



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 21 February 2023

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE

6th 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:

Jim Dow (NorthLink Ferries)

Robbie Drummond (CalMac Ferries)

Stuart Garrett (NorthLink Ferries)

Dag Hole (Norwegian Public Roads Administration)

Harald Høyem (Asplan Viak)

Màiri McAllan (Minister for Environment and Land Reform)

Paul Richardson (Scottish Government)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 21 February 2023

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, everyone, and welcome to the sixth meeting in 2023 of the Net Zero, Energy and Transport Committee.

Agenda item 1 is to decide whether to take agenda items 5 and 6 in private. Under agenda item 5, the committee will consider evidence that we will hear under agenda item 4 as part of our inquiry into a modern and sustainable ferry service for Scotland and, under agenda item 6, the committee will consider its work programme. Do members agree to take agenda items 5 and 6 in private?

Members *indicated agreement.*

Subordinate Legislation

Land Reform (Scotland) Act 2016 (Register of Persons Holding a Controlled Interest in Land) Amendment Regulations 2023 [Draft]

09:31

The Convener: Agenda item 2 is consideration of a draft statutory instrument: the draft Land Reform (Scotland) Act 2016 (Register of Persons Holding a Controlled Interest in Land) Amendment Regulations 2023.

I welcome the Minister for Environment and Land Reform, Màiri McAllan. Thank you for joining us today. I also welcome from the Scottish Government Rebecca Parry, who is a lawyer; Paul Richardson, who is senior policy adviser for land reform; and Fiona Taylor, who is head of the land use and land reform unit.

The instrument has been 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 the officials can speak under agenda item 2 but not in the following debate.

I invite the minister to make a short opening statement.

Màiri McAllan (Minister for Environment and Land Reform): Thank you very much, convener.

I am here to speak to legislation to address the concerns of some stakeholders who are in scope of the register of persons holding a controlled interest in land—the RCI. The policy intention of the RCI is to ensure that there can no longer be a category of owner or tenant where, intentionally or otherwise, their decision making or their control over a piece of land or property is obscured.

As members will know, the register stems from the Land Reform (Scotland) Act 2016. The principal regulations that established the register were passed unanimously by the Parliament following scrutiny by the Environment, Climate Change and Land Reform Committee via the super-affirmative procedure. Members of this committee will also remember unanimously passing amendment regulations in November 2021. I am very pleased to say that the register went live on 1 April 2022, as planned.

Despite the long-running and quite deep scrutiny, some stakeholders have raised concerns with me in recent months about the cost and

administrative burden of compliance. I should be clear that there is no cost to make a submission to the register and that the process is fairly straightforward. However, preparation work is involved and, in practice, some within the scope of the register will instruct a solicitor, which, of course, carries cost.

From the engagement that I have had with stakeholders, the administrative burden arises principally where there is a substantial volume of titles and where there is a complex ownership structure. The register exists to try to shed light on and provide transparency on such issues.

I have listened to the concerns and, in response to them, I have laid the Scottish statutory instrument that is before the committee, which is to offer a one-year extension of the period for registration before the penalty provisions come into force. The period will therefore be extended from 1 April 2023 to 1 April 2024.

Extending that period will allow the register to continue with its integrity, and it will also allow a period in which the administrative task can be stretched and therefore ease the burden and spread the costs. I am particularly mindful of the requirement to do that as the third sector and charities face considerable strain just now because of the pandemic, Brexit and the on-going cost crisis. As the third sector and charities work really hard to support people in our communities to get through the cost crisis, I am mindful that I do not want to exacerbate any pressures on them.

I hope that the committee will support the regulations. I am happy to answer questions.

The Convener: Thank you very much, minister.

Before I ask my question, I remind committee members and those who are watching of my entry in the register of members' interests. I own land and I am a tenant farmer on other land, so the issue affects me. However, my question is not about me, minister.

Churches have contacted me—I guess that you were referring to them. They were concerned about the cost, not about the matter being complex. They were concerned about the number of applications that they need to make, as each church and diocese will be different. Have you considered that and whether there is any way of ensuring that the burden on them is kept to an absolute minimum?

Màiri McAllan: Yes—absolutely. I hope that the extension that we have suggested will alleviate the burden on the Church of Scotland, other religious denominations and the charitable and third sector, which are caught in the scope of the RCI.

My officials and I have had extensive engagement with the Church of Scotland over

months. I have met the Church of Scotland, it has spoken with the First Minister, and officials have gone back and forward to it. It put a series of suggestions to me on how the burden, as it sees it, could be alleviated. For various reasons, none of those suggestions was acceptable. However, I hope that the one-year extension will allow it to spread the burden and the costs. The work will not have to be undertaken in the same time period, which will help it.

There are significant reasons why retaining the Church of Scotland and other religious denominations within the scope of the RCI is really important. I think that the Church of Scotland owns around 6,000 titles in Scotland. That probably makes it one of the largest landowners by title parcel numbers. A lot of its land is still registered in the register of sasines, which dates from the 1600s. Even experienced solicitors can struggle to note title ownership. For all those reasons, it is very important that it is part of the register, but I hope that the provision will ease the pressure on it.

The Convener: I do not disagree with you. I understand that some churches own considerable amounts of land and that it is sometimes difficult to find out the extent of the land ownership. That is important. Did you consider allowing churches to make one entry for the whole church, or do churches still have to do that individually as a diocese or a grouping within a region?

Màiri McAllan: What I am proposing does not change the provisions as they were. When the controlling individual has to register, they will have to register their associates, as well.

I considered all the options that the Church of Scotland and other denominations put to me. Those included a full exemption from the register and an amendment to schedule 2 of the RCI, which would have created special treatment for “the main Scottish churches”, as they put it. That in itself is a vague term. However, there were other reasons why that was not acceptable, including the fact that that would immediately raise concerns among other stakeholders that were being treated differently from religious bodies. Consistency is important.

I considered all the Church of Scotland's suggestions, and I continue to liaise with it. I think that that approach is appropriate, and I hope that it will help it.

The Convener: Thank you for putting that on record. I am sure that all MSPs around the table have had representations on that from various people. That was extremely helpful.

I think that Mark Ruskell has a question.

Mark Ruskell (Mid Scotland and Fife) (Green): Yes—and a brief comment.

I was a member of the Environment, Climate Change and Land Reform Committee, which considered the super-affirmative instrument, and I do not remember those concerns being raised then. Quite unexpected concerns have arisen, and it is good to hear that the minister has been engaging with religious organisations and others.

Have any other sectors raised concerns? Is it just churches and some third sector bodies that have particularly complex institutional structures that have raised concerns, or are any other sectors doing so?

Màiri McAllan: The engagement that I have had so far—the quite intense engagement over recent months—has principally been with religious stakeholders. However, I have no doubt that concerns are spread across the charitable and third sector.

Mark Ruskell: Okay. It is good to hear that engagement has been taking place.

Obviously, the principle of transparency in land reform is hugely important. I note that that forms part of the consultation on the forthcoming bill. Can you say a little more about how you will take through the thread of transparency?

Màiri McAllan: Yes—absolutely. Our consultation on the bill has concluded. We are still considering all the responses to that and formulating how we will take the policy forward. I suppose that we are at a delicate part of policy development, and I cannot say too much beyond what was in the consultation. However, the three principal provisions of the bill are to do with making the land rights and responsibilities statement statutory, having land management plans that will allow communities and landowners to collaborate on what land is used for and, of course, a public interest test that will, I hope, inject a degree of regulation and transparency into what is, thus far, a very unregulated market.

Mark Ruskell: Okay. Thank you.

The Convener: That was a bit of a drift on to the bill that we may see later in this session. The deputy convener has a question.

Fiona Hyslop (Linlithgow) (SNP): It is clear that churches are concerned. There are many concerns. The fact that, following the transitional period, criminal penalties will apply for non-compliance is of concern to church trustees. Three specified individuals would have to be named. Churches change their office bearers, as do various organisations, so the anxiety is understandable.

I think that you are saying that you think that the extra year will give them more time to do what you wanted them to do in the first place. I am a bit concerned that there has not been the level of engagement that there could have been. I understand that the churches are saying that they have not had a response since their meeting with you in September. Therefore, I think that there is a genuine issue here.

I recognise the need for openness and transparency in land reform, which I am very supportive of, but I think that there are some practical difficulties. Like many organisations that have come through the pandemic, churches are having to re-establish themselves and so on. Can you reassure us that you will continue to engage with the churches in order to work out a way forward, so that the new requirement does not overburden them or worry them unnecessarily?

Màiri McAllan: Absolutely. I have been engaged with them—I can speak about that in a moment—but I also commit to continuing to engage with them. I do not want the Church of Scotland or any of our religious bodies to be unduly pressured by the new requirement, but I mentioned that the majority of the Church of Scotland's 6,000 titles are in the register of sasines. Those are church buildings, glebe land and manses. That shows why the RCI is required, but I am not going to make the church's compliance more onerous than it needs to be, and I hope that the extra year will help.

We have had considerable engagement with the Church of Scotland. It has been engaged right from the beginning, since the passing of the Land Reform (Scotland) Act 2016. The Registers of Scotland held a session with the Church of Scotland in the immediate aftermath of the passing of the 2021 regulations, in order to test the beta version of the website. The issue was raised at the First Minister's annual meeting with the Moderator of the General Assembly of the Church of Scotland. I met them very shortly afterwards, and my officials and I wrote to the Church of Scotland in November and December, and again on 17 January. Most recently, I wrote to the church again on 16 February, but I will continue to liaise with it.

Fiona Hyslop: Thank you.

Monica Lennon (Central Scotland) (Lab): I am grateful for the explanations. Like other members, I am struggling, because although I recognise that there has been engagement, from what I have read in the press and the emails that I have seen, the churches are saying that there has been engagement but there has not been any change. They are not asking for a delay. They are looking for some reform.

I want to go back a step. The transitional period has been set back a year for everyone. What is the rationale for that? Could the measure not have been brought in to catch larger companies and those that are outwith the United Kingdom? What is the rationale for giving everyone the extra year?

09:45

Màiri McAllan: It is about consistency. The register is live. Organisations are registering now and will continue to do so. I should say that, with the extra year, the Registers of Scotland will continue to work with stakeholders to support them to make the registrations. Of course, that will fall short of the provision of legal advice, as must be the case, but we will do everything that we need to do to support them.

On your question about companies, one policy rationale for the act, which I was not involved with, was about avoiding duplication. Companies were not involved in this because of what they are required to submit to Companies House. I cannot remember what the name of that register is, but perhaps my colleague Paul Richardson will know.

Paul Richardson (Scottish Government): It is the register of people with significant control. That includes UK companies, limited liability partnerships and Scottish limited partnerships, for example. The idea of the policy rationale behind the original regulations was to stop people having to duplicate information and perhaps conform to different transparency regimes that were achieving the same thing.

Màiri McAllan: Companies have not been involved from the word go simply because the transparency that the RCI seeks to deliver is already being provided by another register in Companies House. Likewise, we are working with the UK Government on the register of overseas entities—there are a number of registers with different names. That work on overseas interests—the point about which is well made—is on-going.

We are talking about a delay, not reform. It is very deliberately not reform, because I want to maintain the integrity of the register and everything that it seeks to achieve. However, I hope that the delay will help, because I recognise the administrative burden that arises from having a number of titles and from the complex structures in which they are held.

