your own.

Committee members have various questions. I will ask the first question, if I may. It is a simple one, I guess. Are you happy with NorthLink Ferries, and does it provide the service that is expected on your islands?

Councillor Moraig Lyall (Shetland Islands Council): Good morning. Thank you very much for the invitation to present to the committee today. As you have indicated, Shetland depends heavily on two very different and contrasting ferry services. I am glad that we will have the opportunity to discuss both. NorthLink is our external link to the mainland. It is a nightly 12 or 14-hour crossing. In many ways, it is a reliable and dependable service, on both the freight side and the passenger side, but it has three main issues: capacity, cabins and cost.

The vessel can bring around 600 people into Shetland daily. By contrast, across its three external services, Orkney, which is an island group of a similar size with a similar population, can bring into its islands approximately 4,000 people every day. When Shetland talks about capacity constraints, it is not looking for special treatment, but something that even begins to approach parity would be welcome.

We have a buoyant economy with our established fish and aquaculture sectors, our oil and gas and, increasingly, renewables, and the space centre is being built. That is not to mention tourism and agriculture. Those sectors are all highly dependent on our Serco NorthLink service bringing the people and goods that we require into the islands. On top of the day-to-day movement of our population for work, education and health appointments in Aberdeen and other places, that puts a huge strain on the existing capacity of the ferry service.

Pinch points in the year, during the school holidays and the livestock shipping season, are particular issues. For a number of years, we have asked for additional capacity to be found, particularly on the freight side, but Transport Scotland consistently says that nothing is available and that the system can cope. That does not allow for the fact that many people in my island group—constituents in our wards—come to us regularly to say that they needed to get booked on a ferry and that it was impossible. They could get on one night but their car could not, or they could get a cabin but not a car space. Not having a ticket, a cabin and a space for your car on the same night is a regular problem. Capacity is the first issue.

There are insufficient cabins for all the travellers. That may not seem like an issue, but, for many users of the service, the 12 or 14 hours down to Aberdeen is only the first leg of a journey. They will drive off in the morning and often have several hours of driving to get to their final destination. That is not safe if they have had to sit up all night in a chair. The requirement to have a cabin—to sleep for the night—is very important. The problem has become worse since the Covid pandemic. Cabin sharing was not allowed then, obviously, and it has not been reintroduced. A number of reasons have been given for that, but it has made the situation with the cabins much worse.

The third issue—to make it easy for you to remember, I am giving you all the Cs: capacity, cabins and cost—is the cost. A return journey for a family with a cabin and a car leaves little change out of £500. That is not possible for some families, and, even for families with more resources, it is not possible to do it regularly. We are attempting to stabilise and increase the population of our islands, but encouraging people to move to and, crucially, stay is difficult when people become aware that travelling between the island group and friends and family on the mainland is difficult and costly. It is a barrier to achieving our aim of growing the population. Our businesses and haulage companies are regularly in touch through their transport group with Transport Scotland about the capacity issues with the cabins, but they have always been thwarted in their endeavours.

That outlines the main issues that, as a council, we see with the ferry service. As I said, there are many positives: it is a regular, reliable service. It is just not big enough, and it is too expensive.

The Convener: Thank you very much, Moraig. “Regular” and “reliable” are words that we like to hear.

We have managed to re-establish the connection with David Hibbert. Dangerous Shetland got in first on the fact that it needs the ability to have more people come to Shetland. I will ask the question that sparked that. Are you happy with the NorthLink service to Orkney, and is it doing all that your island communities need?

David Hibbert (Orkney Islands Council): The NorthLink service is reasonably adequate for our islands. We are different from Shetland, in that we have the Pentland Firth short sea crossing as well as the Aberdeen route. That is capable of delivering the freight and the passenger service that we need. However, I echo my Shetland colleague’s viewpoint on the availability of cabins on the southbound leg, particularly during the high season. It is quite a challenge if you want to use that route. You can find yourself having to select the short sea route and having to do the additional driving, although you might have preferred to use the longer route.

10:00

The Convener: We have lots of questions.

Monica Lennon: Good morning, panel. We heard a little in your opening contributions about some of the challenges. I am interested to hear how you each characterise your authority’s relationship with NorthLink, Caledonian Maritime Assets Ltd—CMAL—and Transport Scotland. Councillor Lyall, I will turn to you first.

Councillor Lyall: We have quite a good working relationship with Serco NorthLink. We have a quarterly external transport forum where we meet with its representatives. That is a public meeting, but there is often a private meeting beforehand to discuss other issues.

Relationships with Transport Scotland, while friendly, are usually less productive. There does not appear to be much response from it to requests that the islands make for changes to the service. Serco NorthLink is the operator of the service, and it operates that as it is set up. As I said, it does so generally quite well. However, Transport Scotland sets down the way in which the service is to be operated, and trying to get any variation is often very difficult.

Monica Lennon: It is good that there is a friendly relationship with Transport Scotland, but you say that it is not as productive. What would

make that relationship more productive? What would that look like?

Councillor Lyall: At the external transport forum meeting approximately 18 months ago, we discussed the new freight-plus vessels that are due to come to Shetland. It was clearly stated then that they would be in the islands and working in 2026. Since then, it has emerged that, while the design work is progressing, no money has been identified in the budget for the construction of those boats before 2026. That will be the point at which they are designed, but building them will not even have begun. We are looking much further down the line before we begin to get those boats in service in Shetland. That sort of thing, with one message followed by another different message, is difficult for us to work with. It is difficult for the hauliers and the other businesses that depend on the service, which are pushing hard to get additional capacity to work with.

Monica Lennon: We will come to funding questions later. David, I will ask you the same question about the relationship with Serco NorthLink, CMAL and Transport Scotland.

David Hibbert: I will start with NorthLink. We have a good working relationship with NorthLink Ferries. We have regular technical and transport meetings at which we go over its route plans, operational needs for the year and variations in timetabling. Our only concern with the NorthLink operation is the removal, during a refit of the short sea route, of the Stromness to Scrabster service. That continues to be a bone of contention for transport users and us. For two weeks in the year, it just removes the service without providing any form of backup on the route.

The engagement that we have with Transport Scotland is pretty much about looking for internal ferry funding, so it has been clouded by lack of progress on how that can move forward. That relationship is possibly not as good as it could be.

We have a very good relationship with CMAL. We have been working with it on a number of the hydrogen vessel projects. We looked at designs for battery ferries and other technical items that it is working on. That sums up where we are.

Monica Lennon: In your view, what could or should be done to improve the relationship with Transport Scotland?

David Hibbert: There could be a bit more flexibility shown around some of our needs. At the moment, Transport Scotland is not really taking on board our internal ferry replacement programme, and, as I said, that is clouding the relationship with it a bit. A bit less intransigence on the matter would help things no end.

Monica Lennon: Thank you.

The Convener: Before we move on, are you both happy that the Shetland/Orkney grouping for tendering has gone out to one company? Is that the natural fit? Moraig, do you want to answer that?

Councillor Lyall: It is not a question that I had anticipated, so I do not have an answer prepared, but I have never felt that linking with Orkney in any way impedes the service. There are people from Shetland who want to travel to Orkney, so having that connection on some nights of the week is helpful from that perspective. However, when we lose a significant proportion of our capacity to Orkney, which has alternatives whereas we have no alternative, it becomes unhelpful, so there are good points and bad points to make about having the link.

The Convener: Sorry, I did not want to put you on the spot. I was just trying to say that, when the tendering exercise for the northern isles was put together, it came in one bundle. NorthLink got it, and it seems to be a logical fit. You have answered the question. David, do you agree with that?

David Hibbert: It is quite difficult to say how you would unbundle that one when there are two distinctive community groups that NorthLink serves. If you had two separate companies involved, there might have been some jeopardy to the Orkney to Shetland link, which is widely used, particularly in the summer. A number of travellers do both island groups as a leisure trip, and I would not like that to be lost. If there were a risk of its being lost by unbundling, I would say that it is probably better for it to stay as it is.

The Convener: Perfect. Thank you.

Liam Kerr: I will briefly follow up on that question. David Hibbert talked about unbundling and tendering. Do you have any thoughts on the structure of how we procure and deliver ferry services in Scotland, particularly in your jurisdiction? Do you have any views on the Transport Scotland-CMAL circle—or, in this case, matrix? Is there a better way in which that could be structured, or is that structure the right one?

David Hibbert: It is quite difficult to comment on that, because that is the norm that we see. I do not know what the alternatives would be. I do not know whether there would be a separate ship-owning company, as there could be dangers there. You could get inappropriate vessel types for the route. Moreover, I do not know whether it would be more on a commercial footing or what risks new structures would bring to the table. It is therefore difficult to comment without taking an in-depth look at what alternatives you would be considering. If you do not do it this way, in what other way could

it be done? Could it be done on the ship-owning or ship-operating side or on the funding side?

Liam Kerr: Moraig Lyall, I will throw you the same question but add to it that the committee has heard about the possibility of—I cannot remember exactly how it was described—the operator of the service bringing in its own vessels. Do you have any thoughts on what David has just provided?

Councillor Lyall: The most important thing, when vessels are coming on to a route, is that there is adequate consultation and interaction with the communities that they are going to serve. That is to ensure that things such as the design and capacity meet what they are intended for, and large projects, such as those in oil and gas, renewables and spaceports, are taken into consideration when the vessels are commissioned and constructed. It means not only that they are dealing with the day-to-day passenger ferries but that the freight side is well taken into account as well, so that there is sufficient capacity to meet all the requirements for coming in and out of the island.

As I said earlier, I do not see much wrong in the way in which the external ferry service is operated at the moment, with the vessels and infrastructure as they are. It seems to work quite well. Unbundling the ships from the operators might lead to further issues.

