Net Zero, Energy and Transport Committee

29th Meeting, 2022 (Session 6), Tuesday 8 November 2022

Inquiry into a modern and sustainable ferry service for Scotland

Note by the clerk

Introduction

1. At its meeting on 15 March 2022, the Committee agreed to undertake an inquiry into ferry services.

2. The Committee had been referred Petition 1872: Improve the reliability of island ferry services. The petition said the unreliability of ferries has resulted in losses to island economies relying on tourism and in travel restrictions for island residents, who need reliable and regular services.

3. The Committee noted there were issues with island connections beyond those covered by the petition and agreed it needed to look at ferry services comprehensively and decided to launch an inquiry into current and future ferry provision in Scotland.

4. On 31 May 2022, the Committee agreed to hear from ferry users at a session prior to summer recess to discuss their priorities for the inquiry. The Committee also agreed to undertake a public consultation to invite members of the public and stakeholders to share their thoughts and ideas about the provision of ferry services in Scotland. The consultation was opened on 1 July and closed on 26 August.

5. At its meeting on 28 June, the Committee held an evidence session with a panel of island community members to discuss their experiences of ferry services in Scotland and their ideas for the inquiry. Read the Official Report here.

6. On 1 November, the Committee heard from a panel of private ferry operators to discuss their approach to running a ferry service, as well as their views on how national service provision should be structured and procured. Read the Official Report here.

Background

7. Major Clyde and Hebrides ferry services and services linking the Scottish mainland and Northern Isles are specified, let, and funded by Transport Scotland. Multi-year contracts for the provision of these services are awarded following competitive tendering exercises. The current operators are—

- **CalMac Ferries Ltd:** A subsidiary of **David MacBrayne Ltd**, itself wholly owned by Scottish Ministers, which provides ferry services to 22 islands and four peninsulas on Scotland's west coast. The current contract runs between October 2016 and October 2024.
- **SERCO Northlink:** A private sector operator, part of the major outsourcing company SERCO, which operates ferries between the Scottish mainland, Orkney, and Shetland. The current contract runs between June 2020 and June 2028.

8. Scottish Government supported ferry services are operated using vessels owned by **Caledonian Maritime Assets Ltd (CMAL).** CMAL is owned by Scottish Ministers and owns 36 ferries, 31 of which are leased to CalMac Ferries and five to SERCO NorthLink. It is also leading on the procurement of new vessels for these services. It also owns 16 Clyde and Hebrides harbours and owns or leases properties and port infrastructure at 10 other Clyde and Hebrides locations.

Other ferry services

9. Several local authorities, Orkney Islands Council, Shetland Islands Council, Argyll and Bute Council and Highland Council also operate ferry services, along with a number of private sector operators.

Scottish Government ferries policy

10. The Scottish Government sets out its strategy for the development of ferry services in its Ferries Plan 2013-2022, published in December 2012.

11. The Ferries Plan is due to be replaced by a new Islands Connectivity Plan (ICP) from the end of 2022. The ICP will consider island connectivity in the round, covering ferries, fixed links (bridges or tunnels) and aviation.

Remit of the Inquiry

12. The inquiry aims to seek out how best to secure a state-funded ferry service that is future-proofed, compatible with Scotland's net zero goals and will meet the needs of all service users, having regard in particular to the long-term sustainability of island communities.

13. The Committee will consider what island residents, businesses, and other ferry users need from Scottish Government-supported ferry services and the institutional and funding arrangements that would most likely meet the needs of current and potential future ferry users. The inquiry will also explore what vessel size, type, deployment and crewing arrangements would best satisfy the needs identified.

14. Further details about the remit of the Committee's inquiry can be found in **Annexe A**.

Evidence Session on 8 November 2022

15. At its meeting on 8 November, the Committee will focus on business, enterprise and tourism issues.

16. The Committee will take evidence from—

- Martin Johnston, Director of Strategy and Regional Economy, Highlands and Islands Enterprise;
- Rob Dickson, Director of Industry and Destination Development, VisitScotland; and
- Peter Clark, Deputy Director, Industry, Scotch Whisky Association.