Monica Lennon: Do you accept that there might be unintended consequences? I will not read out the quotes on that issue, because they are quite substantial, but various church figures have said that the new requirement increases the complexity of the process and has an impact on volunteers, capacity and cost. They are very

worried about that. From where I am sitting, the delay does not address those concerns. When you look at this in the round, do you accept that there are unintended consequences?

Màiri McAllan: No, I do not. As I have said, we have had extensive engagement with the Church of Scotland. I wanted to meet the church as early as I could to understand what its concerns were and to hear what its suggestions were. I have thoroughly considered how possible it would be to make amendments to the legislation to give rise to what the church asked for, which in one case was a full exemption, and in the second case was a special streamlined part of the register for the main church organisations, as it was put. None of those would have been acceptable. They would have created loopholes and inconsistency. I think that that would have led to challenges by other organisations, which would have said, “Where is our special exemption? What is the justification for this?” All of that would not be proportionate when we consider the land holding of churches in Scotland.

As I have said, I do not want to unduly pressurise any religious organisation. I hope that the extra year will help churches to spread the costs and the administrative work. In the meantime, my officials and I, and the Registers of Scotland, will be there to help them with that.

Liam Kerr (North East Scotland) (Con): You say that the 12-month extension follows consultation with various stakeholders and that—you have just said this—you hope that it will alleviate the burden. Has it been reported back from the consultation with stakeholders that the 12-month extension is welcome, that 12 months is the right amount of time and that it will ease the burden and the cost? What is the response from the consultation?

Màiri McAllan: I have not yet had a response specifically from the Church of Scotland.

Liam Kerr: I am asking about the position more widely, rather than just the position in relation to the Church of Scotland.

Màiri McAllan: We have engaged with stakeholders. You mentioned a consultation. I am talking about on-going stakeholder engagement, which I have had and which I think I narrated in response to Ms Hyslop’s question.

Equally, we have spoken to the Church of Scotland, the property law committee of the Law Society of Scotland, the Scottish Land Commission, the Scottish Property Federation, Scottish Land & Estates and Community Land Scotland. We have reached out to all those organisations and have informed them of our plan to lay the SSI. I do not know whether my officials have had responses from them that give us the

thumbs up. I have not, but I am still convinced that what we have done is the right thing to have done.

Liam Kerr: Forgive me, but I presume that you asked, “Is 12 months the right period to achieve what we are trying to do?” I presume that you went to them and said, “We are trying to ease the burden and the cost. We are looking to extend this by 12 months. Is that the right time to achieve that or is there a better time? Do we only need six months? Do we need 18 months?”

Màiri McAllan: Let me be clear: I thought that the original year was sufficient; the extension is an allowance for the concerns that have been raised with me.

Liam Kerr: But you did not ask that question during the process.

Màiri McAllan: It has been part of the conversations that we have had.

Liam Kerr: It has been part of the conversations, but no one has said to you whether they think that it is the right period.

Màiri McAllan: There is always back and forth as part of such conversations. I have not had a set written consultation from which I could tell you, “Here are the responses I got from these individuals,” but there has been an on-going conversation. As I have said, I thought that the original one-year period was sufficient. Stakeholders have come to me and said that they have concerns, and I believe that the 12-month extension is the right way to resolve those concerns. For a number of reasons, I have not been able to take forward some of the other suggestions that were put to me.

The Convener: I would like to clarify something, minister. Land ownership and restrictions and burdens on land can sometimes be difficult to identify. That is never more the case, I would suggest, than it is with church lands, bits of which may have been given away or taken by the church over a period of many generations. Is your message to them, “Fill this in as best you can,” and, as long as they make what is, as far as they are concerned, an honest declaration, they will be doing what you require and will not be held accountable if it turns out, at a later date, that there are some minor inaccuracies?

Màiri McAllan: I would never encourage anyone to fill out a public register with anything but the utmost accuracy. Four bits of information are required: the details of the recorded person—that is, the owner or the tenant of a long lease; the land details; the ownership details; and the associate details. I would not necessarily expect all the complexities of legal title to be narrated, but individuals should seek legal advice on that. That is not something that the Government can provide.

The Convener: I think that we will leave it there, unless members have any further questions.

We move to agenda item 3, which is formal consideration of motion S6M-07603. I invite the minister to speak to and move the motion.

Motion moved,

That the Net Zero, Energy and Transport Committee recommends that the Land Reform (Scotland) Act 2016 (Register of Persons Holding a Controlled Interest in Land) Amendment Regulations 2023 [draft] be approved.—[*Màiri McAllan*]

The Convener: Do members wish to make any contributions at this stage?

Fiona Hyslop: I think that the 12-month extension is a pragmatic move. It is a wise thing to do for a number of reasons. However, I am less convinced that the engagement with churches has been what it needs to be, particularly bearing in mind the points that have been made about companies and the original legislation, and the fact that there were other means by which the information in question could be sought. It has also been brought to our attention that the Charities (Regulation and Administration) (Scotland) Bill, which is currently going through the Parliament, has a requirement on transparency, whereby trustee information must be included.

It was interesting that the minister set out the four kinds of information that are required. If use could be made of the 12-month period to look at the practicalities involved in those four areas, perhaps something sensible could be arrived at. I think that the worst thing that we could do is not approve the instrument, because we need the time for such consideration to take place. However, we need to take close cognisance of the points that have been made.

The minister is absolutely right to say that we must have standards for everybody and that, if we have exemptions for one group, that can lead to inequities elsewhere. That has obviously been the judgment that has been taken so far, in deciding not to look at policy reform. I think that there might be an intelligent way to address the issue, because many churches are very vulnerable at the moment, and they are helping vulnerable people. In some areas, the proposed requirement might deter people from taking on responsibilities, which is the last thing that we want to do. If anything, land reform is about getting people to take more responsibility and to be transparent, but our churches probably need a bit more support and engagement.

I propose that we support the instrument, but we must keep a close eye on the situation. I will be interested to see how engagement proceeds with the Church of Scotland in the forthcoming year.

Monica Lennon: I came along with an open mind because it is not a topic on which I am an expert, but I feel a little bit uneasy. I know that the minister said that there would not be any unintended consequences, but Fiona Hyslop has touched on some of the challenges that churches and faith groups face at the moment, given the role that they play in our communities in supporting vulnerable people, particularly through the cost of living crisis. The danger is that the new arrangement could be more complex than it needs to be. I worry about the administrative costs, because legal fees are not cheap. I think that the new requirement will affect some churches differently, but it is a concern when people say that they do not feel as though they have had proper engagement. Therefore, I am a bit torn.

The Convener: Before I come back to the minister, I would like to say that I think that the words of the deputy convener are particularly wise. My concern is that I would not want to vote against the motion because I would like the extension to be given. I support the motion, but I do so on the grounds that you will continue to engage with churches and religious organisations to make sure that the spirit of the act is being applied without it being to the detriment of what they are trying to achieve. We are in difficult times as far as costs are concerned and, in my opinion and from my experience as a land agent, going through this process will involve considerable costs.

I seek an understanding that, if I support the motion, you will continue to engage with churches, and that your door will be open to considering whether what you are asking them to do is the right thing and is in the spirit of what we are all trying to achieve, which is openness and transparency on land ownership—which, for the record, I totally support.

Minister, would you like to say anything?

Màiri McAllan: I will respond to a couple of points. First, on engagement with the Church of Scotland and other religious bodies, I think I have already said this, but I am happy to reiterate it: that engagement will be on-going. I, my officials and the Registers of Scotland will be involved in that. We are very keen to make the best use of the additional year and to support religious bodies and others through the process. As I have said, we will do that thoroughly. However, I must be clear about the fact that we will not provide legal advice.

On Fiona Hyslop's point about the charities bill, I have considered that. That is a result of me having sat down with the Church of Scotland and said, "Tell me what you think I can do to make this better." I went away and considered every option that the church put to me. One of the things that it raised with me was the charities bill, but that is at

stage 1. What I can see so far is that it will require the name of the trustees to be registered, but that does not in any way link to the property. Basically, it is that link that the RCI seeks to bridge. We have to make an assessment. We do not want duplication, but we have to consider whether the other register does the same or more than what we are proposing. With the charities bill, my conclusion so far is that it does not, but I have considered the issue.

The Convener: Thank you. As the motion has been moved, I must put the question. The question is, that motion S6M-07603 be agreed to. Are we agreed?

Members: No.

The Convener: There will be a vote by roll call.

For

Dunbar, Jackie (Aberdeen Donside) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Kerr, Liam (North East Scotland) (Con)
 Mountain, Edward (Highlands and Islands) (Con)
 Regan, Ash (Edinburgh Eastern) (SNP)
 Ruskell, Mark (Mid Scotland and Fife) (Green)

Abstentions

Lennon, Monica (Central Scotland) (Lab)

The Convener: The result of the division is: For 6, Against 0, Abstentions 1.

Motion agreed to,

That the Net Zero, Energy and Transport Committee recommends that the Land Reform (Scotland) Act 2016 (Register of Persons Holding a Controlled Interest in Land) Amendment Regulations 2023 [draft] be approved.

The Convener: I thank the minister and her officials for attending the meeting this morning.

Ferry Services Inquiry

10:01

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

For our first panel today, the committee will turn its attention to how ferry services are delivered internationally. The committee will hear from two experts, who join us remotely from Norway, about Norway's approach to ferry provision and the lessons that Scotland can learn from their experience. On behalf of the committee, I am pleased to welcome Dag Hole, the director of ferry management at the Norwegian Public Roads Administration, and Harald Høyem, a transport analyst from Asplan Viak. I hope that I have pronounced that right. Thank you for accepting our invitation. We are delighted to have you here.

Each member will ask a series of questions. The first question is from me on the bundling of ferry services. I understand that Norway bundles ferry services into small bundles. How long does the process of tendering take, and how many bidders are normally involved?

Would Dag Hole like to start off on that? Who would like to answer first? Let us not have a fight but, if one of you raises your hand, I will bring you in. Neither of you has indicated, so Dag Hole is definitely going first.

Dag Hole (Norwegian Public Roads Administration): Thank you for having me. As a representative of the Norwegian Public Roads Administration, I can tell you that, at the moment, we have 16 ferry routes, six of which are bundled into contracts. Can you hear me?

The Convener: We can hear you, but I am afraid that my hearing is not as good as it was when I was born. I am asking the sound technician to turn up the volume so that I can hear you better.

Dag Hole: Will I continue?

The Convener: Perfect. Thank you.

Dag Hole: On the highway grid, we have 16 ferry routes, six of which are bundled into contracts, with two routes in one contract. There are also three contracts with two routes. However, on the county road network, there are several contracts with more than one route. In each case, individual research was done to find the best way to have competitive tendering in the circumstances.

We try to have three years from the signing of the contract to the start of the contract, but we usually need two to four years for that. That

depends on the size of the contract, how complex it is, whether there is new technology and so on.

The Convener: Thank you. Does Harald Høyem want to add anything to that?

Harald Høyem (Asplan Viak): No. I think that Dag Hole is better suited to answering the more operational questions.

The Convener: Okay. Do you bundle the ferry services into passengers and freight, or do you separate the two?

Dag Hole: Our contracts relate only to car ferries; there is no stand-alone freight service. They are all roll-on, roll-off ferries, with cars on them.

The Convener: Does freight move on separate ferries? Is that what you are saying?

Dag Hole: In Norway, we have only one freight-only ferry, which is private. In relation to the national roads and the open roads, all of the ferries take lorries and smaller vehicles, but no freight is allowed.