Liam Kerr: Thank you for that very useful answer. I will stay with you, Moraig, if I may. You just said that you do not see much wrong with how the service is being delivered, yet you talked earlier about the capacity for cars, the cabins and the cost. Do you take a view on whether you would like, and whether it would be practical for, NorthLink to provide an Aberdeen to Lerwick service that was separate to the Aberdeen to Kirkwall service? Would that be desirable? If so, although that presumably could address the cabins and the capacity issue, it would have a negative effect on the cost issue. What is your view?

Councillor Lyall: The link with Orkney is important, so we need to retain that in the contract. I imagine that the separation of the two services would have some positives but, as you indicate, it would probably lead to higher costs. Since cost is already a factor, it is probably something that we would not want to build into the system.

When I said that I did not have much of a problem with the way that the service is operating at the moment, I suppose that I meant that it is reliable and dependable and that the company that runs it seems to be able to do so in a way that keeps things operating. When you are looking to make changes for the future, the Transport

Scotland side of things is where the problems arise. There does not seem to be an awful lot of opportunity for the islands to have input into the process. When we attempt to do so, we tend to get knocked back most of the time and are told that there is no possibility for changes.

For example, when there was a fairly clear need for additional tonnage during the livestock season last year, some of the haulage companies and the fish producers and others identified a vessel that they felt would be absolutely ideal. It was available for charter for that period, but Transport Scotland dismissed it as a possibility, saying that it was unsuitable for the route. However, that is very much contested by those who have seen that vessel operating in similar situations. In fact, I believe that it might be coming into Lerwick later this month on a separate charter. The idea that it was thought to be unsuitable probably does not hold up.

Liam Kerr: I understand.

Jackie Dunbar: Good morning, and thank you both for coming along today. I would like to put a couple of questions to you regarding your interisland services. I will come to Councillor Lyall first—I am going to call you Councillor Lyall, because I am old-fashioned and I cannot get out of that. What impact has the rise in fuel, staffing and material costs had on your local authority? What impact has that had on your ability to maintain the current levels of your interisland ferry services?

10:15

Councillor Lyall: Thank you very much, MSP Dunbar. *[Laughter.]*

For the past couple of years, following a campaign, we have had an agreement with the Scottish Government to fully fund our internal ferry services. For the past two years, that has held. Over the past year, as you are aware, the costs of wages and fuel have increased substantially. We also have an ageing fleet of vessels. The average age of our fleet is about 30 years, and with age comes increased maintenance. The maintenance schedules are under regulation with the Maritime and Coastguard Agency. We have to do that maintenance to ensure that the vessels get the certification that they require to be put to sea.

None of those things—the fuel, the wages or the maintenance—is easily cut back on. Our ask of the Scottish Government for running our internal ferry network in this coming year is £5 million more than it was last year. As of now, we have been allocated only the exact same figure as last year. That £5 million gap leaves us in a critical condition. We are staring down a hole in our finances that we do not know how we will fill.

In the short term, if we do not secure that £5 million, we will have to make some very difficult choices. The problem is that you have a ferry and you are paying for it, and you have staff and you are paying for them; just cherry picking out one or two sailings in the day will slightly reduce the fuel costs, but will not seriously reduce the costs of the service overall. Not being allocated that full £5 million requirement will leave us in a very difficult position.

Jackie Dunbar: David, have you got anything to add?

David Hibbert: I echo the points that were made by my Shetland colleague. The only difference between Orkney and Shetland is that our ferry services run pretty much to the minimum levels of service provision. There is no scope whatsoever for reducing services. Identifying where the extra funding to cover fuel and wage costs will come from is one of the things that we need to work on seriously. Reducing the services is just not a possibility. That funding will have to be found from additional revenue funding or it will have to come from somewhere internally.

Councillor Lyall: The ferry service in Shetland is akin to Lothian Buses in Edinburgh. It is not like the west coast, where people might travel to the mainland once in a while. On the Shetland network, people travel on the ferries every day. It is how students get to college, how people get to their work and how everyone goes to the supermarket, to doctors' appointments and to other things, every single day. Therefore, we cannot cut that service without there being serious implications for all sorts of other aspects of our life in the islands.

I talked earlier about the issues around trying to increase the population of the islands. Even within Shetland, the smaller islands are facing that issue much more acutely than the mainland of Shetland is. Doing something that reduces the ferry network would be devastating to our smaller islands.

The Convener: May I just clarify something? David said that cutting the ferry services would be the last thing that you would do, because they are so critical. Is that what you have just said, as well—that you cannot afford to cut the ferry services, so something else will have to suffer?

Councillor Lyall: Yes. I do not want to speak on behalf of Orkney, but Orkney's service is already much less frequent, and, therefore, people do not generally commute very regularly using the ferries, whereas we have people using them as a daily commuting service. Our island group has developed in such a way that daily freedom of movement between all the islands is a part of our life.

The Convener: Thank you. I am sorry to have come in on that, Jackie. It is back to you for your questions.

Jackie Dunbar: Following on from what you have just said, can the witnesses tell me how you engage with your island communities to find out how the ferries can or do meet their needs?

Councillor Lyall: Since taking on this role, I have had meetings with the community councils on the islands and some business users there, such as hauliers. That is the main way in which we engage with the communities. We have travelled to the islands and met groups of community representatives to discuss their requirements. I very regularly receive correspondence on ferries. In my wider role as a councillor, I receive far more correspondence on that issue than everything else put together.

Jackie Dunbar: I can totally understand that.

David, can you say what the Orkney authorities do, please?

David Hibbert: It is very similar. We have community council engagement and regular meetings about the ferries. Orkney Ferries has a separate board of management, which also has meetings. The board is formed, pretty much, of isles councillors. All that feeds into how the ferry services operate. Orkney Islands Council's transportation group has regular meetings to form the timetables. We have no capacity to increase the services, but what we have is working to the maximum of its abilities. You might say that it is like moving the deckchairs around a bit every year.

The communities know what we can deliver. Obviously, they want a bigger service, with more evening and morning sailings to give them the capacity to come and go throughout the evening, or to get away on early morning flights or sailings from the mainland, which is currently just not a possibility, particularly on the outer islands. All of them would like all that, but, at the moment, given the negotiation with Transport Scotland and the age and configuration of the ferry fleet, it is just not possible to do anything further.

Jackie Dunbar: Thank you.

The Convener: Monica Lennon has some questions.

Monica Lennon: Yes—I said that I might have further questions on funding. Are both of you able to outline how much it would cost to renew your authorities' ferry fleets and the timeframe in which that would need to happen to maintain a reasonable level of service?

David Hibbert: The last time that we looked at the strategic business case, we were looking at a

figure in the hundreds of millions to replace the entire system of ferries, the linkspans and the harbour facilities that go with that.

On the time period, now would be good, obviously, but we have to be realistic about these things. As you probably know, our ferry fleet is well in excess of 30 years old. We have issues with reliability. Then again, some of the vessels were refurbished 10 years ago to extend their life by 10 years. That 10-year extension has now expired. The first vessels that have been identified for replacement are the four in the outer Northern Isles fleet, which are seagoing ships to the four further-out islands, and the one for the Rousay, Egilsay and Wyre service. Those are our priority for renewal. The others can come at some point after that. The timing of and finance for that would obviously need be worked out, and vessel operability and the harbour facilities required for the size of the ship would need to be identified.

We can sit around all day and say what we desire a new fleet to look like and when we want it, but, realistically, it is about when the finance is going to come to facilitate that fleet renewal. That is the crux of the matter.

Monica Lennon: You have a list of what you need, and that has been costed, but you do not have certainty over funding.

David Hibbert: Absolutely.

Monica Lennon: As for the funding that you have access to, what resources does the authority have, and what are you looking for from the Scottish Government?

David Hibbert: Realistically, it is about what the funding will be and how the Scottish Government will step up and fund the transport commitment on an equal basis to the rest of Scotland.

Monica Lennon: I put the same point to you, Councillor Lyall.

Councillor Lyall: I would need to ask someone in the council to come back to you with a figure for the estimated cost of the replacement of our ferry service. I agree with David Hibbert that the time to start was, preferably, 10 years ago, but given that we are where we are, it is very important that we move on with it. Where I deviate from David is in saying that, as a council, we are not seeking to replace all our ferry service with ferries. We are very strongly behind a commitment to moving ahead with getting tunnels to replace some of our short sailings. Some sailings are only seven minutes across; we are not talking about great, long distances. The sailings to the four main islands that are served by ferries are only seven, 10, 20 or 30-minutes long, and they take the vast majority of the traffic between our islands. That would leave two or three small islands with small

populations as outliers, but having tunnels in place for those four islands would vastly reduce the cost of our ferry service.

A very quick, back-of-the-fag-packet type of calculation suggests that it could be done for around £400 million, which sounds like a large sum of money until you recognise the fact that we currently get £20 million a year to run the existing service, and that is increasing with inflation, year on year, and does not take account of the fact that all the ferries and the shore infrastructure require to be replaced and upgraded as well. On that basis, tunnels suddenly become a much more affordable and attractive option. They hit the button, not just financially but economically, socially and environmentally. Our small island economies are constrained by the capacity of the small ferries. We have lorry loads of fish that sit on the end of the pier in Yell, their operators wondering whether they will get on and make it down to Lerwick in time to catch the ferry that evening, particularly in high season when there are a lot of tourists around. The tourism ability of those islands is also constrained. Our economy could flourish if people could flow in freely, and we would be much more socially connected.

I live just outside Lerwick and if only I had a fiver for every person in my village who used to live in Yell but who came to the conclusion that, because of the constraints of the ferry service, they needed to move to the mainland where they can get their children to the clubs that they want to go to, get to the supermarket regularly, attend the cinema and go to work without having to wonder whether the ferry will be running to get them home again. People worry about whether the ferry will have broken down or have enough staff.

Staffing is another issue that I have not mentioned and that is very difficult at the minute. In such a buoyant economy, we are competing with the likes of aquaculture, which can pay much higher salaries. As you know, the structure of salaries within a local authority is very much set. It is almost impossible to pay people more, and so we cannot save the flow of staff from our ferry service into other areas.