17. Written submissions from the witnesses can be found at **Annexe B**.

Next steps

18. Following this meeting, the Committee will continue to hold evidence sessions.

19. The Committee has agreed to hear from—

- Ferry operators;
- Trade unions;
- International experts; and
- Ferry service experts.

20. The Committee will also invite the Cabinet Secretary for Net Zero, Energy and Transport and the Minister for Transport to conclude evidence taking.

21. Responses to the call for views are currently being processed and will be published shortly.

22. It will also undertake a programme of fact-finding visits.

Clerks
Net Zero, Energy and Transport Committee

ANNEXE A

Remit - Inquiry into a Modern and Sustainable Ferry Service for Scotland

The Net Zero, Energy and Transport are holding a major inquiry into current and future ferry provision in Scotland, which will ask—

1. What do island residents, businesses, and other ferry users need in the short, medium and long term from Scottish Government-supported ferry services?
    - Meeting the needs and sustainability of island and remote rural communities and businesses, including secure jobs providing ferry services
    - Meeting the needs of mainland communities and businesses, including visitors
    - Service needs at different times of the year
    - Which needs are better met by other modes, e.g. air travel where available?
    - How should the Scottish Government support council-run ferry services?
    - How can ferry users and island communities be involved in decision making at strategic and operational level?

2. What institutional and funding arrangements would most likely deliver service patterns, vessels, and crewing arrangements that meet the needs of current and potential future ferry users?
    - Can the current tri-partite arrangement (Transport Scotland, CMAL, Ferry Operator) for managing most ferry service provision be improved?
    - Can current tendering arrangements be improved, e.g. through service unbundling?
    - Can Scottish Government subsidies be better deployed to meet the needs of current and future ferry users?
    - Are current services providing best value for the taxpayer?

3. What vessel size, type, deployment and crewing arrangements would best satisfy the needs you have identified?
    - Vessel size and type

      Sustainable propulsion systems (including energy-use and moves to low carbon systems)
    - Compatibility with harbour facilities
    - Onboard crew accommodation
    - Current procurement criteria and processes: what are their strengths and weaknesses? Are they “future proofed” to accommodate new technologies and the need for sustainable low-carbon travel?

During the inquiry, the Committee will also pursue the following objectives:

- To engage with communities impacted by problems with ferry services and understand better the impact these have, particularly on island life (in particular, the effects of weather on services, sustainability of population and attracting inhabitants, access to key services and businesses)
- To understand what a modern ferry service should look like from different perspectives, from island and mainland residents, individuals and businesses,
- To consider and draw attention to best practice in ferry provision and service including considering examples from private enterprise or internationally;
- To hold the Scottish Government, operators and asset holders to account and scrutinise carefully whether their decisions and strategies are in the best interests of service users and the taxpayer;
- To help inform Scottish Government's policies and strategies on ferries and island connectivity as well as the procurement process for future vessels.
- To identify the needs and views of different groups in particular young people and disabled people;
- To adapt scrutiny to the different needs, experiences and solutions of different islands and communities;
- Recognise the importance of island impact assessments carried out by relevant authorities; and
- To incorporate the contribution of transport to net zero goals into scrutiny throughout the inquiry.

Conclusions and recommendations will be set out in a report to the Scottish Government and Transport Scotland, setting out the Committee's views on how best to secure a state-funded ferry service that is future-proofed, compatible with Scotland's net zero goals and will meet the needs of all service users, having regard in particular to the long-term sustainability of island communities.

ANNEXE B – WRITTEN SUBMISSIONS

A Modern and Sustainable Ferry Service for Scotland – inquiry from the Net Zero, Energy and Transport Committee

Submission by Visit Scotland

29 August 2022

VisitScotland is Scotland’s national tourism organisation. Our main aim is to make the most of all the economic, cultural, societal and environmental benefits Scotland’s tourism industry has to offer. We work closely with individual tourism businesses, public agencies, local authorities and other tourism stakeholders to help achieve this.