The Convener: I did not quite hear what you said about the duration of the tender—I apologise; I probably ought to get the hearing aid that my wife tells me that I need. Once you have awarded the contract, with people having two to three years to build into it, how long does the tender last? Obviously, if you have to gear up with ferries, a fairly long-term investment will be needed.

Dag Hole: Usually, the contracts are for eight to 10 years.

The Convener: That is very helpful.

The next questions are from the deputy convener, Fiona Hyslop.

Fiona Hyslop: Good morning. We are very grateful to the witnesses for joining us today. I am interested in the experience of ferry operators and how they prefer to provide capacity. Does the model that is used involve larger vessels that provide fewer sailings, or do two or more smaller vessels that operate on the same route provide more frequent services? What are the advantages and disadvantages of that?

Dag Hole, on slide 10 of the submission that you sent us, you talk about pilots, time in the market and innovations. I am interested in whether things have evolved over time and what the timeframe has been to get to the stage that you are at now.

Dag Hole: I will answer the last question first. We have had technological developments on the ferries in Norway for more than a decade. We first had official talks about electric ferries in Norway in 2010. Before that, we had liquid natural gas. There has been a long process to get to where we are

today, but the industry is now taking on other technology to a larger degree than we have asked for. For example, if we ask for a hybrid solution—a battery and diesel solution—we get a purely electric solution almost every time, because that is cheaper for the ferry companies.

I ask you to repeat your other question.

Fiona Hyslop: It was about the choice by ferry operators to operate either one large vessel that can provide fewer sailings but take more passengers or freight, or smaller vessels that can sail more frequently. Is there any preference? Is there a specific system that they operate?

Dag Hole: Local needs must be taken into consideration. For example, are there large numbers of commuters on the ferry routes? The size of the quay area must also be considered. Will the quay area be big enough for a larger ferry, or do smaller ferries need to be used more frequently in order to clear up the quay area and empty it for cars in between departures? A lot of investigation is done in advance of a competitive tender, and the ferries normally get bigger and bigger for each contract.

Fiona Hyslop: Is building bigger ferries the natural evolution because those are more profitable?

Dag Hole: There has been an increase in traffic on almost every route in Norway, so the need is getting bigger. It is difficult to get enough crew members to operate a lot of ferries, so we try to keep the number of ferries at the right level.

Fiona Hyslop: It might be helpful for the broadcasting staff if I stay with you for my second question, and I will then bring in Harald Høyem. Which organisations normally own the ports and harbours that are used by ferry services? If it is not the operator or the contracting authority, how are decisions on harbour investments made?

Dag Hole: Usually, it is the road owners. If the road is a national highway, the state owns the harbour. If it is a county road, the county owns the harbour. In some cases, there can be private ownership, but that is not as common as the other two circumstances.

Fiona Hyslop: Harald Høyem, what is your view on whether ferry operators prefer to have a large vessel with fewer sailings or two or more vessels that operate? Are staffing issues leading to bigger vessels, as we have just heard from Dag Hole? What is your experience?

Harald Høyem: My approach is perhaps a bit more academic. I do not have a full overview of all the practical details, but our premise is that Norway has a national standard on how many departures there should be for a given ferry service, which is determined by the link and the

traffic volumes. According to my understanding, that is the normative standard that is used to calculate the share of subsidies for different counties, and the counties have some flexibility in selecting the departure frequency.

There is also a requirement relating to how many vehicles can be left behind. If there is not enough room on the ferry, some people might not be able to come aboard. There is fairly strict criteria: on average, about 2 per cent of users per year are allowed to be unable to board a given vessel due to capacity concerns and so on.

This might be a more high-level explanation of why there are quite large ferries. The interests of the users and those of the operators might go against each other a little bit. On the one hand, for users, it is perfect to have a high level of service, with many departures, using smaller ferries so that there is sufficient capacity. However, as Dag Hole said, crew costs are quite high. If you have higher capacity but smaller ferries, you need larger crew numbers, and the costs increase quite significantly, so that is fairly expensive. On the other hand, you can satisfy the criteria relating to how many users are allowed to be left behind by having larger ferries, which are a lot less costly for the operators. To have sufficient capacity, it is cheaper to have one large ferry, or a few larger ferries, than it is to have many smaller ferries that run more often.

Fiona Hyslop: Thank you very much.

10:45

Jackie Dunbar (Aberdeen Donside) (SNP): Good morning, panel, and thank you for coming. I will come to Harald Høyem first, as he is still on the screen. My first question is about the crews on your ferries. Are they locally based or do they usually live on board the ferries? Do they come from the local communities that the ferries serve?

Harald Høyem: I am sorry, but I do not really know. I have to pass that one to Dag Hole. Maybe he knows.

Jackie Dunbar: No problem.

Dag Hole: It is different from ferry to ferry. All the ferries have cabins for the crew, but in some cases the crew are local and in some cases the crew come from the other side of the country. It is different from ferry route to ferry route. There is not a clear answer to the question, unfortunately.

Jackie Dunbar: Is that based on the availability of people, or is it just how things have worked out?

Dag Hole: It is based on the availability of the crew and the different contracts that the ferry companies use on the different ferry routes. In some cases, I know that the ferry company would

like to have contracts under which the crew are on board the ship more, because then they are available for operation for a longer time, and then have a longer period off duty when they can travel back to the part of the country where they come from. There are discussions between the ferry companies and the crew, employees and their organisations about how they should do that on the individual contracts.

Jackie Dunbar: My second question is about ferry fares in Norway. Who is responsible for setting the fares? Is there a national fare system or is it decided locally or route by route? We have heard that some of our islanders think that the tariff for tourists should be different from the tariff for local people. What happens in Norway, and what is your view on that?

Dag Hole: On the national highway roads, the Government sets the fares. We have a national fare system and a national ticketing system that is run by us in the national Public Roads Administration. The counties can by law decide fares for themselves, but so far they are all using the fares that are set by the Government, and they also use the ticketing system that is run by us.

At the moment, we have a fairly unified fare and ticketing system. There are discussions about tourist fares, for example, but we do not have that to a large extent. Some regions want to have that, but we do not have anything like it now. Over the past years, ferry fares in Norway have been reduced substantially. The cost of travelling by ferry in Norway at the moment is quite low compared to earlier.

Jackie Dunbar: Thank you. I am happy with those answers.

Monica Lennon: Good morning to Dag Hole and Harald Høyem. Has there been any significant change in the public subsidy for ferry services over the past 10 to 20 years? If so, why has that happened?

Dag Hole: Subsidies have gone up, for several reasons. First, the services are better, with higher frequency, larger ferries, more night departures and so on. Also, for the first mover in technology, there will be a slight increase at the beginning of the contract and then the subsidies will go down. Therefore, in the total duration of the contract, the subsidies will be lower with, for example, electricity compared to diesel. The third reason why the subsidies have gone up in recent years is that ticket prices have been reduced. A couple of years ago, ticketing financed about half the ferry services in Norway. That is now reduced and, by summer, the fares in Norway will be reduced by 50 per cent compared to the level on 1 January last year.

Monica Lennon: I think that you said that the fares have reduced by 50 per cent. Has that resulted in an increase in passengers?

Dag Hole: Yes.

Monica Lennon: Thank you. I ask Harald the same question.

Harald Høyem: As I mentioned, you have ferry service level standards related to capacity and frequency. Naturally, when you have traffic growth, you may end up with capacity that is too low and you may also want to revise the level of frequency to accommodate more users. I think that that is part of the reason behind the increased subsidy levels—there are more passengers to serve and they might need a better service according to the norms of the service level that has been agreed on. Those were revised in 2019, at least according to my understanding. The revision was about the number of departures there should be for each level of demand to accommodate the higher demand levels. That might also be a reason for that development.

Monica Lennon: One issue that has come up in our inquiry is about how our ferry services join up with other modes of transport, in particular bus and rail. To what extent are Norwegian rail and bus services co-ordinated with ferry services? Which organisation is responsible for the co-ordination, and how effective has it been in encouraging multimodal journeys?

Harald Høyem: It probably depends on where you are in the country but, at least in the western part of Norway, where there are a lot of ferries, we have several coaches that run between the cities on the coast. The timetables are co-ordinated with ferry frequency so that, at least to my understanding, people do not have to wait for too long. Also, larger vehicles can board with priority, at least on some crossings, so a bus will not be stuck in a queue behind passenger cars. I know of at least those two examples.

Rather than car ferries, smaller passenger speedboats are present in many places in Norway, in both the east and the west. Those are often co-ordinated with buses, especially the passenger services that go to quite small remote islands. People commute into a larger city centre, so you might have some co-ordination there. The local public transport operator designs the timetables and stitches them together.

Monica Lennon: That is interesting. I want to ask more about the timetabling, because that has been an issue in our inquiry here in Scotland. Sometimes, timetables do not reflect what people need, whether that is businesses or people trying to get to healthcare appointments and so on. Do you have any insight into how the timetabling works and why you think that it works well?

Harald Høyem: That might be another question for Dag Hole, at least in relation to the car ferries.

Monica Lennon: No problem. Over to you, Dag.

Dag Hole: We try to make the services meet the needs of the public as best we can. We have hearings where we allow the public to say what they need. We have extensive contact with the local authorities, the users of our services, the lorry association and so on. We try to build some flexibility into the contract so that buses and so on can go on the ferries and the passengers will have the service that they need.

The Convener: I have a follow-up question on that, if you are finished, Monica.

Monica Lennon: That is fine.

The Convener: You referred to fairly long-term contracts of eight years. There might be changes in eight years. How detailed are the contracts? If I was an operator and I wanted to change the time of a sailing from 8 o'clock in the morning to 8.30, because that made more sense and there was more demand for that, would that be a bureaucratic nightmare or is there flexibility in the contracts to allow operators to respond quickly to changing demand?

Dag Hole: In Norway, the operators do not have flexibility, but the contracting authority—which is either us or the county—has that flexibility. We change the contract if the needs change during the contract, and that is not very bureaucratic. We sometimes have to see all the different interests as a whole and find the best solution for all the users but, in most cases, that is quite easy to implement. Then we have to change the way that we pay for the services as well.

The Convener: Are you suggesting that, once a contract is agreed, it is set in stone?

Dag Hole: No. For example, we change the timetables almost every year, and we change the fares every year. The contract is quite flexible with regard to what we can do when needs change. Traffic might increase over the years, and we have the option in the contract to ensure that we have the services that we need.

10:30

The Convener: That is very helpful—thank you for that. Mark Ruskell has some questions.

Mark Ruskell: How do Statens vegvesen and the municipalities involve communities at the outset with the development of ferry service specifications? What does that look like in practice? What engagement takes place with communities? How can they influence the specification of a ferry service?

Dag Hole: How we do our contracts is quite open and the local authorities know about our work. They know where we are in the contract and when we are starting work on new contracts. We have formal and informal dialogue. We meet them, we receive their input in writing and we also have hearings when we are making larger changes to the contracts. They would probably say that they want more flexibility and influence, but I think that we are quite reasonable in how we involve local authorities and local interests in the contracts.

Mark Ruskell: What form does a hearing take? Is it a discussion with a municipality? Is it a public hearing where a business user, a farmer or someone else can make representations? What form does the discussion take with communities?

Dag Hole: Normally, when we propose a change, the hearing will be in private. The proposal might be about the demands or the outline of the ferry service—what our thoughts are on frequency, the number of night departures, the size of the ferries and their capacity and so on—that should be in the next contract. We state that in writing and we ask local authorities and other interests to respond with their thoughts on that to us in writing. We also have meetings with them in which we discuss the matter. Local authorities in particular use that opportunity to tell us what they think about the services that we provide.