Monica Lennon: It was helpful that you gave a figure. You said £400 million.

Councillor Lyall: As I said, that is an off-the-top-of-the-head figure—not my head; it is a ballpark figure that is being thought about in Shetland.

Monica Lennon: Is that for the four tunnels, in total?

Councillor Lyall: Yes.

The Convener: It would be helpful to the committee if you could provide costings for

replacing your internal ferry fleet and any other costings, so that we can consider that as part of our evidence.

Sorry, I did not want to take away from what you were saying, Monica.

Monica Lennon: That is okay, convener.

10:30

Councillor Lyall: Sorry to interrupt again, but I will respond very briefly to that. We have put in place a plan to produce, over the next year or two, a report that will give an entire look at our current set-up and at the inclusion of tunnels as an option in that. We expect that piece of work to cost us around £400,000 to £600,000 for investigations over the next year or two. In a year in which we are being asked to produce negative-increase budgets, that is something that, given my role in environment and transport, I am very strongly pushing by saying that it is one thing we must add to our budget because we need to make movement on it now. It is very important to us.

Monica Lennon: That is helpful, and if more information could be sent to us after today's session, that would be really helpful.

I have other questions, but perhaps the answers will come in that later submission. I was keen to know what the on-going maintenance commitment would be as well.

Could you say more about the environmental benefits of using tunnels?

Councillor Lyall: Absolutely—that is the one point that I had not managed to get around to. Almost half of the current emissions of Shetland Islands Council are due to our ferry network. The requirement to move towards net zero is a duty that the Scottish Government has put on us as a local authority, and it is a duty that we will be singularly unable to meet unless we begin to get rid of our ferry fleet. It would help us go a long way towards fulfilling that duty if we could get some of our ferries replaced by tunnels.

Monica Lennon: You seem to be very passionate about the tunnel option. What community consultation has been undertaken on that? Is it something that the community is behind?

Councillor Lyall: I am really pleased that my passion for it is coming over, because it is not only me who is passionate about it; our communities are passionate about it. Yell and Unst recently formed tunnel action groups because they are pressing to get this done. They see very little movement from the centre—the council—on it, and they are just saying, “We can't drag our feet on this any longer. We need to see it happening”,

so there is very strong pressure from within the community for it.

Our local MP and MSP held a series of meetings around all the islands that would be affected by the tunnels if we were able to move forward on that option. Those meetings were very well attended across all the island groups, which were very positively in favour of it. There was hardly a dissenting voice at any of the meetings with people thinking that retaining the ferries was a better idea than putting in a tunnel.

The Convener: We were going to come to tunnels during our discussion—

Councillor Lyall: Sorry if I stole somebody else's thunder.

The Convener: Mark Ruskell has fairly strong views on them, so I will bring him in now.

Mark Ruskell: It is the witnesses' views that I am interested in. It would be good to explore the subject in a little more detail. The deputy convener and I met the Faroese Government recently, and we are aware that there is a huge amount of investment in fixed links in the Faroes. Has there been much thinking about the financing mechanism for tunnels? You mentioned the £400 million versus the £20 million investment in ferries that is required just for maintenance. It would be useful to get a bit more information in a financial model about how you envisage that working with the Scottish Government's capital budgets or other forms of financing.

Councillor Lyall: We were probably thinking that there would need to be some sort of innovative financing model to make the tunnels happen. Capital budgets from the centre would be absolutely great. We anticipate that, when they come in, we would almost certainly have to have a toll on them, initially at least, because the contribution towards helping to pay for them could then come from within the community.

There have also been thoughts about whether we can borrow against the revenue funding as it currently is to enable us to source aspects of finance that would be able to pay for it. Finance is not my strongest point where this matter is concerned, but I know that a number of different mechanisms have been looked at, and I would be very happy to ask our officers to provide the committee with further information on those.

Mark Ruskell: That would be useful. I wonder what the conversation has been like with particular sectors. In the Faroes, there was a lot of discussion with the aquaculture industry there on its contribution towards fixed links. There is not an actual model in place for how you might fund this, but I am wondering whether, in making

contributions—you mentioned tolling—there are particular sectors that could step up.

Councillor Lyall: From speaking to colleagues who are involved with the tunnel action groups, I understand that the aquaculture sector has indicated a willingness to contribute to making progress on this by perhaps putting money towards, for example, the investigations that will have to be done in advance. I should add that this is not a new idea for Shetland, having been around for many years. In fact, a lot of work was done, particularly on the possibility of a tunnel to Bressay, and much of it will still be valid. The geology has not changed in the years since, so a good bit of work that was done previously can be built on. The aquaculture sector, which would be more interested in Yell and Unst than in Bressay, because that is where its operations are based, has apparently indicated to the tunnel action groups a willingness to put some sort of finance into helping with the initial investigations.

Mark Ruskell: Has there been a collaborative discussion with Transport Scotland on that? I do not think that it sits within the strategic transport projects review—it is not a national project—but it is clearly a significant local project.

Councillor Lyall: As far as I am aware, there has not been a lot of discussion with Transport Scotland about tunnels. When we try to engage with it about our internal ferry service, the message that we get back is, "Your ferries, your problem". Although we are looking to advance tunnels as an alternative to ferries, Transport Scotland sees them as being in the same ball park and is saying, "It's not our issue; it's your issue".

Mark Ruskell: David Hibbert, do you have anything to add on that? Correct me if I am wrong, but I think that you are more about causeways than tunnels.

David Hibbert: Yes. The geography is entirely different in Orkney, in that the islands are much more spread out. We considered the issue of tunnels back in the 1990s. Some geological surveys were done that found that the rock structure there is pretty much unsuitable for any tunnels. They would have to be lined, and that would make them very expensive and quite difficult to bore without encountering problems.

A lot of the things that we are looking at involve bridges to island groups rather than to the mainland so that we reduce the number of ferry operations needed. There is a possibility of an Egilsay to Wyre or an Egilsay to Rousay bridge, which would take out one of the longer legs on that ferry route. Another bridge option is from the island of Westray towards Eday across the island of Faray, which would take out the west entirely and mean that the operation of the ferry service

would be only on the east side, and that would cut down on the number of operations there.

We have been doing a lot of work on looking at net zero and how that will affect us, and, as in Shetland, the ferry service in Orkney is identified as being the biggest single emitter there, resulting from the consumption of diesel and other fuel. It totals 3 million litres a year. Sustainability-wise, we are one of the big targets in the islands. Some say, "Look at the amount of fuel that that operation is using just to provide internal services". We are certainly doing a lot of work on the renewable fuel side of things, and that is probably the way in which we will have to go with a number of the ferry operations.

The Convener: I will come back to the deputy convener, who has been waiting patiently to ask her question.

Fiona Hyslop: Thank you, convener.

Thank you for your comprehensive written submissions. We should also reflect on the fact that we are trying to inform the islands connectivity plan, which is not the ferries plan. It is about connectivity, so a place-based approach may be something that we can try to influence.

I will ask you both the same question but will come to David Hibbert first. What discussions have you had with Transport Scotland or the Scottish Government about the provision of additional funding to support the vessel replacement programme? In your written submission, I was particularly struck by suggestions to use a similar model to the learning estate investment model, where 90 per cent of revenue funding would, over a long period, enable the council to have prudential borrowing for capital. Can you elaborate on that?

David Hibbert: That is slightly off my area; I am on the technical operational side. A number of discussions have been held on this. Revenue funding for the ferry operations was increased, which is obviously very useful to make the service more sustainable and disconnect it from the rest of the transport provision. I am not sure that I am in a position to comment on the funding ask. Other negotiations have been going on. I will have to follow up with an answer to that, if I can get it from someone who is involved.

Fiona Hyslop: Yes, it would be helpful to know what discussions there have been with Transport Scotland and the Scottish Government.

I put the same question to you, Councillor Lyall: what discussions has the council had with Transport Scotland and the Scottish Government on the vessel replacement programme?

Councillor Lyall: As I indicated before, when we attempt to engage with Transport Scotland, we

generally get the answer: "They're your ferries; they're your problem. They don't lie within our remit". I am told that there has been a slight softening of that recently, in that there seem to be the beginnings of a willingness to interact on the issue, but, until recently, we have been very much kept at arm's length.

Fiona Hyslop: I will stay with you, Councillor Lyall. There has been discussion of the possibility—I will not say that I necessarily agree with it—of transferring responsibility for interisland ferry services to Transport Scotland. Have you discussed that? What would be your response to it? Are you keen that local responsibility be maintained within the council?

Councillor Lyall: I am not aware of that having been discussed. It fills me with great trepidation when you mention it. I would not go so far as to say that my views of Transport Scotland are as firm as the convener's views of SEPA, but they probably are not far off. Transport Scotland does not seem to be a terribly proactive, flexible or forward-thinking organisation. It does not appear to be willing to look at alternatives to the things that it is already focused on. Unless there were a root-and-branch change in its approach to things, we would be quite resistant to that.

Fiona Hyslop: Of course, project Neptune may lead to that, but we do not know yet. We can inform that with this inquiry.

I put the same question to you, David: do you have thoughts on the potential transfer of responsibility for interisland ferries to Transport Scotland, or, indeed, to a new body that could bring CMAL and Transport Scotland together?

David Hibbert: Yes. I do not see an issue with the ownership of the vessels being outwith the islands. In fact, it would probably be quite a good thing to take the capital responsibility away from them, so long as they are heavily engaged with on the design of the vessels and on making sure that the vessels provided are operable. As I said, I have been involved with CMAL on its battery ferry design and have worked with it on the hydrogen project for Orkney. I do not see there being an issue with CMAL or some other group taking the capital responsibility for the vessel away from the council, but it keeping the operational responsibility closer to the islands somehow would be key, whether it rests with the council or a separate board or some other means to do that. Certainly, we find that that is very useful in terms of maintaining community engagement. The mechanisms that we have for engaging with the communities are quite effective. If another operator, particularly if it were very commercially minded, came to operate the service, there could be quite a risk of that disappearing.