Tourism is a force for good – creating economic and social value in every corner of Scotland including the islands. Tourism makes Scotland richer, economically and socially, and without it, our country would be a much poorer place.

Before the onset of the pandemic the sector was worth £12 billion to Scotland’s economy and the industry accounted for nearly 8.5% of jobs in Scotland. Tourism is more than a holiday experience – it creates jobs, sustains communities and provides an international shop window for Scotland.

Across the country, the tourism industry was severely impacted by the covid-19 pandemic. In response, VisitScotland administered eighteen funds dedicated to supporting various sectors within tourism and led on the delivery of six tourism recovery programmes supported by the Scottish Government. Many of the beneficiaries of this support are based in our island communities.

At VisitScotland we understand the importance of spreading the economic benefit of tourism right across Scotland as a whole – particularly as we try to help the sector recover. Many visitors will visit multiple locations throughout the country when they come here, so access to the islands is vital if we are to continue to deliver on the benefits associated with tourism.

VisitScotland promotes all islands, especially where there is capacity and desire for growth, with a particular focus on quieter times of year. We provide visitor information to inform and inspire visitors, support businesses and events, facilitate investment in critical tourism infrastructure and partner with tourism groups and other organisations on the islands to support the sustainable recovery of tourism.

Our teams manage our important relationships with a wide range of public partners, communities and tourism and industry groups, through a mixture of island-based Development Managers and mainland based Regional Directors. VisitScotland works very closely with all Destination Management Organisations on the island to shape the local tourism strategy and align with the overall objectives for VisitScotland, as set out in NSET and in Outlook 2030. We recognise and support the opportunity for ferries to provide not only a vital means of accessing the islands, but also as a core part of the visitor experience.

Some of the activity we have highlighted in this response is helping drive place- based economic development through tailored region and sector led support in the islands. This work is crucial to us helping meet the ambitions of Scotland's tourism strategy Outlook 2030 (https://scottishtourismalliance.co.uk/scotland-outlook-2030- overview/); helping grow the value and positively enhance the benefits of tourism across Scotland by delivering the very best for our visitors, our businesses, our people, our communities and our environment.

Given the importance of tourism to the islands, VisitScotland is grateful for the opportunity to contribute to the Net Zero, Energy and Transport Committee's inquiry into a sustainable ferry service for Scotland. While much of the questions and remit of the inquiry is detailed in nature and goes beyond the remit of VisitScotland, we do consider it might be useful for the Committee to understand the impact tourism has on the islands by providing relevant statistics.

Island Visitor Statistics

The following volume and value surveys for the islands were commissioned due to sample size/geography issues from the national volume and value monitors (IPS/GBTS). As you may be aware the previous two years of the pandemic have caused a disruption to the data available from those sources and although we have some 2021 data we are unable to break this down to an islands level. So, the 2017/2019 islands surveys are the most recent data we have.

- Outer Hebrides 2017 - 218,590 visits with £65M spend https://www.visitscotland.org/research-insights/regions/outer-hebrides
- Orkney 2019 - 192,173 visits £67.1M https://www.visitscotland.org/research-insights/regions/orkney
- Shetland 2019 - 80,128 visits £35.8M spend https://www.visitscotland.org/research-insights/regions/shetland

- The above island groups are looking to commission visitor surveys to determine up to date volume / value subject to the availability of resource and funding.

- Arran 2017-19 average domestic overnight – 81,000 trips, £19M spend
- Mull 2017-19 average domestic overnight – 48,000 trips, £18M spend

- Brodick 2017-19 average international visitors – 6,000 trips
- Mull 2017-19 average international visitors – 10,600 trips
- Rothesay 2017-19 average international visitors – 2,500 trips

In addition, the 2019 factsheet (https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-2/regional-factsheets/argyll-and-the-isles-factsheet-2019.pdf) on Argyll and the Isles provides further details. However, it does not separate mainland and island figures, though visitor attraction numbers may give some indicators around island visits, for example on Mull etc.