Mark Ruskell: Is on-going consultation required? Is there regular feedback from users, stakeholders and communities about the quality of service not just at the beginning when specifications are laid out, but in response to changing circumstances?

Dag Hole: It is not put in the system where we meet them regularly. However, in practice, we meet stakeholders quite regularly and get their input on what they need. For example, we meet the national lorry association every month to talk about ferry services. That includes how it views them, what it needs, what it thinks of our demands, what it thinks of the ferries and how easy they are to use for larger vehicles, including whether the quays are fit for larger vehicles to turn in, and whether it has any views on sea levels.

Mark Ruskell: Thank you. Harald Høyem, do you want to come in?

Harald Høyem: Dag Hole knows much more about that than me, so no thank you.

The Convener: Do you have any further questions, Mark Ruskell?

Mark Ruskell: No—some of my other questions have already been asked.

The Convener: Okay; perfect. Yes, I had noted that.

Liam Kerr has some questions.

Liam Kerr: Good morning. I have a couple of questions. Harald, the four main private operators in Norway own or lease their vessels to fulfil the contract obligations that we have heard about. How do those ferry operators procure their ferries, and who decides the precise specifications—the size, the crew complements and so on—that will be procured and ultimately used?

Harald Høyem: My understanding is that the companies themselves—[*Inaudible.*]—this. They like to have ferries that can be used on different crossings. For example, if they win another tender, they might want to have a ferry that is flexible. There are many operational concerns that Dag Hole has mentioned, such as the size of the quay and the inlet. To get a very deep understanding of that, you would have to ask an operator, but I think that they would have ferries that they can use on different crossings and under different contracts, and that those are likely to fulfil the needs that are given in the tendering documents on capacity, frequency and amenities and so on.

Liam Kerr: Thank you. Dag Hole, is it right that, subject to fulfilling whatever is in the contract—to reflect back what Harald has just told us—it is entirely within the discretion of the ferry operator to procure whatever vessel the ferry operator considers will fulfil the remit in whatever form that might take? Is that correct?

Dag Hole: It is, more or less. We demand that a ferry must be able to use the quays on the route in terms of the vessel's length and weight, and we demand that it will have the capacity that we have described. Unless the vessel is too big for the quay, the operators can have a larger ferry than what we demand. We also have demands on emissions and on the frequency that the ferries should be run.

Furthermore, the naval authority in Norway has demands on how the ferry should be built and how accessible it should be for wheelchairs and so on. Other than that, we do not have very specific technical demands for the ferry. We think that the ferry companies know better than us what can be used on the ferry route.

Liam Kerr: I am very grateful for that. What I am hearing is that you are setting basic requirements, but you quite clearly said that you have demands on emissions.

Dag Hole: Yes.

Liam Kerr: My next question is key in relation to this committee's particular interest. How do the Norwegian Government and municipalities encourage or require the development and uptake of low and zero-emission vessels by private operators who make their own decisions?

Dag Hole: We use competitive tendering as a tool to implement low and zero-emission ferries. For several years, we have had extensive processes in advance of the competitive tendering in which we have communication with the industry to find the best way to solve the problem that we are seeking to solve. If we want zero emissions on a route, how can that be obtained? Can we use batteries? Do you have to use hydrogen, or is that not possible with the technology that is available today? We use competitive dialogue as our form of tendering.

At the moment, we have a competitive tender out for automated ferries and we have had several rounds of dialogue with four ferry companies that have the qualifications that are needed to provide those services for us. We will have three formal rounds of dialogue. At the end, we will sign a contract with one of these four companies. The short answer is that we do not actually know all the details of that yet.

Liam Kerr: I understand. I am very grateful.

Fiona Hyslop: I would like to know who funds the innovation for your hydrogen ferries. I am also intrigued by the fact that you have an automatic ferry that has apparently run already. Where does the funding come from for that? Are the tender companies going to the market to get long-term investment for that? How is it being funded and how is your hydrogen project coming along?

Dag Hole: When we have a development contract, first, we subsidise the participants in the competitive tendering contract process. The four ferry companies that are participating in the competitive tendering that is on-going at the moment can get up to £160,000 for participating in the competition without winning the contract. We use a lot of money to enable them to be creative and we use the best ideas that come out of the process.

When the contract is signed, we pay the same way that we pay any other ferry contracts. The prices can be higher in the first contract with new technology, but our experience is that the later contracts will have lower prices than the earlier price level with traditional technology, if that makes any sense.

Fiona Hyslop: Are there any hydrogen ferries in development? Are there any being deployed? What is the current status?

Dag Hole: We have two contracts for ferries that run on hydrogen. One of them is starting in the very near future—maybe next week—and the other one is being built at the moment and will run on a nearly 100km long route in the northern parts of Norway. At the moment, we do not have any ferries that run on hydrogen but in the near future we will have.

Fiona Hyslop: Where the hydrogen is coming from? Is it naturally sourced from converted wind to green hydrogen?

Dag Hole: We require that the hydrogen is green, but on the first contract we do not have any requirements about where the hydrogen should come from. However, in the later contract, for the one up north, the hydrogen will be produced locally with local electricity.

Fiona Hyslop: We will watch with great interest. Thank you.

The Convener: I have a few questions, if I may ask them without hogging the limelight at the end. Dag Hole, what happens when there is disruption and a ferry breaks down? Do those four companies have the ability to respond to that by moving ships around to fill in for breakdowns?

10:45

Dag Hole: The short answer is yes. In most contracts, we require that there is a spare ferry near the route, so that a replacement ferry can be brought in within five hours or, in some cases, 12 hours. We consider how large the traffic on the route is, how many ferries are in traffic on the route and how far away the closest spare ferry in use on the route is. In most cases, traffic will be up and running again in quite a short time.

The Convener: That is interesting. On keeping disruption to a minimum, what would you consider to be the average age of ferries within the fleet of the four companies? Is it 10, 15, 20 or 30 years old?

Dag Hole: I think that, at the moment, they are closer to 10 years old than to older ages. The ferry fleet on the national highway routes is quite new because of the requirements of low and zero emissions.

The Convener: If I set up a ferry company with 25 or 30-year-old vessels—he says with a wry smile—and came to you and suggested that I was going to tender for a job, would you consider me or would I be outside the scope of consideration?

Dag Hole: You would probably be outside of the scope because we are always asking for zero or low emission.

The Convener: On the emissions, do you also think there is a problem with reliability when a ferry gets to that age?

Dag Hole: There will probably be an issue of reliability but I think that a bigger concern will be accessibility for the users of the ferry.

The Convener: That is very illuminating. If there is anything that either of you think that we have missed, I am happy to give you a couple of

minutes to add anything before we bring this part of the meeting to a close. I do not normally do that but I think that it is important to hear your contributions today.

Dag Hole: Our experience is that the zero and low-emission ferries are cheaper than diesel ferries that are in use. You may have a higher cost at the beginning of the contract, especially if you have to do work on the ferry quay, but, in operation, electric ferries are cheaper than diesel ferries. They are low maintenance, easy to use and often have more power and, therefore, can take the weather better than a diesel ferry. I think that that is my final remark.

The Convener: That is interesting. Harald Høyem, do you want to say anything?

Harald Høyem: No, I do not.

The Convener: Thank you very much. That has been an extraordinarily helpful session for us as part of our inquiry. Thank you very much for giving your time generously to us this morning to help widen our knowledge about ferries and how other countries are dealing with the issues that we are facing in Scotland.

I will suspend the meeting briefly and we will reconvene at 11 o'clock.

10:49

Meeting suspended.

11:00

On resuming—

The Convener: Welcome back, everyone. I want to clarify something that I should have addressed when we were considering the statutory instrument earlier. We will have to report the outcome of the instrument in due course and I look for the committee to delegate authority to me, as convener, to finalise the report for publication. Are you all happy with that?

Members indicated agreement.

The Convener: Thank you. We are now going to hear from our second panel as part of our inquiry into a modern and sustainable ferry service for Scotland. Joining us to offer their views on the future of ferry provision in Scotland and to discuss their current activities we have ferry operators who provide Government-subsidised services: CalMac Ferries and NorthLink Ferries.

I am delighted to welcome Robbie Drummond, chief executive of CalMac; Stuart Garrett, the managing director of NorthLink Ferries; Kris Bevan, the freight manager of NorthLink Ferries; and Jim Dow, the commercial director of NorthLink Ferries. Thank you all for accepting our invitation

and for sending us some useful information in advance. Some of it arrived in response to a letter that was sent just last week, so I am especially grateful to Robbie Drummond for turning that around so quickly. It is helpful to the committee.

The deputy convener, Fiona Hyslop, will lead off.

Fiona Hyslop: Good morning, and thank you for joining us. I will put this question primarily to Robbie Drummond. There seems to be a significant gap in how passengers have described their recent experiences of ferry travel to this committee and the picture that was painted by the statistics and information we received from you—you have latterly given us additional information on that. For example, the committee has heard that people are having to travel several days before a medical appointment on the mainland to ensure that they can get there on time, despite what we hear from CalMac concerning assurances about reliability and arrangements for emergency travel. Why is there this disconnect between what we have been told directly by your passengers on our visits to island communities, and what your organisation has told us is available?

Robbie Drummond (CalMac Ferries): There are a number of points there and I will try to pick them up. I know that we are here to talk about the future of ferries but it is probably worth reflecting that we are suffering a number of disruptions today and over the next few days. I want to take this opportunity to say sorry to our customers and assure them that we are doing everything possible to rectify that. We will rectify that and bring our services back to normal.

On the issue of statistics, we publish all our statistics openly. There are a number that are important and I have sent a submission to the committee that describes those. The important statistics are contractual ones, which concern our reliability according to the contract. That strips out weather. Then you have the actual delivery or actual performance, which includes our technical cancellations and weather—that is the real one that our islanders and communities understand.

Technical cancellations amount to about one in 100, so performance is over 99 per cent. However when you bring weather into that situation, which is a real lived experience for islanders, it is about 95 per cent. Perhaps that explains why there is a different view between what is reported in the contract and what islanders experience. It is our job to make sure that we deliver a good service and that, where we suffer problems because of weather or other technical disruptions, we get those rectified. We will always seek weather windows to run additional sailings, where that is possible.

Fiona Hyslop: Another colleague will ask about the weather issues more generally but I want to address the specific point about people's experience. When people have cancer operations or diagnoses it is very emotional and can have a big impact on their lives. You say that what is in place is working, but people tell us that they have to travel far in advance, as an insurance policy, because of the reliability issue, whether the issue is caused by weather or something else. You say that there are emergency arrangements that people can use—maybe for funerals and other things that come up with short notice or for, say, operations that are planned in advance. Obviously people do not want to miss a long-planned arrangement such as a medical operation but, obviously, with funerals, they have little choice on timing. How do you know that what is in place is working, given that we have been told that there is that disconnect, and that people cannot have that access?

Robbie Drummond: Clearly, in the winter, sailings will be subject to cancellations. That is a feature of the very tough waters that we sail in. However, we will always try to prioritise customers who have urgent needs—where there are urgent medical needs, we will always try to prioritise those at our ports. If customers are unable to travel with their vehicles, we have a special medical process where they can travel on foot and we will pay for them to travel to hospital by taxi. We try very hard to meet urgent requirements for our customers.

Fiona Hyslop: I will ask NorthLink: is there a disconnect between what people are telling us about their experiences and what your passenger satisfaction levels are telling you?