Fiona Hyslop: So operational management should be local, but capital investment could be more centralised. Is that what you are saying?

David Hibbert: Yes, that is pretty much what I am saying.

Fiona Hyslop: Councillor Lyall, do you have any other comments?

Councillor Lyall: No, I do not think so.

The Convener: David Hibbert's last comment was interesting. I will ask two questions. The first is on the running of these ferries. When I was up in Orkney, the long-term future in relation to having people on the islands to staff and crew the ferries seemed to be a concern. Is it as big a concern as I got the impression it is? Also, what is the situation on Shetland?

10:45

David Hibbert: It depends on what the new ferries look like. Obviously, with net zero and all the environmental commitments that have been made, the vessels are going to look, operability-wise, quite different from the ones that we are operating today. There will be a big change in the training of the staff and the staffing of the vessel, including where we get those people from. We mentioned the recruitment pressures earlier. The rise of inshore fleets, wind farms and aquaculture has put tremendous pressure on recruitment and retention. We had not seen that before. Going back a decade, that was not a factor. What we were up against then was competition from the seagoing oil and gas ships—the larger vessels.

The inshore operation is facing a new challenge to retain staff. It could be overcome with proactive training and recruitment, and encouraging individuals towards seagoing jobs. I work closely with the University of the Highlands and Islands nautical school in Stromness; we developed courses there to train seafarers. I cannot see an issue with that, but we need a lot more investment in the people to do that. We will have to start taking people in at more of a trainee or cadet level. Previously, people who had been away for years on a round-the-world sailing or whatever wanted to come home and work on a short sea ferry, unless they were enticed away somewhere else with more money and better conditions. We have noticed that that business is very cyclical. We have found that some people leave for the oil and gas vessels and then reappear five or seven years later, when there is a downturn.

There must be the correct investment and training regimes, right from school. We engage with education and have work placements for school pupils on our ships to encourage them to go to sea. Without that correct engagement, more

investment in and more attention on developing seafaring careers, I could see that being a serious problem going forward.

Councillor Lyall: For many years, Shetland Islands Council has had a policy of having the ships berthed in the islands that they served, so that the staff were retained in those islands. More recently, that has become an issue because there is an insufficient number of people living in a number of our islands to crew the vessels, so, more and more, we are having to take crew in and hold houses to keep them in. It is becoming less sustainable as a model. More of our communities are now open to the boats not being kept in their own island as a way of making sure that the service is sustainable in the medium to long term.

The decreasing population of the islands is an issue, and the ferry service is not immune to that. I do not want to continue to bang the tunnel drum too much, but, in Shetland, we already have three islands that are connected to our mainland: Burra, Trondra and Muckle Roe. Since those bridges were put in, the population of all those islands has steadily increased. The population of every island that is served by a ferry service has steadily decreased. Tunnels, fixed links and bridges work in retaining people in the islands.

Fiona Hyslop: The committee's delegates in Reykjavik met the Faroe Islands minister, who helped to explain their tunnel network. Have you talked to them about their experience, particularly about how private finance might be used in such an exercise?

Councillor Lyall: I was very fortunate to be able to travel to the Faroe Islands at the end of September and to meet the tunnelling company, the finance minister and various other people out there. We travelled through a number of its extensive tunnel networks and saw what can be done. The big difference, of course, is that they receive a much greater funding commitment from the Danish Government to enable them to put that sort of infrastructure in place. That has clearly revolutionised the Faroe Islands. Two or three decades ago, the Faroe Islands and Shetland had very similar populations of around 20,000. Ours has very slowly declined, not by a lot, whereas the Faroese population has ramped up massively over that time. You can see how much the tunnel network there has revolutionised that island group.

The Convener: Thanks. That is interesting. The final question will hopefully bring a yes or a no answer. If we are going to replace the interisland ferries, do you agree that, as part of that package, we have to look at where they berth and at the facilities at berthing for people getting on and off those ferries? That can be a yes or no answer.

Councillor Lyall: Yes, that all has to be looked at.

David Hibbert: Absolutely. To make sure that we have the right access for all groups of people and the vehicles that transport them, we have to have all those facilities.

The Convener: Thank you. That has been a really interesting session. Thank you for taking part and working through the connection problems to start with. Thank you, Councillor Lyall, for holding the fort until the representative from Orkney was able to join.

10:52

Meeting suspended.

10:57

On resuming—

The Convener: Welcome back. We will now hear from today's second panel as part of our inquiry into a modern and sustainable ferry service for Scotland.

Our second panel will explore local authorities' experience of operating ferry services and acting as harbour authorities. We also want to hear the witnesses' views on the adequacy of the Scottish Government-supported ferry services for the Clyde and Hebrides.

I am pleased to welcome Murray Bain, project manager for the Corran ferry at Highland Council; Russell McCutcheon, executive director for place, at North Ayrshire Council; Scott Reid, marine operations manager for Argyll and Bute Council; and Councillor Uisdean Robertson, chair of the transportation and infrastructure committee at Western Isles Council. Thank you for accepting our invitation. I am glad that you are here.

There is a whole heap of questions. I will have to try to divide my time. I ask you to answer as succinctly as possible so that we can get through as many questions as possible. If you do not think that you need to contribute, do not feel that you have to. If you want to get in, and you are not asked to come in, if you are outside the room, shove your hand up and I will catch you. If you are inside the room, catch my eye and scowl—that is the way to catch my attention.

The current Clyde and Hebrides ferry service contract expires in October. Have any of you had discussions with Transport Scotland about service provision after that date? I do not know who would like to start on that, although I am guessing that there will be input. Scott, do you want to talk about that?

11:00

Scott Reid (Argyll and Bute Council): Thank you very much for inviting us to offer input, convener. As far as the Clyde is concerned, we are very much involved in the infrastructure project with the Gourock, Dunoon and Kilcreggan works, and with other islands. We work very closely, almost daily, with colleagues from CalMac Ferries Ltd and CMAL in particular. We have a professional and open relationship with them, as we do with colleagues from Transport Scotland. Our input on the service, from an operational point of view, is as part of a big-picture partnership that combines the work on those projects.

The Convener: Russell, do you want to add anything?

Russell McCutcheon (North Ayrshire Council): Thank you for having me today. Our relationships with CMAL, Transport Scotland and CalMac are really quite good. We are in regular communication. I have not personally been involved in discussions about the renewal of the contract, but I know that our officers have had discussions of that nature with them.

The Convener: Thank you. There is a list of questions that members want to ask.

Monica Lennon: Good morning to our panellists. The committee has heard a variety of views on unbundling, and I am keen to ask each of you whether you have views on the possible unbundling of Clyde and Hebrides ferry services. Is there any other way in which communities and local authorities could be involved in the management of Clyde and Hebrides ferry services? I will come first to the people in the room: Scott Reid and then Councillor Robertson.

Scott Reid: Argyll and Bute is a very diverse set of islands and rural communities. We would certainly say that no one solution fits all our communities. It is not quite as simple as that.

On unbundling, we are very much open to negotiations on crew—we find that that is a particularly difficult situation; capital funding for vessels; and the running of ferry services, particularly the Jura ferry. We would be open, as we were in the first set of negotiations, to discussions on whether to transfer that kind of service. We are similar to Orkney and Shetland, in that the importance of the participation of our communities and the flexibility that the council has in that regard cannot be stressed enough.

We have regular and very good communications and engagement with our communities, but that does not mean that another solution could not be found for the crew and the vessels. We are open, particularly in a time of challenging budgets, to negotiating and talking about subjects such as

Transport Scotland taking over the ferries, with no detriment to the council. The infrastructure that we have and maintain is, however, strategically important to the council's delivery of other things to our rural communities. We would not be keen to see that infrastructure go.

Monica Lennon: Thank you. That is helpful.

Councillor Uisdean Robertson (Comhairle nan Eilean Siar): There has been quite a lot of discussion about the bundle in the past while, especially after the Ernst & Young report. If you look at the issue in the round, you will see that we have always argued that a Western Isles bundle would be bigger than the Orkney bundle, for example. What we looked for was more control within the bundle: not doing away with the bundle as it stands, but having more of a management say in what happens in the bundle in the Western Isles. That was the view that our council expressed.

Monica Lennon: I am keen to understand a little more about what you mean by having more of a say in management. How do you think that that can be achieved?

Councillor Robertson: The CalMac head of operations is now based in the Western Isles, and we have already seen the difference that that has made in dealing with CalMac. We have somebody who lives the experience of ferries there, and we feel that if more management from CalMac were based in the Western Isles, or in Argyll and Bute and so on, it would certainly improve what is quite a fractious relationship at the moment.

Monica Lennon: We might return to that. I will put the same question to our virtual witnesses, Russell McCutcheon and then Murray Bain.

Russell McCutcheon: Thank you for the question. With regard to bundling versus unbundling, it is the case that even within North Ayrshire's island communities, we have Arran and Cumbrae, and the needs of both islands and their communities are very different. Through significant consultation with the communities on those islands and the business communities, and through feedback from visitors, we know that each island has different needs. I suggest that the outcome is more important to island communities than the bundling and unbundling. The mechanism as to how we get there is probably less on their radar. Where we are coming from is that, provided that the outcome is resilient, reliable, on-time ferry services that meet the needs of the local communities, and that the ferry provision is flexible enough to sustain that model, local communities will be happy.

By way of some context on the importance of the issue, we did a bit of work through the Fraser of Allander Institute on the impact of Covid on the

Arran economy. That work identified that, on average, each day of ferry operation contributes just under £170,000 per day to the island's economy, so it is really important for the island communities. The bundling and unbundling might be a mechanism of getting there, but, for the islands, it is really about the outcome. I could almost say that that is the front of the TV—the picture; it is about how the service looks to them, rather than how it is bundled or the contractual aspects.