Our Ayrshire & Arran factsheet (https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-

2/regional-factsheets/ayrshire-and-arran-factsheet-2019.pdf) contains similar details. Again, this includes visitor attraction info to places such as Goat Fell and Brodick castle which could give an indication of overall visitor numbers.

Unfortunately, these statistics are somewhat dated and do not cover the recent disruption to ferry services, however they will hopefully give the Committee an indication of the important role that tourism plays for Scotland’s islands.

Without understanding how recent disruption to the ferries has impacted visitor numbers, the Committee will note that in 2017, around a third of all visitors to the Outer Hebrides arrived by ferry from Ullapool, for example.

In order to supplement the visitor data we have provided above, the following paragraphs provide the Committee with insight into data on travel trends, events, VisitScotland iCentres, our business listings and our QA scheme on the islands as well as insight from our regional staff based there.

Travel trends

Looking to our insights into island travel demand (see Annex 1) the Committee will note that demand is strong, with significant year on year increases in search volumes for many of the islands. Many of these searches have increased from a small starting point while others such as ‘islands in Scotland’ and ‘Skye’ related terms were already popular and have also increased.

Annex 1 also provides information on the average monthly search volume (page 1) and some travel / route specific searches (page 2).

In addition, the Committee may be interested to note that all traffic to VisitScotland.com islands content over the past 12 months (August 2021-July 2022) has received 268k pageviews. This equates to a 5% year on year increase over the same period.

This data aligns with wider consumer insight trends we are seeing for unique experiences, escape, wellbeing and connection with local communities etc.

If the Committee would be interested in understanding more about responsible travel insights across Scotland in general, data from Scotland’s Residents Survey (https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers/about-our-visitors/external-vs.org-slides-rt-scots-study-2021.pdf) highlights that 38% of respondents feel that making green / sustainable choices whilst on holiday is difficult and 41% of respondents agree that they will fly less for future holiday and breaks.

Events

In addition to the visitor statistics which we have provided above, it is also worth noting that our events directorate, EventScotland has funded 26 island events in the last 12 months, with another 5 to take place in the next 6 months. This equates to £363,492 investment over the past 12 months, and £196,800 to come in the next 6 months.

With partners our aim is to raise Scotland's reputation as the perfect stage by supporting and securing a portfolio of events and developing the industry. We provide advice on funding opportunities, access to resources and information about EventScotland and Development teams which sit within the VisitScotland Events Directorate, alongside Business Events. Going forward, a sustainable ferry service for the islands will be required to ensure the benefits of further events can be fully realised.

iCentres

VisitScotland has 26 iCentres across the country which are run by local staff providing visitors with information, help with reservations as well as locally produced gifts and souvenirs. Footfall numbers are shown in the table below for the iCentres that are located across the islands at the ferry ports (and also the gateway of Oban):

- VIC Bowmore / Islay - 5,985
- VIC Brodick / Arran- 13,085
- VIC Craignure / Mull - 26,989
- VIC Kirkwall / Orkney - 54,551
- VIC Lerwick / Shetland - 27,464
- VIC Oban - 49,756
- VIC Portree / Skye - 30,928
- VIC Rothesay / Bute - 21,257
- VIC Stornoway / Lewis OH - 13,441

Figures are from April 22 to date and although we do get local communities coming into the iCentres, the figures are mainly tourists arriving by ferry.