Stuart Garrett (NorthLink Ferries): For 2022, our passenger satisfaction levels came in at 98 per cent. That was scored over excellent, good and fair with a 2 per cent poor rating. We do not have issues with hospital transfer. We work very closely with NHS Orkney and Shetland. If there are issues, they are addressed at the ports to the satisfaction of those who need to travel.

Fiona Hyslop: I want to move on to the future of ferries, which is the subject of this inquiry. I will put this question of Robbie Drummond first. What involvement have you had in project Neptune? Do you have any views on its recommendations? There is speculation about a possible merger of Caledonian Maritime Assets Ltd and CalMac Ferries. This is your opportunity to say publicly what your view is. How do you think the organisation or organisations tasked with ferry delivery should be structured? I think that you were listening into the session with our Norwegian witnesses, who have a completely different model.

Do we need to be a bit more radical about what we are proposing for the future?

Robbie Drummond: We were included in the consultations on project Neptune and we took part in a number of workshops. The draft report was shared with us so that we could check it for factual accuracy and then we received the final report, along with everyone else, with its series of recommendations.

Our view is, what do our customers and communities want? They want a service that is safe, reliable and consistent. A range of different structures has been proposed, but whatever structure is selected, it must offer accountability directly to our customers. Stakeholders must have a clear understanding as to who has responsibility for delivering particular elements of that contract. It is important that that is part of any future structure.

Fiona Hyslop: That is very general and does not tell us what your organisation's views are. You have implied that people need to be accountable for different parts of the service, but there is the complexity that sometimes CalMac has been blamed for things that are the responsibility of CMAL or perhaps Transport Scotland. I want to draw you out somewhat. Do you think that the current complexity means that there is a lack of responsiveness and accountability?

Robbie Drummond: Communities—as this committee has heard, as has been debated and as is shown in the Ernst & Young report—do not have a complete understanding of where the responsibilities lie. Therefore, any future model must create real clarity. There are lots of different structures that could and do operate throughout the world. We deliver services to Transport Scotland, and it is a matter for Transport Scotland and ministers to determine what is the best structure to deliver what our customers and communities need.

Fiona Hyslop: I put the same questions to NorthLink, and you can decide who might be most appropriate to answer. What role have you had with project Neptune? Do you have a view on what would be the best operating and organisational model for the future of our ferry service in Scotland?

Stuart Garrett: I contributed to project Neptune and I have seen the published report.

Quite simply, we are contracted to provide a service using assets provided through the mechanism of the contract. Those assets are owned by CMAL, the Government's asset-owning organisation, and we have a very professional relationship with it. The model works entirely as it should: it separates the asset owning from the asset operation. We maintain our vessels to the standard expected by the owner, the classification

societies and the UK Ship Register and the Isle of Man Ship Registry, and that provides us with clarity.

The assets are provided, we operate them to deliver the contract and, in due course, given the age of any ship at any point, there will be a vessel replacement programme. Vessel replacement should be a joint venture between probably the operator, the asset owner and the contracting party.

Fiona Hyslop: We are conducting this inquiry in advance of the islands connectivity plan and we plan to inform it, and Transport Scotland is currently consulting on that long-term plan for vessels and ports. What input have you had into the development of that document? Does it have the opportunity to deliver a ferry fleet that fit for future needs of our rural communities, particularly with regard to net zero and other areas? Do you think it can be flexible enough to make sure that we have a lower-emission ferry fleet? Obviously reliability is a huge part of that. What are your ambitions for and expectations of the islands connectivity plan?

Stuart Garrett: It is important to stress that we are contracted to operate the service as it stands currently. We can feed in opinions, thoughts and views as to how a service could be constructed in the future, but for the time being the mechanism is drawing in, and should quite rightly draw in, the thoughts and views expressed by the communities that we serve.

The secret ingredient, of course, is making that work. It is fine to have lots of different views, but whether they can be all captured in any future plan is a matter for others. We are here to deliver the service that we are contracted to deliver.

Fiona Hyslop: You deliver a service.

Stuart Garrett: Yes, we deliver a service.

Fiona Hyslop: Surely you have something that you can say about what you think it might look like in the future.

Stuart Garrett: At the appropriate juncture we will feed that in, but you will find that the way that the plan is being considered at the moment requires community involvement through the regional transport partnerships, the councils and the various stakeholders that we engage with regularly on the running of the services. After that takes place it will be appropriate for us to consider whether what is being proposed can be delivered.

Fiona Hyslop: We all agree that communities need to be front and centre—that is part of our inquiry—but obviously we want to draw on the experience of everybody who can help shape that future.

I put the same question about the islands connectivity plan to Robbie Drummond. What are the opportunities and potential of that plan to help to improve reliability and serve rural communities?

Robbie Drummond: The potential of that is incredibly important. The last time that I came before the committee, I said that it is important that we set out a long-term strategy for our vessels and ports. We hope that the islands connectivity plan will do that for our customers and communities, who want to see how the service will evolve over the longer term.

As part of the strategy, we should be addressing how we can have a much greener fleet. There are huge opportunities. If you look at the energy that is being created by our islands—some of which is excess energy—you see that there are huge opportunities to use that to power the fleet in a greener way. However, that requires long-term strategy and long-term thinking so we can evolve towards that.

Fiona Hyslop: Has that perhaps been lacking to date?

Robbie Drummond: That is the purpose of the islands connectivity plan, and that is what we want to see coming out of it.

The Convener: I want to push you a wee bit on that. You are the people who make the ferries work and deliver the services that we want, but you are not the people who specify what those ferries should look like. That is done by CMAL and Transport Scotland, as demonstrated in the construction and design of 801 and 802.

If you give somebody a tool to use and it is the wrong tool, they will never make it work. They will just say, "You have given us the wrong tool". What I do not understand—this is what the deputy convener was asking about—is how CMAL, CalMac and Serco are all parts of a wheel, but one is driving the other and the person who is driving the other is not the person who is having to make it work. Is that a bad assumption?

11:15

Robbie Drummond: The way that you described it is the way Stuart Garrett described it. We are the operator and we will use whatever assets are provided to us. Those assets are provided by CMAL, and that is the current contract. We have a contract that terminates in less than 18 months. As the operator, we have to use whatever is provided to us and we will do that to the absolute best of our ability. What is important for communities is the long-term strategy for vessels and ports that will start to evolve the service into what they want.

The Convener: We have just heard about the Norwegian experience, where it is up to the companies to design the ferries that need to fulfil their contract. Is that not the right way to do it?

Stuart Garrett: Absolutely. We are currently well engaged with CMAL looking at Ropax—roll on, roll off passenger—and Ropax plus relief tonnage for the northern isles. That is working very well. We have sat with CMAL and the naval architects, and we have addressed the specification that is needed. Kris Bevan, who is sitting on my left, has analysed the future freight forecasts. We have extrapolated that over a number of years. We have looked at the possible increase in passenger carryings and the demand for car deck space and cabin space. Working with CMAL, we have provided the forecast figures and come up with a possible ship design that will be ideal for the northern isles.

That is the way it is working currently. It is not disjointed. I do not recognise the model that was suggested where the wheels were perhaps turning in different directions. That is certainly not the case from the NorthLink perspective.

The Convener: That NorthLink perspective is interesting, but my analogy is probably a good one for 801 and 802, which do not seem to fit the requirements of anyone. At this stage, I question whether liquefied natural gas will ever be commissioned on 802, but that is a different story.

Liam Kerr: I want to pick up on the contractual relationships. I will put my question to Stuart Garrett first and then Robbie Drummond. There are obviously contractual relationships between your organisations, Transport Scotland and CMAL. Earlier, the committee heard from our Norwegian witnesses that, in their case, the contracting authority can change the contract. They described that as not bureaucratic and said that it is quite easy. They said, "We change the timetables every year and it is quite flexible." That begs a question. Does the contractual nature of Serco NorthLink's relationship with Transport Scotland and CMAL hinder your ability to provide service innovation or change, or do the contracts have in-built flexibility such that you can react quickly and effectively to changing customer demand?

Stuart Garrett: We submit contract variation requests fairly regularly. They might be for a change in a sailing pattern or to introduce an extra sailing for specific purposes. Generally, the timetables that we operate are set because they have been proven to be the optimum timetables to meet the freight demand for the overnight passenger services. However, on the fringes of the main contract, we fairly regularly have contract variations submitted and approved.

Liam Kerr: Out of interest, how long does that process take? When you submit a request, what is the window for it to be approved?

Stuart Garrett: They can be turned round quite quickly. It depends on the detail in the contract variation. Sometimes they are fairly minor. Sometimes, Transport Scotland or the Government will decide to take feedback from the local community, the council or special advisers, and we then get approval or comment. That is just run of the mill, to be perfectly honest.

Liam Kerr: Robbie, is that your experience?

Robbie Drummond: Yes. The point of having a contract is so that the authority—in this case, Transport Scotland—can determine what the right services are to meet the community's needs. It is not up to the operator to determine that. It should be determined by the authority. However, we have a process similar to the one that Stuart Garrett described for regular changes to the contract, whether they involve changes to the timetables or additional sailings that we agree with Transport Scotland, and that is done through a contract variation process.

We also have the ability around the contract to run additional sailings without requiring approval. As I described, where we have weather disruption or technical disruption, we have the ability to run additional sailings, and we do that frequently. I have illustrated some of that with the statistics that I provided this morning.

Liam Kerr: The model in Norway is clearly very different, but we heard this morning that the Norwegian operators have a great deal of discretion over which vessels they run. Will you clarify your position in that regard given what the convener said earlier? How much flexibility and choice do you have in relation to the vessels that you run on particular routes? Do you just have to go with whatever CMAL or Transport Scotland provides for you?

Robbie Drummond: The model is as it was described. We are the operator and we operate the assets that are provided to us by CMAL. The deployment of the assets—the choice of which vessels we deploy to which routes—is for the operator to determine. We determine that through the prioritisation matrix, where we try to balance the needs of different communities, demand, the length of the routes and sea state conditions. The deployment is up to us, but we must operate the vessels that are provided to us.

Liam Kerr: I understand. Unless Stuart Garrett has a different experience that he wants to comment on, I will stay with Robbie Drummond for a final question.

Robbie, you mentioned that the Clyde and Hebrides ferry services contract will be up in October 2024. Are you already in discussions with Transport Scotland about what will happen after that date? If so, where are those discussions?

Robbie Drummond: Our contract terminates at the end of September 2024. We are in discussions with Transport Scotland as to what the future contract might look like.

Liam Kerr: I understand. Thank you.

The Convener: Robbie, you mentioned the figures that you provided to us on cancellations of sailings. I have just had a quick look at them and I am a bit confused. What does “force majeure” mean? The document says that it is within your control.

Robbie Drummond: That could cover a range of different circumstances, but it must be a very small number of sailings that are impacted by that.

The Convener: The figure is 2,053 in this financial year, which is up from 1,100 the year before, so it is not insubstantial.

Robbie Drummond: I do not have those figures in front of me. That may relate to Covid. In principle, about one sailing in 100 is impacted through decisions that relate to us.

The Convener: I will mention the reasons that jump out at me and which I cannot understand. The figure for “force majeure”, which is within your control, has doubled since last year. The figure for “mechanical problems” has gone up from 498 to 1,678, which seems a huge leap. I also do not understand “Scot Government approved cancellations”, which have leapt from 485 to 1,551.