Monica Lennon: You make some interesting points about outcomes. Also, I note from your submission that North Ayrshire Council is a community wealth building council. What bearing does that have on how the council approaches issues of ferries and connectivity? What is the relevance and the outcome that you hope to get from a community wealth building approach?

Russell McCutcheon: You are absolutely right with regard to community wealth building. We consider ourselves to be a community wealth building council. We have no experience of council-operated or local-operated ferries. The ferries in our area are run by CalMac. However, given our desire to be a community wealth building council, plural ownership of the local economy and maximising the return and value of assets to achieve social, economic and environmental outcomes for the benefit of local communities and businesses are things that we support. We are very keen to investigate the potential of those further.

Monica Lennon: I put the same question to Murray Bain.

Murray Bain (Highland Council): Good morning, panel. Regarding the Clyde and Hebrides ferry services bundle, the Corran ferry operates a stand-alone service in isolation, and that means that it never benefits from economies of scale, as it would were it nested in a larger bundle such as the CHFS network, CalMac or even Orkney and Shetland. We do not have a specific marine department. The ferry operation sits in the roads department. The location of the Corran ferry means that it is linked to the CHFS network. It is a back-door route to the Isle of Mull. It takes across dangerous goods vehicles that cannot go across on the other routes to Mull, so it is already part of the network. It is a strategic link in the network. That is a huge recruitment challenge for us, because we are competing with CalMac for staff. We are part of the network, but we do not have the advantage of economies of scale or back-office support that larger marine organisations, such as CalMac, have.

It is worth noting as well that Highland Council submitted a formal request regarding the possibility of a transfer of responsibility for the

Corran ferry service in accordance with the principles of the Scottish ferries plan, which is now the islands connectivity plan. That was after several years of lengthy discussions. Then the Government advised us that it required confirmation of the council's plan to fund the capital for our replacement vessels. Until we have that capital in place, there will be no further discussion on a transfer of responsibility.

Following on from that, we were offered support in kind through the small vessels replacement programme for replacement vessels. The council is now part of that programme with CMAL. It is for seven replacement CalMac/CMAL vessels and two council vessels. I am pleased to say that that has gone very well. We are on track for the design of new all-electric vessels. We have seen the benefits of working closely with CMAL, and we have a first-class working relationship with CMAL.

While we are pushing that project forward, we are looking for reassurance from the Government that the islands connectivity plan will also include the key principles for a transfer of responsibility, as was the case in the ferries plan, to make sure that the door remains open to a possible transfer of responsibility for local authority ferries.

Monica Lennon: Are you engaged in dialogue with the Scottish Government on that?

Murray Bain: It is up to Highland Council to find the capital—£62 million—to replace the vessels and the infrastructure. That has been made clear. There is no option other than for Highland Council to find that money. We have been offered support in kind through the small vessels replacement programme to help us with the design of our vessels, but no capital.

Monica Lennon: Does that mean that you still need to find £62 million?

Murray Bain: Yes, exactly. Both vessels are ageing: they are 23 and 47 years old respectively. One has been away in dry dock for seven months, and the other has been in dry dock for four months, so the risk of breakdown is now significant; it is hanging by a thread, actually. Both vessels are too small. There is an annual growth rate in demand for the ferry of 2.1 per cent. The marshalling areas are too small, which causes overspill issues on the main road, the A82 trunk road. They are quarter-point vessels, which means that they are no use for the CalMac routes, and the roll-on, roll-off ferries cannot come to our slipways. We have no overnight berthing, which is a huge safety issue. There is up to two hours—*[Inaudible.]* Effectively, the peninsula is cut off when a vessel is out of service.

There is an aspiration for a fixed link—*[Inaudible]*—but that remains just an aspiration due to the up-front costs. Highland Council

submitted that feasibility study to strategic transport projects review 2 for consideration. It was not considered to be taken forward as a project, but it remains a long-term aspiration. We have an outline business case—a strategic, economic, commercial, financial management case in line with the green book. That robust, 588-page business case has been approved. It has been signed off, and we are using that document as a rationale to look for capital investment. That is where we are at the moment.

To summarise, we have an approved business case and a shovel-ready project. The design of two all-electric vessels will be completed by the end of March. The design for the infrastructure to accommodate the vessels will be completed by the end of September. We are ready to go, and we have done something about it. It has cost us £1.6 million; the council has found that money to fund us to get to this stage.

11:15

We are on the same timeline as the small vessels replacement programme with CMAL. It is just that CMAL has got the funding to proceed with its seven vessels, whereas we do not.

Monica Lennon: Thank you. I know that the convener will want me to hand back in a second, but you gave us a lot of important and useful detail there. Clearly, a lot of work has gone into this project so far, including the investment of £1.6 million. There is, however, still a black hole: where will the £62 million come from? It does not sound as though it will come from the Scottish Government, so what other options are available to Highland Council? If you do not get all the investment that you need, what happens then?

Murray Bain: That is a huge challenge for Highland Council, because the local authorities are under huge pressure to build schools, repair roads and all the rest of it. It is not in our capital plan, and we cannot have that amount of money in our capital plan. We cannot afford to borrow that amount of money.

When we got involved in the small vessels replacement programme, we had a trip with CMAL to Norway and Denmark to look at electric ferries. We know what they look like; we have seen the future; we know that the technology is there. We hope to look at potential sources of grants that are available for low-carbon transport solutions such as the Corran ferry project, which is in line with the Scottish Government's climate change commitments and, indeed, the council's climate change commitments. We are hopeful that there will be pots of money out there for this type of project.

Monica Lennon: Thank you; it has been good to get that on the record.

Murray Bain: As yet, we have not come across any grant funding for this type of project.

Monica Lennon: Thank you.

Jackie Dunbar: Good morning to the panel, and thank you for coming along. In some of our previous sessions, we have heard about ticket pricing. I would like your views on whether you would support CalMac ferry fares being lowered for islanders and rural folk and maybe being put up for tourists. I will ask Councillor Robertson first.

Councillor Robertson: There has been some discussion recently on that, particularly on the pressure on ferry capacity. There is a need to look at how we can ensure that islanders are able to attend mainland hospitals or go away to see their families, for example. There has been quite a bit of discussion about whether we should have lower fares for islanders as opposed to tourists coming on to the island.

There have been mixed views on that, I have to say, and we have not gone into it very deeply as a council. Clearly, our economy depends fairly heavily on tourism. People who have invested heavily in tourism and who are now surrounded by wigwams and pods and so on are clearly against any move to have that kind of separation of ticket prices. The argument is that we really need more vessels and that we should not look at restricting movement just because capacity is constrained.

Jackie Dunbar: I will push you on that. Do you have a view on it, or is it not something that you have really considered to any degree?

Councillor Robertson: Personally, I would leave it as it is.

Jackie Dunbar: Okay. Scott, do you have a view?

Scott Reid: I completely agree with Councillor Robertson. The road equivalent tariff has been a victim of its own success. In many ways, it has been very successful in encouraging travel from the mainland and the tourist industry, with visitors to the islands and rural communities. However, that has not been matched by the capacity of the vessels, and that is what is required. Rather than punishing and restricting, the focus should be on matching the capacity.

It is not just the capacity that needs to come up. We have a 50-year-old vessel, and our average is 30-year-old vessels. It is about killing two birds with one stone. We need investment in the vessels, and the increased capacity from investment in the vessels will also help islanders in rural communities to access services on the mainland. It will help with lifestyle and with doctors'

appointments and other such things that people need to access. The big catch-all would be increased capacity—it should be appropriate capacity for the islands' needs. As I said, there is huge variation, depending on where you look.

Jackie Dunbar: Would you say that, overall, tickets are reasonably priced? I know that there are different prices, but I mean on the whole.

Scott Reid: We are not just officers and local councillors who deal with communities; we are residents and customers. We do not have a view on why the fares would have to go up or down. They should be kept as they are at the moment.

Jackie Dunbar: Murray or Russell, is there anything that you would like to add?

Murray Bain: We produced an outline business case highlighting the key role that fares play in supporting the Corran ferry. Historically, the ferry has operated broadly on a break-even basis, with about 270,000 cars each year. However, as costs increase and we have to scale up the operation due to capacity issues, there will not be—*[Inaudible.]*—external sources of funding. In line with other local authorities, as I think I heard people talk about previously, we would be looking to evidence and—*[Inaudible.]*—a revenue-funding commitment, through the grant-aided expenditure replacement, which is the support for interisland ferries specific grant.

Jackie Dunbar: I am not sure whether we have lost Murray.

The Convener: I think that he naturally concluded there. Do you want to come in, Russell?

Russell McCutcheon: We have to reflect on the cost of living crisis, which is affecting everyone. Those effects are amplified for people living on islands. It is absolutely the case that the cost of living issues for our island communities are stark and significant. However, it must be said that any time we speak to local island communities about ferries and the ferry provision and service, the ticket price is not mentioned as an issue. In fact, the islands recognise that their local economy is heavily reliant on tourists and visitor numbers. The status quo in ticket pricing seems to operate reasonably well just now, but that is in the context of the cost of living issues.

An issue that islanders raise is priority access for them to ferries for essential lifeline services and to get on and off the island. They would probably prefer priority in getting on and off the ferries at the expense of tourists over the price differential, as I said. There is a real balance to be achieved.

Jackie Dunbar: I have another question, convener. Do you want me to continue?

The Convener: I would like to stick with fares. I will bring in Mark Ruskell briefly and then come back to you.

Mark Ruskell: Further to the previous question, the architects of the road equivalent tariff scheme gave evidence to the committee last week. They made quite a persuasive case for how RET needs to be changed, scrapped or reformed. Have you anything further to say on that in relation to fares?

Scott Reid: The only other thing that we, as a council, would say is that the opportunities that might be available to use RET income differently may be part of the solution for getting the capital funding that we all need. I am not entirely sure of the details of how that would work but, whatever the mechanism—perhaps it would be the same as our education colleagues have for schools—there may be opportunities to use what is there. I heard the evidence, and it was interesting to hear that the architect of RET himself was not particularly fine with it. I think that he described it as “a blunt instrument”.

The scheme has, however, been instrumental in supporting businesses, islands and rural communities. That goes without saying, but we need to make the rest of the system catch up. If that involves refining RET or what we do with it or how we spend that money, it needs to be one of the things that we look at.

Councillor Robertson: RET has been successful for our islands and their economy. The problem has been that they did not see the success of RET coming, so the infrastructure of the vessels has not moved in tandem with the success of RET.

I never like playing around with ticket prices. There have always been arguments from different areas about the movement of cargo. We had the freight fares review, of which we never saw the conclusion. Hauliers in my area will always argue that they are disadvantaged compared with those in other areas on the CHFS network, and that has never been solved.

Some people say that we should have something like the current air discount scheme, which benefits people who live on the islands as they come and go. However, we have not had major discussions on that, I have to say. I really do not like playing around with ticket prices, because the real issue is that there is not enough capacity.

Mark Ruskell: Is there a perspective from Highland Council?

Murray Bain: RET does not apply to the council's Corran ferry, because we set the fares. When talking about affordable fares, we need to be mindful that the Corran ferry acts like a bridge, with people commuting back and forth every single

day to get to their work. We are always mindful of that and always realise and recognise the importance of affordable fares to locals and the socioeconomic benefits of keeping those fares affordable.

Mark Ruskell: Russell, do you want to come in?

Russell McCutcheon: RET has led to substantial increases in the number of vehicles on the islands of Cumbrae and Arran, and the road infrastructure on both islands struggles with the volume of cars and camper vans that are accessing them.

RET is beneficial for islanders and their cars, and it is beneficial for freight and essential services coming to and going off the islands. I am just thinking of an interesting concept around RET for tourist vehicles—this links to the earlier question on ticket prices. Perhaps we could have a tourist banding of RET that made it more expensive to bring tourist vehicles on to the islands. That is one scenario that could unfold.

Mark Ruskell: Thank you.

The Convener: I seem to remember that there was a friends-and-family discount scheme on NorthLink, in which islanders were limited to naming five friends. It slightly concerned me that I would not be classed as a friend on one of the islanders' lists, but perhaps that is a different thing. I think that that scheme was run, and that it was stopped.

Liam Kerr wants to ask a question specifically on the Corran ferry and he then has a wider question.

Liam Kerr: Thanks, convener. Good morning, panel. I will ask my questions in reverse order this time. The Corran ferry lends itself to the end of my line. The first question that I want to put is to Scott Reid, after which I will ask Russell McCutcheon to answer.

Scott, some people have suggested to the committee that it may be a better idea for CalMac to deploy smaller vessels, potentially even catamarans, on its routes, and that that could improve the reliability of the service as well as address capacity issues. Do you take a view on whether smaller vessels should be deployed and/or the appropriateness of using catamarans?

11:30

Scott Reid: I will take the second part of your question first. I am a master mariner and former ship captain. The stability, attributes and benefits of catamarans are statistical facts. Whether they are appropriate for a particular ferry route has to come down to the experts who are designing the vessels. You can have different kinds of vessels

for different kinds of routes, but the main approach would have to be what is appropriate for the route.

I do not have a view on whether catamarans are more or less appropriate for any particular route. For example, their load displacement in high windage might make them completely unsuitable for berthing in low-current or high-windage weather situations. They are also quite light, so you would possibly need more protection for their interaction alongside slipways and linkspans. It would have to be horses for courses.

You asked about smaller vessels. Argyll and Bute Council has already written to the Scottish Government and Transport Scotland with its preference for Craignure, for example. To pick up on a previous point, the ferry is the bridge and the ferry is the infrastructure, just the same as the linkspan and the slipways, but we also have to consider what the road capacity and network is like. A single large vessel discharging a lot of cars onto a road network like the one from Mull to Iona, for example, will cause chaos and congestion on our road network, which is not quite up to that. The sensible, logical solution would be a more frequent smaller service, as the network would be able to cope with that. That balance has to be struck, because different vessels can mean that more crew and more resources are required.

It is an interesting balance to try to get right, and we have to look not only at the capacity needs for the island or the community but at the rest of the road network and public transport. A large investment has just been announced for active travel. When we talk about having more cars going on to restricted networks, do we make the network bigger and able to deal with all those cars, or do we look at the matter more holistically and see whether we can get a different way of connecting the communities to the ferry hubs?

Liam Kerr: That is a very interesting answer. Russell McCutcheon, do you have anything to add to that?

Russell McCutcheon: I totally agree with the previous speaker. The key word in that response was “balance”. It is absolutely the case that local communities know what they want and need, and that manifests itself in a desire to look at smaller, cheaper and more flexible vessels that could, in their eyes, provide a more reliable service.

The challenges of designing a ferry fleet to meet the varying needs and circumstances across the network have to be recognised, and although there is no one-size-fits-all solution, any consistency, as far as possible, in the designing of vessels could be beneficial. Where it is practical, a more consistent design, rather than bespoke vessels for each route, would allow easier maintenance and flexibility across the network,

and that would also help ensure that the suitable infrastructure can be built and maintained at the relevant ports, as well as at the alternative—*[Inaudible.]*—supports.

Pier infrastructure across the network is also important to support resilience. Ultimately, our communities are looking for ferries that can sail and dock reliably, efficiently and frequently and have sufficient capacity. It is a balance between a large ferry coming into, for example, Brodick, with all the vehicle transport and people hitting the island at the same time, and smaller numbers accessing the island on a more programmed basis. Getting a balance of those two points of view is important.

Liam Kerr: Councillor Robertson, Russell McCutcheon just brought up the point about infrastructure at ports. The committee has heard thoughts on the current ownership and operation of our ports and harbours. Do you have a view on who is best placed to own and operate the ports and harbours that are used by CalMac, especially given the thoughts in your submission around designing ferries to be compatible with harbours?

Councillor Robertson: Yes. In my area, the port in North Uist is owned by the council; the one in Uig is owned by Highland Council; the one in Tarbert is owned by CMAL; and the one in Stornoway is owned by the Stornoway Port Authority. Those are four ownerships right away, and that causes complications. Clearly, the fees that the Comhairle gets for the use of Lochmaddy pier, for example, for the ferry berthing, are significant and have helped to pay the staff harbour masters and so on.

The works in Lochmaddy and Uig were based on getting vessel 802. That has changed now. Going back to your other point, we argued constantly that we would prefer smaller vessels. We argued that case for the Stornoway to Ullapool route. We got the large vessel, but we had argued for having two smaller vessels, because then we would not have needed quite the same investment in the ports that we have had. The Scottish Government has invested heavily—huge sums—in Stornoway, Ullapool, Uig and Skye, and Tarbert and Lochmaddy. If we had gone down the road of having smaller vessels, we would have needed investment, but not at quite such a high amount.

Liam Kerr: I am grateful. I will throw the same question about the ownership and operation of the ports and harbours to Murray Bain. I was interested in your discussion with Monica Lennon about the cost of the Corran ferry and infrastructure, which the convener referred to earlier. You said that the cost to Highland Council would be around £62 million. Now, I looked up the crossing on Google Maps. It is about a kilometre—you will confirm the distance exactly—which begs

the question: given the conversations that the committee has had about fixed links, how much would it cost to build a bridge? Having established that cost, who should pay for it, if it is feasible? What is being done to explore that possibility—if, indeed, it is feasible to build it?

Murray Bain: The key point is that the ferries are failing just now. They are at breaking point, so we have to replace them. We run our ferry, so we have to replace it. That is not to say that the long-term aspiration of having a fixed link has gone away—that is why we did the feasibility study.

On high-level costs, the Perth cross-Tay link road, for example, is about £150 million. The Corran is in deeper water, so more civil engineering works would probably need to be done. That gives you a ballpark figure, but it is an estimation at this stage. Engineers are currently doing a detailed survey for the council of exactly what a suitable bridge—probably similar to the Skye bridge—or tunnel would cost, given the price of steel, concrete and materials today, so that we can get an actual cost. I would say that it would be in the region of £150 million to—*[Inaudible.]* Those are back-of-a-fag-packet calculations at this stage, but we will get some certainty on that.

The key thing is that we need to replace the vessels now. We are part of CMAL's small vessels replacement programme, and we really value its subject expertise. We are on track, pending the capital funding, to have two vessels in service in the next three to four years. The best-case scenario is to get funding for a fixed link, but that is a longer-term ambition; it could be 15 years or more before that becomes a reality.

Liam Kerr: Who—Highland Council or somebody else—should own the ports and harbours?

Murray Bain: The situation is so challenging for a local authority such as Highland Council. Transport Scotland funds the service, CMAL owns the assets, and CalMac runs the service. Those three things are done separately, and that is hugely challenging for the council. Perhaps there could be some sort of hybrid arrangement with local authorities. Perhaps CalMac could operate the ferries while the council retains the assets. Perhaps there could be a mix, rather than a complete transfer of responsibility. Perhaps we could retain the assets and control affairs but CalMac, with its huge resource for running those ferries, could operate them for Highland Council.

The Convener: I missed the critical figure that you gave—the one that you did on the back of your bit of paper—for the cost of the fixed link. I think that the feed cut out, or else I just did not hear it. What was the estimated figure for the cost of the fixed link?

Murray Bain: I was suggesting that the estimate for the Perth cross-Tay link road is in the region of £150 million or just beyond that; that is to go from Perth across the river Tay. The Corran is a deeper crossing, so more infrastructure work would be needed. I suggest that it would be between £150 million and £180 million. I can confirm that we will get accurate figures on that from an engineering firm that specialises in bridge and tunnel design.

Ash Regan (Edinburgh Eastern) (SNP): Good morning. This is a question for each of the panellists. What are your authorities' relationships like with CalMac, CMAL and Transport Scotland? How would you characterise those relationships?