Robbie Drummond: That may relate to changes that we have made to our timetable or our sailings. The important thing that the figures illustrate is the number of cancellations, whether they are due to the weather or technical issues. The challenge of maintaining our fleet is a challenge that we face every day, and every member of our staff is focused on that.

The Convener: I understand that. Roughly 1,600 cancellations were down to mechanical problems, and there were about 1,500 Scottish Government approved ones. I am confused by that. I think that the figures need a bit more clarification because, on the face of it, they are quite concerning, given the way that they have been produced. You are saying that mechanical problems and force majeure events, which effectively account for 3,600-odd cancellations, are within your control. We then have 1,500 cancellations, which is just under half of that, that were Government approved. What does the Government approve?

Robbie Drummond: An example is where we do not deliver a timetable as set due to route closure or an alternative timetable being set. Some of those cancellations will relate to port closures, which are clearly not in CalMac's hands. We agree alternative sailings to mitigate any circumstances around those.

We operate to 33 ports and we operate 35 vessels, so we are faced with a range of challenges through infrastructure and weather.

The Convener: If we add up the figures for force majeure, mechanical problems and Scottish Government approved cancellations, the total is jolly nearly more than the figure for cancellations that were caused by adverse weather. The same amount are down to things that are within your control and to the weather, which you cannot control. That is concerning.

Sorry—I got slightly distracted there. I return to the deputy convener.

Fiona Hyslop: I have finished my questions, convener.

The Convener: Jackie Dunbar is next.

Jackie Dunbar: In previous evidence sessions, some folk have mooted the idea of lowering fares for remote, rural and island communities and having higher fares for tourists who use the services. Would you support that? Is there another ticket pricing system that you think would work?

Stuart Garrett: The first thing to say—I am sure that you are well aware of this—is that fares are not set by the operator. As such, we would perhaps have a view on what the fare base could be—of course, at the moment, from January to September, we have no increase at all in fares for 2023. However, as I say, the fares are set by the Government through Transport Scotland. That is not a matter that we control directly.

Jackie Dunbar: But what is your view on the ticket pricing system? I know that you cannot change things as such, but your views would be extremely helpful to us.

Stuart Garrett: I would look at the fare that is charged in relation to the capacity that we have to carry the likely demand. There is then an issue as to whether we have a differentiation, as currently exists for some fares, between islander rates and visitor rates. Another factor is that our booking systems are open to all and there is no prior allocation for any sector of society, no matter where people come from.

It is a very complex conundrum and I do not think that looking at it from a fares perspective that is isolated from the other factors would necessarily provide any real opportunities, to be honest.

Jackie Dunbar: Robbie, I am interested to hear your views.

Robbie Drummond: Clearly, fares are set by Transport Scotland. They are a matter of policy. The road equivalent tariff that was brought in five-plus years ago reduced prices by between 30 and 70 per cent. That had a positive impact in that it increased demand for our island services, which has gone up by about 30 per cent. However, it has created capacity constraints on our car deck.

There is an interesting debate on whether priority pricing should be created for islanders, which is a policy matter. The challenge that we have is that there is no demand pricing. Other transport operators have demand pricing whereby they try to move traffic from busy sailings to less busy ones, but that does not exist in our network. We have been discussing that with Transport Scotland. It could help to manage capacity better across the week, rather than just on peak sailings.

Jackie Dunbar: What I am hearing—you can correct me if I am wrong—is that you do not think that changing the pricing policy as it stands just now would be helpful in any way. I do not want to put words into your mouth, but that is what I am hearing.

Robbie Drummond: No. What I am saying is that it is a matter of policy. Clearly, cheaper fares would help our communities and make the cost of travel lower. That has to be a good thing, but it is a matter of policy.

Our main concern is how we can better manage capacity across the whole day and the whole week. Demand management may be appropriate and we are discussing that with Transport Scotland.

Jackie Dunbar: I have some further questions, but I will come to them later, if that is okay, convener.

Mark Ruskell: I am looking at the CalMac stats for the number of cancellations because of adverse weather and some other categories. They seem to paint a picture of climate change and how weather will change in the future and cause significant disruption and challenges. Is there enough of an understanding of what is coming with climate change and how that will affect vessel specification, the way that ports and harbours will operate and the way that services should be configured in the future?

11:30

Robbie Drummond: Around one in 30 sailings is impacted by weather. We operate in some really challenging conditions. There is no empirical evidence that we are aware of, but our masters report an increased depth of weather patterns and

worse sea states that take longer to recover. I have an interesting statistic: in January 2021, we had more disruptions than in all of 2012—around 10 years earlier—so we are seeing increased disruptions. However, there is no evidence, so perhaps that is worthy of further investigation.

On your point about climate change, that should be brought into the long-term strategy. If we can see empirical evidence of weather patterns changing, that needs to apply not just to ferries but to ports, because ferries can operate in winds of 50-plus knots. The challenge we have is berthing. Many of the ports in which we operate are older ports that have been strengthened and improved but that still struggle in adverse weather conditions. We would certainly like to see further investment in that to deliver better resilience over the next 20 to 30 years.

Mark Ruskell: Has consideration of resilience been lacking up until now?

Robbie Drummond: I would not say that it has been lacking. We all recognise that significant lines of investment are required in ports and vessels. We are seeing that investment. Six new large ferries and 10 smaller vessels are coming forward and there are significant investments in ports. We hugely welcome that because it will improve our resilience in the future.

Stuart Garrett: If you look at the stats on cancellations that we submitted, you will see that there is not a huge variance over the past 10 years. From 70 cancellations a year at the lowest to 109 at the highest, there have been 863 cancellations over the past 10 years, with an average of, say, 86 a year. When it comes to weather patterns—I refer again to our earlier submission—we are quite clear that no specific trends are noted, but we are very firmly of the view that the overall accuracy and availability of meteorological reporting are much improved. The algorithms and options that we have for different weather reporting resource enable us to take a far more considered and consistent approach to the decision making that is attached to whether a ship sails or does not.

It is not a case of a ship just not sailing. It is a case of whether you leave earlier or later, whether you weather route and whether you miss out an intermediate call. I firmly believe that that is all for the benefit of the passenger by maintaining service continuity. Conditions might not be good but the vessel sails at some point. We experienced that over the course of last weekend. We missed out a Kirkwall call but we sailed to Lerwick. We left an hour and a half earlier and arrived safely at Lerwick ahead of the weather front that was coming in. That is what it is about: getting the mix right. The days are certainly long gone of a ship going out without really knowing

what the forecast is likely to be—they could see over the horizon and they set to. Things have changed.

Mark Ruskell: What explains the difference between the northern isles and the west coast and Hebrides sailings? Is there a particular type of vulnerability in the Atlantic, or are there other issues?

Stuart Garrett: They are entirely different sea conditions. Lerwick is 180 miles north of Aberdeen, so it is a different type of sea, there are different conditions and there might be an opportunity to weather route between island groupings and so on. Those aspects all come into play. Our masters are very experienced—and not necessarily only on their own vessels. Many of our masters are volunteers with the Royal National Lifeboat Institution, for instance, and are very well qualified and experienced in the local sea conditions. We often get challenged about why a ship has not sailed or why it has been delayed, but I would never let commercial considerations interfere with the master's decision-making process.

Mark Ruskell: Robbie Drummond, are there particular vulnerabilities in the west?

Robbie Drummond: Stuart Garrett described it well. There are very different sea states and different styles of routes. The big challenge in the west is the size and structure of the ports that we operate. We operate in 33 different ports, which are owned by councils or CMAL, or they are private or trust ports. In many cases, ports have been strengthened over the years, but some of the difficulty lies there.

We run 540 sailings a day. We encounter multiple different sea states and ports. However, I echo Stuart Garrett's comments on our masters. We have masters with incredible experience, and we have people with experience in working for the best ferry companies in Europe. They are incredibly skilled at what they do.

The point about the quality of weather information that we receive now is a fair one. We pay for information from live weather forecasters, and we receive much more accurate data, which means our masters can make better decisions.

Mark Ruskell: That is about climate adaptation. However, for climate mitigation, how can the vessels be designed to be net zero? You will have heard some of the evidence that we have just had from the Norwegians about how they are driving innovation through the tendering process to include electric and hydrogen propulsion systems in an attempt to bring down cost over time and to increase the supply chain. What are your thoughts on that? Where does the future lie, and how do we get there?

Stuart Garrett: We are talking probably different tonnage in different contracts, because the route operator network and the commercial demand are different. However, shipboard, our Hjalmland and Hrossey vessels are almost completely ready to take shore power, and we are working very closely with the port of Aberdeen and Lerwick Port Authority with a view to introducing shore hook-up for electric power in Aberdeen and Lerwick. Since the summer of 2022, the Hamnavoe has been connecting to shore power every evening when it is back in Stromness. Huge advances are already being made in moving towards a reduction in CO₂ emissions in the port operating environment.

Mark Ruskell: That is not propulsion, though.

Stuart Garrett: No, that is not propulsion, but our ships probably have a good 10 years' worth of operating life left in them at the moment. With the way in which the ships are constructed, we would not look to change the propulsion system in the vessels that we operate.

I did not sit in for the evidence of your Norwegian visitors earlier but I know that, on some Norwegian routes, the operating environment is entirely different from ours, with perhaps a coastal operating environment in which the routes are short hops rather than the 14-hour journey north between Aberdeen and Shetland, for example. If you look at the route network in which we operate and what is available in the market, you see that it is a very early stage in the market for the type of power that you are looking to use and the availability of fuel.

Mark Ruskell: Would you therefore be looking more at ammonia bunker fuel than hydrogen and propulsion?

Stuart Garrett: In the long term, potentially, there will be a range, but we would engage with CMAL and DNV—the classification society that we use at the moment—and look at what the emergent best practice and proven best practice was. You do not necessarily want to be the builder of a first-in-class vessel; you want someone else to iron out the issues before you get there.

Robbie Drummond: The whole industry is at a reflection point about where future fuel needs will come from. I sit on the operator policy committee with the top 18 ferry companies in Europe, and that topic is regularly debated. I am pleased that our small ferry fleet is looking at electric solutions. Such solutions do not currently exist for bigger vessels on the types of routes that we operate, but that will be coming down the track in the next five to 10 years. They might be battery powered or hydrogen powered—something of that nature. That gives us an opportunity in Scotland because we have islands that produce green power and, if

we could harness that, it would be a huge advantage.

We berth overnight in ports, and we have to burn diesel. We cannot plug in at the ports because they do not have those facilities. Investment in ports would enable us to be greener, and, with future vessels, there is an opportunity to use excess green power.

Mark Ruskell: I want to ask you about catamarans. We have had quite a lot of evidence about using larger numbers of smaller vessels to achieve improved capacity service reliability, and some industry experts have mentioned having more fleet-of-foot catamarans. What are your thoughts on that, or is that completely CMAL's concern?

Robbie Drummond: We have been clear that we are agnostic on vessel design. It is about what the best design is for meeting the needs of the service. I attended a seminar at the University of Strathclyde with my head of marine and head of technical. The professor at the seminar said that monohulls offer a good solution in certain situations and that catamarans offer a good solution in other situations. We very much subscribe to that view. It is about what the best vessel is to meet service needs. That is what the long-term strategy needs to look at. Too often, the debate is about what the best vessel is when the discussion should be about islander needs. We should then start to build supply from those defined needs.

Stuart Garrett: The Aberdeen to Kirkwall and Kirkwall to Lerwick routes require conventional tonnage. I would not like to be in the Pentland Firth in a catamaran.