Councillor Robertson: As I mentioned, the relationships with CalMac's operations director, who is based in Oban, and the head of operations, who is based in Harris, are very good. Those are the people whom I mainly deal with, day to day. Outside those relationships, the relationship could be better.

The relationship with CMAL is very good, particularly with its current management structure. It has been exceedingly helpful with the recent announcement about the new vessels, and it has engaged well with the community. When asked, it has come to the community to open events, to discuss vessel design, and to listen to suggestions about vessel design. It has been very good in informing us about on-going infrastructure works in Tarbert, Uig on Skye and Lochmaddy, which it manages for the council. The relationship with CMAL is very good.

The relationship with Transport Scotland has gone backwards quite a lot in the past few years. I put that down to a change of personnel. We used to have a very good relationship with Transport Scotland. However, I get the feeling that it does not like dealing with elected members.

Of the three, the best relationship is with CMAL, but there are good relationships locally with the people in CalMac whom we deal with.

Ash Regan: Would Scott Reid agree with that?

11:45

Scott Reid: Yes, is the quick answer. We deal almost daily with projects in Campbeltown, on the Tayinloan-Gigha and Fionnphort-Iona crossings, in Craignure and on the Dunoon-Kilcreggan crossing, which is part of the Gourrock group. The list goes on.

We have different tiers in our operational relationship with CalMac. In Dunoon, for example, it is our infrastructure and our staff with a CalMac service. In Craignure, it is our infrastructure, but there are CalMac staff and CMAL boats. There is

a whole range of interfaces between the different project managers and other personnel, and that can sometimes be quite troublesome to pin down in CFL. Generally, however, they are very good.

CMAL is first class, because we are very much operationally paired with what it does with its infrastructure. We find the relationship very positive and professional. It is also very transparent and very pragmatic. CMAL is very open with us, and we are with it, and the expertise, experience and energy that the individuals bring to each of the projects that we work with them on and to new vessels coming out are very good.

In recent months, Transport Scotland has taken more of a leadership role in the Islay co-ordination group, for example. It is very much trying to bring things along in that context. The gap is maybe in capital funding, investments and so on. That is an area that we will have to explore alongside Transport Scotland coming the other way.

Ash Regan: Do Murray Bain and Russell McCutcheon have any comments that they would like to add?

Murray Bain: Yes—I am happy to come in.

I echo what colleagues have said. In the small vessels replacement programme, we have found CMAL to be absolutely first class. Two of its representatives sit on our project board. To be honest, without them, we would be completely lost at this stage in working in a roads department running the busiest single ferry crossing in Europe. CMAL has helped us greatly in introducing us to the right people to help us with the design of our vessels. As I have said, we are at the shovel-ready stage for all-electric vessels. We have huge respect for CMAL and the people who work in it.

We have not had so many dealings with CalMac. However, through the small vessels replacement programme, CMAL has introduced us to representatives of CalMac. We have had some support from and dealings with them, and we have had their thoughts on how they run a ferry service.

Our relationship with Transport Scotland is okay. Sometimes we find that there is a lack of clarity from it on areas that were referred to earlier, such as the interisland ferries grant. That has replaced the GAE that the council used to get as part of its block grant. We are still not quite sure how that will pan out. Transport Scotland is maybe a bit vague at times.

Russell McCutcheon: I will add slightly more to what has been said, on our relationships with the three bodies.

In effect, our relationship with CalMac tends to be pretty operational. It tends to involve service updates, and we discuss service downtime and

the impact on local communities. We feel that that relationship is reasonably strong.

Our relationships with CMAL and Transport Scotland are more strategic and are about project delivery in relation to Ardrossan harbour and the marine and harbourside and landside works that we are doing there.

The current tripartite arrangement involving Transport Scotland, CMAL and Caledonian MacBrayne is pretty complex in respect of its transparency to local communities and ferry committees. It is probably thought that there is quite a lot of overlap and that there are substantial areas of overlap in people's responsibilities. A bit more clarity on individual roles and responsibilities would help the local ferry committees and communities. However, all in all, our relationships seem to be reasonably effective.

Ash Regan: Okay. Thank you.

The committee has heard calls for more community representation on the boards of ferry operators and among the decision makers for ferry services. Do you agree with those calls? How do you think that could be best achieved? I will start with Councillor Robertson again, if that is okay.

Councillor Robertson: It took us some time to get a meeting with the new chair of the David MacBrayne Ltd board. It took several months to get the opportunity to sit down and talk to him. I set that against our relationship with Highlands and Islands Airports Ltd, for example. The local authority meets the chair and chief officer of HIAL monthly along with colleagues from Orkney, Shetland and Highland. I would have liked to see that kind of commitment from the chair of the David MacBrayne Ltd board to meet our local authorities regularly. That has been a disappointment.

Obviously, the argument about having islanders on the boards of David MacBrayne Ltd, HIAL and other organisations is well rehearsed. Of course, we now have somebody from the islands on the board of CMAL. I understand the argument that certain expertise is needed on the boards, but people with lived experience are also needed on them. I think that there is potential to have that change shortly on the David MacBrayne Ltd board. It is important that there is island representation on boards.

The problem that we have is that we listen to all the people who have a view and who apologise all the time. Those apologies have no substance, really. I have always argued that we should transfer quite a large chunk of Transport Scotland's ferries division to an island, because it would then realise the difficulties that we face at times.

Ash Regan: I think that it would. I agree with you: island representation is very important, particularly on this topic.

Would other panellists like to contribute?

Scott Reid: Local councils are in a very advantageous position in being able to engage directly through elected members who oversee our day-to-day work and meet and consult communities. Recently, we finished the consultation in Dunoon. We have an on-going consultation in Kilcreggan, and we have had meetings on Iona. We have also had quite regular meetings on Islay.

I will speak about Jura in particular. In the earlier session with the representative from Orkney, a point was made about consultations in the community. We regularly listen to the communities, but I share the frustration about the fact that we do not have any more to offer. The revenue funding that we get is supposed to fully fund our revenue budgets. Argyll and Bute Council has certainly not quite got there yet, but that is the intention. The funding is to maintain a level of service that our communities would say is not good enough at the moment. It is one thing to listen to the community council and the ferry group from Jura, but they do not hear very much from us except, "We cannot possibly do any more than we are doing, because we are at the limit of what we can do." We really need to find some way of building in and future proofing what we do so that we can listen to the communities better and more effectively.

Ash Regan: Does Murray Bain have anything to add to that point?

Murray Bain: I have nothing major to add, but I will make one comment. I have heard in various dealings with all sorts of people who are involved in the world of ferries that some people seem to think that too many small groups have been set up and that, rather than having so many individual small committees, all that representation from those small groups should be pooled to get one discussion so that everybody's voice can be heard at the appropriate forum with the engagement of local authorities and Government.

Ash Regan: Okay. Russell, this is your opportunity to add something.

Russell McCutcheon: Ferries are a lifeline for our two islands—Cumbrae and Arran. There is no other way on or off either island. The ferries are very important to the people in their everyday lives—for their health and wellbeing, social experiences and general quality of life.

A high degree of importance should be placed on delivering services with communities rather than to them. North Ayrshire Council has certainly

adopted that mantra in the creation and delivery of our two 10-year island plans. The voice of the community is really important, and being part of the solution is empowering and provides a mechanism for ensuring greater buy-in and ownership. Listening to the life experiences and needs of local communities is very important for a co-produced and co-delivered solution.

Ash Regan: Okay. Thank you.

Jackie Dunbar: Has anyone on the panel been involved in project Neptune? You can just raise your hand. If you have, do you have views on its recommendations? For example, a merger of CMAL and CalMac Ferries has been mooted.

Councillor Robertson: Two or three weeks ago, the chair of the community board, Angus Campbell, gave a presentation to the council that was well attended by elected members. We went down the occasional rabbit hole because, with ferries, you tend to get into issues that are not part of his remit. It is a difficult task for him to cover all the islands, north and south, before the end of April.

The report seemed to be pointing at CMAL and CalMac coming together, and our argument at the time was, "You have decided that this is going to happen. It is not open for communities to give a view." Looking at CMAL, which has the experience of boats, infrastructure and so on, we argued that we should perhaps just take Transport Scotland out of the equation altogether and have CMAL overlook the contract going forward. To put it simply, we feel that Transport Scotland does not have the expertise at the moment to challenge CalMac on the various decisions that it makes.

Jackie Dunbar: I am conscious of the time, convener, so I will just ask whether the rest of the panel takes the opposite view and would like to come in. Do you all agree with Councillor Robertson? As a former councillor, I am well aware of rabbit holes, Councillor Robertson.

The Convener: I am just looking to see whether everyone agrees with Councillor Robertson.

Jackie Dunbar: They do not want to answer.

The Convener: Or they are not going to say that they disagree with him. Thank you. We will take it that they agree.

Monica Lennon: My question is for all our witnesses. What needs to happen to ensure that there is co-ordination of ferry, bus and rail services, including timetabling, through-ticketing and co-ordinated action during service disruption? I have packed a lot in there, but I am keen to get your views.

Scott Reid: As part of the Gourock, Dunoon and Kilcreggan reference group and working

group, we have taken action fairly early to see whether we can get cohesion. To put it simply, there is no point in getting on a ferry if you cannot get away at the other end—services have to be matched up. When you get off the ferry, waiting an hour for a train or a bus does not help. Services need to be co-ordinated and joined-up. All outline business cases and STAG—Scottish transport appraisal guidance—appraisals need to have consideration of that built in.

It is complicated, because there are several bus owners. Do you make a train late because the ferry is late? A lot of work needs to be done. The main things that are needed are energy and a commitment to address and solve the problem. There are enough clever minds involved to be able to take a holistic view. We need to get the right people round the table so that, when we know the capacity of the vessel and have infrastructure for meeting it when it gets to shore, we have the trains, buses and active links as well as the road network to allow people to progress on their onwards journey.

As our colleague from Shetland said, when you get off a ferry, that is the start of your journey in many cases. It is just a matter of getting the right people round the table with the remit and authority to make decisions on timetables.

12:00

Monica Lennon: At the moment, are the wrong people round the table, or are people missing from the table?

Scott Reid: It is just not happening at the moment. For example, with Dunoon to Gourock, there was a more central look at travel, but we still need to make the effort in that process to get the right people from the train and bus networks to sit down with CalMac, which deals with the timetables, and see whether we can find common ground. My experience so far is that work is not being prevented; it is just that we are not taking advantage of what is possible in the way that we should.

Councillor Robertson: Speaking with my Highlands and Islands Transport Partnership—HITRANS—hat on, I have to say that some of the technology is way over my head. Ms Hyslop raised this in the meeting that we had in Carinish, and I have sent information on the Go-Hi app to the committee. It says:

“Technology exists today in the form of the Go-Hi Mobility-as-a-Service platform that enables passengers to plan, book and pay for transport services through a single app. The modal offers through the app currently includes air, bus, rail, e-bike, folding bike, car club, taxi, demand-responsive transport and ferry.”

The only ferry operator that has been able to provide a data service to enable integration into the app is Serco NorthLink, although I believe that there have been discussions this week with CalMac about that. There is something out there, and there is movement on that. As I said, the technology is slightly beyond me at the moment, but it is moving in the right direction.

Monica Lennon: Are you confident that the technology exists to make it happen?

Councillor Robertson: Yes. We just need to get organisations such as CalMac to bid into it, basically.

Monica Lennon: I ask Murray Bain and Russell McCutcheon to comment.

Murray Bain: I have nothing to add on that.

Russell McCutcheon: As a previous speaker said, a ferry is just one leg of a longer journey. There needs to be greater co-ordination between all transport modes, including connecting modes, on the islands and the mainland. On Arran and Cumbrae, bus services are largely timed to meet ferries on arrival. The work to align the services is positive but is generally undermined by issues with the reliability of ferry services. Reliability issues with a ferry can have a significant knock-on impact on the wider transport network. For example, on Arran and Cumbrae, if the bus is late because of late-running ferries and the timetable is not met, that impacts the buses serving the wider communities on the islands. On Arran, those bus services are also critical for school transport.

Unreliable ferry services impact on residents, school pupils and tourists to an extent. Residents and visitors getting off at Ardrossan are inconvenienced if they rely on rail travel, which is similarly synchronised with expected ferry arrival times. There is probably a need for improved public transport at Claonaig. It is fair to say that the outcome that we are experiencing now is that there are more cars going on to and off the island, due to the frailties in the reliability of the ferries. That is probably not a result of our not trying to align other modes of transport with the ferries; it is to do with the frailty and reliability of the ferry services.

Monica Lennon: Thank you.

Mark Ruskell: To wrap things up, I want to ask about the islands connectivity plan and how engaged you have been in that. My understanding is that there have been consultations on individual aspects and that there is a plan for vessels and ports, which is separate to the rest of the plan. I want to get your insight into how the islands connectivity plan is being developed. What is your role in that? Is the plan progressing in the right way or do better or more fundamental questions

need to be asked as part of the development? I will start with Councillor Robertson.

Councillor Robertson: In the past few days, elected members have seen a draft, but our officers have been involved in that over the past while. At this stage, I cannot say much more than that. It will be part of our committee discussions this week, so I will leave it at that just now.

Scott Reid: The general consensus has been that the process has been a slightly missed opportunity, in that there has been no engagement with local authority ferry services and it has concentrated on the CalMac/CMAL routes. An islands connectivity plan should, or could, have had more input from the islands and communities that are served purely by local authority ferries. For example, in relation to Jura, we do not want to see, but are in danger of seeing, a council-operated ferry becoming a poor cousin to the brand new large CalMac ferry coming into Port Askaig, with new infrastructure that is being paid for through the public purse in one way or another. If we went down that line, the opportunity might not quite be available to the residents of Jura, who could see slightly less of the economic benefits relating to whisky and other issues.

Mark Ruskell: Are you saying that the connectivity plan is too narrow?

Scott Reid: Yes. Local authority ferry services could have been involved a bit more at the start.

Mark Ruskell: Can I get a Highland Council perspective from Murray Bain?

Murray Bain: The islands connectivity plan is disappointing and too narrow. My understanding was that it was going to be a successor to the Scottish ferries plan. There is no reference to any local authority, which is disappointing. I do not think that it is really a connectivity plan when it is missing out about 50 per cent—[*Inaudible.*] When people go across on the Corran ferry they connect—[*Inaudible.*] People who use the Corran ferry to go to Mull are blissfully unaware of that. They just think that the two ferries are the same, but one has a Highland Council badge on the side, and the ferry to link up with Mull is a CalMac ferry. It is all one network, so it does not strike me as a connectivity plan for all vessels if it leaves out local authorities.

Russell McCutcheon: There are opportunities for the islands connectivity plan to explore some of the options that we have talked about today, particularly around the traditional large bespoke vehicles versus the smaller, cheaper and more flexible—[*Inaudible.*]—environmental credentials of the ferry services as well. I think that there is opportunity there.

The Convener: Sorry, but I am just clarifying something in my brain. There is still time to influence the outcome of the connectivity plan, so your disappointment should probably be directed towards getting further engagement in that. That is my understanding. I notice that everyone is nodding, so no doubt you will tell the relevant people exactly what you want to be in it.

The deputy convener has a question.

Fiona Hyslop: Councillor Robertson, what sight do you have of future funding of ferries for services to the Western Isles? What discussions have you had with Transport Scotland on that?

Councillor Robertson: Discussions with the current transport minister have been very good. Over the past while, she has engaged well with us and has been willing to come to the islands to meet people. We have had a lot of Teams meetings over the past while, because of some of the problems that we have had. She has engaged very well with us. We had very good news in the announcement that Uist and Harris—communities that have shared a ferry for 58 years—will get two vessels, which we have been arguing for for some time.

The situation with ferries is bad, of course. We needed to give the community confidence that things will improve, and I think that we have that confidence now. Clearly, the announcement a few days ago that those vessels will appear in 2025, which is probably a year earlier than first thought, is a huge encouragement to us. We will also have the two Islay vessels: one is due to appear in October 2024, and one is due in early 2025, which will help the network. We are not sure what will happen in relation to the Glen Sannox and vessel 802 but, potentially, we could have six new vessels in the next few years, which will certainly make a huge difference to communities up and down the west coast.

Engagement with the current transport minister has been particularly good. With her help and that of CMAL, we have got past the argument that we have been making for years about having had to share a vessel for 58 years. That has given us great encouragement and confidence in the service going forward.

Fiona Hyslop: Looking forward, knowing that you will have those vessels and given what you said about the different relationships, do you see the role of the Government and/or Transport Scotland being simply about tendering for contracts and provision of capital for on-going ferry procurement? Therefore, do you think that what should be decentralised is the management of the ferry service in terms of accountability and relationships with ferry users and local councils? Might that lead to a situation in which the

management is unbundled but with a larger tender and contract? Could the day-to-day or month-to-month management of the service be decentralised if there were a sufficient number of high-quality new ferries to run those services? Is that your vision?

Councillor Robertson: That is exactly it—I could not put it any better.

Fiona Hyslop: Obviously, that approach would potentially have an impact on our colleagues in North Ayrshire and Argyll and Bute. What is your view? Does that reflect where you see things in the future?

Scott Reid: There is a clear and logical correlation: the closer that you get to the communities, the timetabling and the reaction to disruptions, the better the ferry service will be. As Councillor Robertson said, the perception is all about the confidence that customers have that the ferry will run and that they can rely on it. That confidence is lacking at the moment. The closer the day-to-day running of ferry services is to the communities that use them, the better.

12:15

As far as the management goes, you may have a slight uphill struggle with the fact that, if it is only the budget and money that come from a central point, there will need to be some expertise there to understand that you are getting best value for the money that you are spending.

In the short term, we need to have reassurance for our lifeline services that the revenue funding will continue and maybe even allow a small envelope for capital investment programmes and improvements to the services, so that we can react to the feedback that we get from our communities. Certainly, we need some kind of commitment to or mechanism for a capital investment programme for the vessels, because the lead time for infrastructure and vessels is so long that it is not good enough to be reactionary.

Fiona Hyslop: The challenge is about where the expertise and accountability can lie.

Scott Reid: It is a very big challenge.

Fiona Hyslop: Finally, because I am conscious of time, I ask Russell McCutcheon whether he wants to comment on what he has just heard.

Russell McCutcheon: I will keep it brief. I do not have an awful lot to add, other than that I agree with the previous speaker. For me, it is all about outcomes; it is about the reliability, fitness for use and deliverability of ferry services so that they meet the needs of local people, islanders, tourists and businesses working on and off the island. It is about listening to the voice of the

community and taking on board people's lived experiences to develop a service that is sustainable.

Fiona Hyslop: Would you not be that fussed if the management was separate between yourselves and the Western Isles, for example?

Russell McCutcheon: No.

Fiona Hyslop: Thank you.

The Convener: I thank all the witnesses for their evidence, which has been really interesting. Questions of reliability, punctuality, cost effectiveness and a connected service with local input have all been at the forefront of everyone's contributions. It has been very helpful to us, and I thank you for taking part.

I was going to suspend the meeting, but I am conscious of time, so I would be grateful if the witnesses could leave quietly, as we push on with our agenda.

Subordinate Legislation

Packaging Waste (Data Reporting) (Scotland) Regulations 2023 (SSI 2023/007)

12:17

The Convener: Agenda item 5 is consideration of a statutory instrument that has been laid under the negative procedure, which means that its provisions will come into force unless the Parliament agrees to a motion to annul them. No motion to annul has been lodged.

As members have no comments, does the committee agree that it does not wish to make any further recommendations in relation to the instrument?

Members *indicated agreement.*

The Convener: That concludes the public part of our meeting.

12:18

Meeting continued in private until 12:47.

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