Mark Ruskell: My final question is about co-ordinating ferry timetabling with other modes of transport, particularly bus and rail, through ticketing, and how you co-ordinate action during service disruption. What work are you doing on that at the moment?

Robbie Drummond: We have a timetable manager who works closely with rail and bus colleagues on our regular timetable to make as many connections as possible. We publish those connections as part of our timetable publications. We are limited in what we can do because we operate for the extent of the working day. Those timetables are set, whether for five sailings or otherwise. There is limited flexibility in how we can move those around.

In times of disruption, we work closely with our bus colleagues, in particular. We might work with certain suppliers to provide bus replacement services or buses to meet certain ferry services. We might bring in additional services and pay for

those, if necessary, to try to manage through a disruption process.

Stuart Garrett: That is less of an issue for us, given our route network. There are the ScotRail services into Thurso, which provide the ability to get a connection first thing in the morning off the Hamnavoe service going south, and we have Stagecoach and National Express service connections on the A9 and out of Aberdeen.

As I said, it is less of an issue for us, but of course we liaise with ZetTrans and the regional transport partnerships. There are always issues with competing demands when buses coming north—certainly those to Thurso and Scrabster—have different timetable agendas, but, in the main, it works. If there is service disruption, we provide an alternative relief service.

Mark Ruskell: How are you improving the integrated ticketing offering and providing an absolutely compelling product for people who are travelling?

Jim Dow (NorthLink Ferries): There is some integrated ticketing with rail, but, as Stuart Garrett touched on, in Aberdeen in particular, it involves a walk to the main bus station and railway station. We have also tied in with Stagecoach for getting the bus straight to the airport as soon as the ship arrives. There is not so much on the bus side of things, although people can use the smart ticketing on the ferry and the buses.

There is also the Highlands and Islands Transport Partnership project, in which people can use the app, whether for the bus, the train or the ferry. We are working with it wherever possible.

Fiona Hyslop: I want to take us back to the weather and to Robbie Drummond. We have received a submission from the Mull and Iona Ferry Committee—you will not have seen that, but we are happy for you to respond to it once you have had a chance to see it. The Mull and Iona Ferry Committee has looked at freedom of information data from CalMac over the past 22 years and Met Office analysis of wind recordings, and it has said that the number of weather-related cancellations in comparable winters has increased by around a factor of 10.

Bearing in mind that safety and the decisions of masters are absolutely paramount, the Mull and Iona Ferry Committee's reflection on the engagement with CalMac is that there are issues relating to the tracking of the weather experience and whether there has been a significant decline, the potential of external factors, tighter regulation, a more litigious environment, and a fear of prosecution of masters. There might be other forces that are perhaps leading to a more restrictive view of whether it is safe to travel.

11:45

We also heard that on our visits. Anecdotally, people reflected that, in the past, masters would perhaps have sailed, whereas now they do not.

Feel free to come back to us once you have seen the submission, but do you have any reflections on changing behaviour and who is looking strategically at whether that is really happening? Do you acknowledge that that is happening? Where does that put masters' decision making? Are they taking more conservative approaches because of the changing nature of potential issues around legal challenges, for example?

Robbie Drummond: I want to make two points. First, it is far more challenging for us to cancel a sailing than to operate it. We keep making that point to communities. We do not cancel a sailing lightly. That is absolutely the last resort because, when we cancel a sailing, we have disruptive passengers to deal with, communications to issue, and a vessel out of synch. Therefore, things are incredibly challenging when we cancel a sailing. Cancelling a sailing is absolutely the last resort for us.

Sailings and safety are a matter for the master and the law. The master has the responsibility to keep passengers, crew and staff safe, and they must not be put under any commercial pressure or, indeed, any pressure to sail. It is entirely the master's decision.

My reflection on the law is that, for most industries, the legislation has changed over the past 10 to 20 years and practices that were acceptable perhaps 10 years ago are no longer acceptable. The situation is no different for ferries. Ferries are heavily regulated by the Maritime and Coastguard Agency by class. It is a safety-critical industry, and safety is an absolute priority for us and our masters.

Fiona Hyslop: Is there any reflection from NorthLink Ferries? You said that weather is less of a disruption for you. Do you have any comments about masters' judgments and changes in the law over the past 10 to 20 years?

Stuart Garrett: I can comment only on the statistics supplied. We are talking about an average of 86 over 10 years. I think that 70 and 106 were the peak and the trough.

I go back to the comment about the availability of more accurate forecasting, and I make the point again that the two organisations operate in totally different operating environments. I think that people too often draw comparisons and think that there are similarities because we both have Government contracts. However, that is probably where the similarities end.

Fiona Hyslop: Would Robbie Drummond welcome a more strategic approach? As Mark Ruskell indicated, climate change is happening. What does that mean for our seas and the experience of them? Who takes responsibility for that? Is that simply left to you as an operator to deal with on an operational basis, or do you engage with Transport Scotland on what future needs might be? If we have different types of ferries, such as electric, battery and hydrogen ferries—who knows?—where will the weather analysis come from? Who is leading on that? Who should lead on that?

Robbie Drummond: On a day-to-day basis, it is clear that we and our masters must simply cope with the weather and try to mitigate things as well as we can. We will continue to do that.

In the long term, it is important that there is a strategy to get to zero carbon and to really understand whether there are likely to be different weather patterns. We have evidence that the weather is hotter and that there is more rain, but what effect is that having on wind conditions and sea-state conditions? We would welcome more investment in and better understanding of that. That should be brought into any future strategy.

The Convener: I was impressed when we went over to Mull. We saw the ferry coming back into Ardrossan. It did a handbrake turn to the right, having gone through a very narrow entrance to the harbour in windy conditions, as the next sailing was about to be cancelled. The skill of the crew was not in doubt, and the captain's choice to do that and cope with those conditions was in no doubt. That is his domain.

If climate conditions are changing, which you have suggested they are, is it a good idea to build a superstructure that is even higher than the current ferry and more liable to wind-push? Should we not be looking at the design of the ferries to ensure that they can cope with those conditions instead of perhaps making things more difficult? Do you think that the captain would find it easy to get vessel 801 into Ardrossan in those conditions? I do not know. What does Robbie Drummond think?

Robbie Drummond: The important thing for ferries is their manoeuvrability. That is largely a factor of power. Vessels have to be designed with the right thrusters and the right power so that they can be manoeuvrable.

Ardrossan is getting significant amounts of investment to enable vessels 801 and 802 to operate there. We are very confident that, once that investment is undertaken and the port has been addressed, vessels 801 and 802 will offer a very resilient service.

The Convener: Okay. I hope that there will be no more cancellations because of the wind if they have the power to beat it, although the wind is getting stronger.

The next questions are from Jackie Dunbar.

Jackie Dunbar: I have a question for Robbie Drummond. There have been suggestions that islanders should have priority travel for urgent, short-notice reasons, aside from medical appointments. What is your view on that? Is that feasible? If it is, how do you see a system operating so that that is taken into consideration?

Robbie Drummond: First of all, our contract requires us to treat all customers equally, so bookings are made on a first-come, first-served basis. That has worked very well in the past. The challenge now is that the car deck capacity is becoming constrained, so we see different customers competing for the car deck, whether they are commercial operators that book well in advance, tourists who book in advance, islanders who have much more immediate and short-term needs, or small commercial operators with much more short-term needs. That is becoming much more difficult to manage.

There potentially could be routes on which local bookings could be prioritised, but that would be quite complex to operate, and people would need to look at the rules quite closely in considering how to best manage that.

Jackie Dunbar: What would the difficulties be in managing that? I am sorry—I am simply trying to understand.

Robbie Drummond: An area of the car deck would need to be ring fenced to be booked at a certain time for a certain population. Technically, that is possible. We could deliver that, but that would mean that that space would not be available to other customers, so we would potentially not be making best use of that capacity.

I am aware that that is a very sensitive subject, and I have recommended to Transport Scotland that we have a further debate about it. There is by no means agreement on that. Many people on the islands think that that is not the right way to go and that there should be a booking service that is open to all on an equal basis that provides the right service. There is a range of views throughout the communities that would need to be addressed. It is a complex subject.

Jackie Dunbar: Would there be a way for you to help me if I were an islander, I had to get on to the mainland tomorrow for a reason that was not a medical situation, and I came to you today and said, "I need to get on the mainland. How can you help?"

Robbie Drummond: There are two different methods. We have an advance wait list that people can put themselves on. That is accessible only for certain types of customers who have immediate travel needs. An advance booking service is available only to those types of customers. If a person has medical needs, we will always try to accommodate them at the port and make the journey accessible for them.

Monica Lennon: I remind the committee of my entry in the register of members' interests. I am a member of the National Union of Rail, Maritime and Transport Workers parliamentary group and of Unite the union, which might have some relevance to my questions.

I want to start with questions that are mostly for CalMac. Robbie Drummond, do you have any views on the possible unbundling of the Clyde and Hebrides ferry services? Is there any other way in which local communities and authorities could be more involved in the management of the Clyde and Hebrides ferry service in the future?

Robbie Drummond: I can understand the attraction of unbundling, but running ferries is a complex business. It is very heavily legislative and, if you were to split the current network, which is managed as a network, into smaller bundles, the challenge you would face is the duplication of back-office services. You would have to invest in new software and you would also potentially have to acquire new vessels because, at the moment, our vessels operate across different networks and they provide cover if vessels are in dry dock and in the event of disruption. If you were to unbundle, you would potentially have less resilience unless you invested in further vessels.

That is our view on unbundling: we do not think it would offer value for money for the Scottish taxpayer. However, you make a very good point on how we get better community representation. We would encourage having deep community consultation on the best way of designing services. We would encourage options to involve the community more in some of that decision making.

Monica Lennon: I will come back to community involvement and representation but, on unbundling, we have heard views that it would be a negative development for the working conditions of CalMac staff. Are you able to respond to that view and those concerns?

Robbie Drummond: The current ferries contract requires certain conditions for our staff and we have made certain commitments, so whether it was a negative development would very much depend on how the unbundling was done and what conditions were set under the contract. I do not have any particular fears for staff; I just

think that unbundling would not offer the best value for money or the most resilient service.

Monica Lennon: Is there a NorthLink view on the unbundling debate?

Stuart Garrett: In short summary, no. It is a contractual matter and not one that I, as an operator, will provide a view on.

Monica Lennon: I go back to the issue of community involvement. Robbie Drummond, we have heard calls for direct community representation on the CalMac Ferries board. Do you support that?

Robbie Drummond: Yes, I support that. Our board is appointed by ministers and we are currently going through a process of appointing two new non-executive directors through the public appointments process. I know that a key requirement is islander experience and I very much support that. I think that that is a good thing and I welcome it.

Monica Lennon: Thank you; that is helpful. You will be aware that Scottish Rail Holdings now has the general secretary of the Scottish Trades Union Congress on the board as a non-executive director. What is your view on relevant trade unions having similar representation on CalMac's board?

Robbie Drummond: We work very closely with our unions. We engage with four different unions and we do so very regularly. I have regular briefings. We have a good working understanding with the unions. The question of whether they should sit on the board is probably one for the board to consider and not for me to comment on.

Monica Lennon: I will ask NorthLink for its views and its approach to better community representation and working with trade unions.

Stuart Garrett: There are two separate groups. We engage locally with a range of stakeholders. Some of that is on a pre-diaried, quarterly or other set frequency. We have other meetings that are ad hoc. Mr Bevan and Mr Dow both engage with a range of islander groups. They could be commercial or local community interests.

All my working life I have worked very closely with trade unions and indeed in the majority of cases with trade union principals at national secretary or general secretary level, but we have a very good relationship with RMT and Nautilus International locally and at a regional level.

Not only that, when it comes to our staff, since we embarked on the contract in 2012 we have acquired investors in people certification at a gold standard. Investors in people gold was then increased to investors in people platinum, which is the top rank, and our investors in young people

certification now sits at gold. We can achieve that only by working closely with our representative partners and with the staff themselves. We are very proud of that, as we are of being investors in diversity and of investing in wellbeing, so we have a whole range of opportunities in the business on both a recognised and a voluntary participation basis to have staff involvement, which we welcome.

12:00

Monica Lennon: That sounds very constructive.

I have a final question to Robbie Drummond. We are asking lots of questions about your views. Do you have a view on who should own and operate the ports and harbours that are used by CalMac? Are there benefits to local authority ownership, or would you favour ownership by a single national authority?

Robbie Drummond: We operate to more than 35 ports and, as I said before, they are a mix of private, council, community and trust ports. Our biggest challenge is that they are not standardised; they have different interfaces and different levels of investment. Whatever is the right approach, I would like to see greater standardisation. As the funding for changes to those ports is largely through the contract and through Transport Scotland, ultimately I would like to see much greater standardisation of how that investment works and how Transport Scotland invests in its ports. Ownership is a question for Transport Scotland and the ministers, but whatever is put in place should deliver standardisation.

Monica Lennon: Could you expand on what you mean by standardisation? What does that look like in terms of minimum standards?

Robbie Drummond: I can give the example of Norway, where there are standard interfaces, so any operator can work to any port in Norway, because they all have the same approach. It is to do with berth sizes, ramp fit and where you tie up the vessel. If those can be made standard, you have much greater flexibility in the way you can deploy vessels.

Monica Lennon: I saw Stuart Garrett nodding there. Do you agree with what Robbie Drummond said?

Stuart Garrett: From an industry perspective, absolutely, we are looking for standardisation. It is about the berth fit and the ability for the vessel to come alongside a harbour. We would know what the harbour layout is, and the mating between the ship's ramp and the shore berth would be standardised. When that does not happen, we can

bring vessels into different ports, but a scheme of work has to take place behind the scenes to enable the vessel to fit. It simply makes for an easier operation when there is standardisation.

In the work we are doing with CMAL at the moment to look at the plans for 142m roll on, roll off plus—hopefully—the standard ship dimensions for that will form the bedplate for the next suite of vessels that we would like to see operating. It is about getting the engagement with the port authorities correct at the early stage, with simulator training for masters coming before any of the harbour works are done. There is no sense in doing the simulator training after the harbour works have been done. You do your simulator training first on the likely berth layout, see whether it works and then work on from there.

The Convener: Robbie Drummond, thank you for not correcting me. Of course I made a mistake when I referred to Ardrossan to Mull; I meant Ardrossan to Arran. At 10 to 1 this morning we had evidence submitted to us from Mull, which probably meant that Mull was at the forefront of my mind from the early hours, so I apologise for that and thank you for not correcting me. I have corrected myself before anyone else does.

Liam Kerr: Robbie Drummond, I will stick with you. The committee has heard from Maritime Services Management that CalMac's large ferries "carry a far larger crew than required."

We have also heard that the MV Loch Frisa operates with 15 or 16 people in Scotland, whereas it was operating with four in Norway. What is your response to that? If it is a fair point to say that CalMac is operating with a larger crew, why are you operating with a larger crew?

Robbie Drummond: The number of crew we operate with is determined by our passenger certification, so it is the MCA that decides what crew we need to operate at different levels of certification. Many of the comparisons are not comparing like with like. We carry additional crew, but that is largely because we operate very extended working hours. We may need to carry additional crew because we are operating at certain working hours and therefore we need different shifts to cover the different crew members. We may also carry crew to provide additional catering facilities, but that generates commercial revenue.

It is important to be factual: the Loch Frisa is currently crewed by seven people, not 16. You are right to say that she operated in Norway with four. The reason why the number is seven here is that we need additional crew to do berthing. In Norway, she operated to automatic terminals—essentially automated berthing—whereas we require additional crew for the area we operate in.

Liam Kerr: That is very interesting. Can you explain that point about additional berthing? Is that anything to do with the ports and harbours that we just heard about and the standardisation?

Robbie Drummond: Some of the Norwegian ports operate to automatic berthing, where the vessel approaches and, essentially, is connected directly without any manual intervention. That requires significant amounts of investment, but if you do that investment, clearly it saves in operator numbers. That is not the way we operate on the west coast. We operate in a traditional port interface, where we have to tie up with ropes, and clearly resources are required to do that.

Liam Kerr: I understand—thank you. My final question is also to Robbie Drummond. Monica Lennon asked earlier about crew. Can you tell the committee which company employs the crew? Does CalMac—your company—employ the crew, or is it another company that does so?

Robbie Drummond: Our crew are employed by Caledonian MacBrayne Crewing (Guernsey) Ltd. That is a subsidiary of CalMac, so CalMac employs crew through our own wholly owned subsidiary. On occasion we use agency staff where we are short and our relief pool is short, but that is only as a last resort.

Liam Kerr: I understand. So that the committee fully understands, Transport Scotland contracts with your CalMac, which then subcontracts to Caledonian MacBrayne Crewing (Guernsey) Ltd for the provision of crew. If that is right, does Caledonian MacBrayne Crewing (Guernsey) Ltd have any other clients?

Robbie Drummond: No.

Liam Kerr: I have a final question that goes right back to what we spoke about earlier. CalMac will retender, one assumes—if you cannot confirm or deny it—and the tendering process will happen in September or October 2024. There may be a new provider or you may stay incumbent. If your CalMac was to go for that tender and lose it in 24 months, such that Caledonian MacBrayne Crewing (Guernsey) does not have another client, what happens to the crew employed from Guernsey?

Robbie Drummond: As with any contract, Transfer of Undertakings (Protection of Employment) regulations would kick in and all the staff would migrate to a new operator.

Liam Kerr: But not for a Guernsey company because that—

Robbie Drummond: Yes, they would. That is exactly the situation. It is a very common model. Caledonian MacBrayne Crewing (Guernsey) is just a subsidiary of CalMac. It is a 100 per cent owned subsidiary that only supplies staff to CalMac. In

the event that we did not operate the contract, all those staff would transfer to a new operator.

The Convener: Sorry, I am slightly confused. Why do you employ them in Guernsey and not employ them at home? Are there tax advantages from doing that?

Robbie Drummond: Yes. The reason why they are employed in Guernsey is that we avoid paying national insurance. That is a standard British recognised tool, so we employ them in Guernsey and avoid paying national insurance, but all these mariners are fully employed essentially by CalMac. They are 100 per cent registered under the MCA as British-employed crew members.

The Convener: That is something for the committee to ponder on—whether it is appropriate for a Government-awarded contract to employ an organisation that dodges paying national insurance. I make no comment. The committee will have to decide on that.

Jackie Dunbar, I think that you have a question and then I will open it up to anyone else who wants any follow-ups.

Jackie Dunbar: The three main concerns in the evidence that we have been given or taken about the NorthLink service to Shetland have been capacity, cabins and cost. Stuart Garrett, what, if anything, can you do to address those issues in the short and medium term?

Stuart Garrett: I saw those comments from your previous session. The passenger capacity on both the Hjaltland and the Hrossey is set at 600, so we can carry 600 passengers. Rarely, if ever, would we be at 600. I think we have been at 598 on a couple of occasions, but rarely are we ever at 600. However, 117 cabins provides 362 cabin berths. We have three pod lounges providing 102 pod seats. Cabins are regularly sold out and we have to get the mix right between car deck capacity, cabin capacity and the essential freight that we carry. Perhaps I will bring Mr Bevan in to talk about how we manage that juxtaposition between freight and car deck capacity and how we are contracted to provide a certain number of spaces on certain days.

We operated throughout Covid. I think that we lost eight sailings on a freighter during Covid, when the crew were almost 100 per cent out due to the virus, but, other than that, we kept going. In 2022, we saw significant rebound and volumes back to the 2019 figures, which was the highest previous year for volume, so there has been a huge demand. At the moment, the demand from visitors on the bookings for 2023—which we have only recently been allowed to open—is coming in at 77 per cent, with the balance being islanders, so you can see that real swing there in terms of demand for travel in Shetland.

There have been a lot of suggestions that we should be running day sailings, but the issue is a lot more complicated than people think. Seafarers work an 11-hour day. Our crew live on board, so they are living on board the passenger ships two weeks on and two weeks off. It has been said that there were day sailings supplied before in the northern isles. Yes, there have been, but not in the circumstance that people are perhaps fully explaining. If a day sailing came into Lerwick after midnight or in the very early hours in the morning, there is no onward transport. There are no buses, there are probably no taxis and there is no likelihood of getting to any of the other islands if you are driving your own car. If an extra sailing was put on during the day that resulted in a later sailing coming into Aberdeen, there would be no trains and airport connections for those passengers. People are looking at sailings in isolation from the comment that was raised by Mr Ruskell earlier about the need to interface with other transport operations.

The resolution to the issue on capacity is additional tonnage. Working very closely with CMAL and Transport Scotland, supported by Government, I like to think we are aware of almost all the suitable tonnage that is available on the market worldwide. Recently one of my masters was down in the southern hemisphere looking at a vessel that we had an interest in procuring. We are active in the market and looking to see what is available. Additional tonnage is the answer to capacity—simple as.

Jackie Dunbar: On cabins, we heard that ferries of course are part of a journey for most folk. Some folk were finding it difficult that they could not get a cabin because they might have had a long journey after the ferry crossing. You were speaking about Covid and a previous witness said that cabin sharing had been stopped during Covid.

Stuart Garrett: Indeed, that is no longer available.

Jackie Dunbar: Is that still the case?

Stuart Garrett: We have withdrawn cabin sharing from our offer. It is no longer bookable.

Jackie Dunbar: Completely?

Stuart Garrett: Completely, yes.

Jackie Dunbar: That will reduce the number of folk who are able to get a cabin from 362 to 117, or am I picking you up wrong?

Stuart Garrett: No, you are certainly not picking me up wrong, but I think there is a bit of a fallacy that suggests that having cabins available to share provided better berth utilisation. Mr Dow may wish to come in on that. We introduced the three pod lounges, and you will have seen from my submission that we have an 80 per cent

satisfaction rating for the pods. In 2022, we sold more than 20,000 pod tickets, equivalent to a front of the plane-type seating arrangement. We have tried to be as creative as we can be in providing opportunities other than cabin berths. What we have certainly seen post-Covid has been a willingness on the part of passengers to travel more regularly with their car and passengers seeking to have a cabin with their car. Very high satisfaction ratings are achieved from passengers who can get a cabin, but we have only 117 cabins to sell. That is why I say that the only way to address capacity is with tonnage. Jim Dow, do you have a comment?

Jim Dow: People can still book the cabin—they can get together with another two or three people and book the cabin themselves. It is just they are not able to go in and book a berth in the cabin.

Jackie Dunbar: They can book a cabin together with someone else if they know them; you are just not putting strangers in together.

Stuart Garrett: Yes, that is correct: we are not putting strangers together.

The Convener: As there are no other questions from committee members, I thank our witnesses for coming in this morning and informing us about things that are going on and their views on the future.

We now move into private session.

12:16

Meeting continued in private until 12:33.

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