Island Businesses

We have a number of active business listings operating on the islands, those listings can be broken down as follows:

- Number of TMS (tours management solution – which holds all tour operators and their products) operators based on the Islands = 119 – note, this figure is tour operators, where their tours go may not be the islands, but the operator is based there
- Number of accounts with DMS (destination management system – a database of all tourism products – accommodation, attractions, activities) listings based on the islands = 2,112
- Number of actual DMS listings based on the islands = 2,909 (this figure is higher than one above as some of the accounts have multiple DMS listings)

We also work with all types of businesses within the tourism industry on the islands through our Quality Assurance Scheme (https://www.visitscotland.org/supporting-your-business/visitor-experience/quality-assurance-ratings). Our team helps encourage investment in quality by providing objective feedback on the visitor experience on offer and benchmarking this with national standards. QA members receive comprehensive written reports that they can use as a business development tool to help them prioritise enhancements and provide content for staff training.

They also benefit from use of our internationally-recognised Star award logos and we know that visitors and potential holiday-bookers using the visitscotland.com website often base their search for accommodation and visitor attractions on these Stars. In fact, businesses that are members of the Quality Assurance Scheme get almost three times as many referrals per web-listing as businesses which do not have a Quality Assurance Award.

Island	QA Accommodation	QA Visitor Attractions	Taste Our Best (standalone)**
Orkney	96	19	3
Shetland	66	27	3
Outer Hebrides	112	17	1
Arran*	28	7	1
Mull*	35	6	2

*Unlike the other island groups in the table, Arran and Mull do not have their own unique local authority. This means pulling exact numbers from our SCRM system is difficult because not all members fill in their application the same way, e.g. in the ‘’town’’ field some may put Mull, but a lot put the name of village – so the above figures are based on web searches to establish some of the business locations.

** Taste Our Best (standalone) refers to individual food and drink businesses – cafés, restaurants, takeaways etc. This is over and above Taste Our Best awards which might be culminated as part of our QA accreditation for accommodation providers and visitor attractions.

Regional insight from VisitScotland staff

(anecdotal unless otherwise stated)

Shetland

- According to the Shetland Visitor Survey 2019, 46% of visitors arrived in Shetland by ferry. The once-a-day lifeline service allows a maximum of 600 visitors to arrive daily in Shetland, a very low figure when compared with Orkney, where c. 3,500 visitors can make the ferry crossing per day.
- VisitScotland have no hard data on unmet demand for ferries to Shetland. Anecdotal feedback to VisitScotland from potential visitors and locals is that deck space and cabins were often unavailable on the same sailing on the date required i.e., you can take a car, but no cabin or vice versa.

Orkney

- The majority (around 75%) of visitors travel by ferry to Orkney. Ferries are therefore absolutely critical in supporting the growth of responsible tourism on Orkney.
- Visitor demand has increased significantly in recent years, while ferry capacity has not matched that growth.
- Internal ferries frequently run standby lists indicating there is unmet demand there.
- Air services are often an important element of the mix for island communities, they do not usually remove the need for a ferry service. The mix of ferry and air services are regarded as the equivalent of mainland public transport options with bus and rail services. They are pivotal in supporting or hampering the day to day functioning of the visitor economy.
- We note that discussions are ongoing on the introduction of RET for ferries to Orkney. Experience on the West Coast routes suggests this could increase demand markedly.

Outer Hebrides

- Ferries are the main way of travelling to the Outer Hebrides. It is an essential part of the visitor journey and indeed for some, the most exciting part. A journey by ferry, as part of the trip, can be a wonderful experience and for many visitors is something unique and memorable.
- In the Outer Hebrides, there has been a marked rise in the volume of visitors over the last decade and motorhomes and campervan visits in particular in more recent years.
- Ferry capacity has not increased at the same pace, resulting in inevitable challenges.

International experience

On the route between Virtsu-Kuivastu in Estonia, e-tickets are used by 70% of travellers which allows them to drive straight on to the ships without stopping at a ticket office or waiting in long queues. It still means tickets have to be booked in advance, but it considerably streamlines the travel experience and might be something that would work in Scotland.

In Estonia, e-tickets can also be changed up to 15 minutes before departure. On bookable routes here, pre-paid vehicles must wait in queues for a minimum of 30 minutes before a sailing.

Annex 1

Average Monthly Search Volumes:

All EN Markets

Source: Google Ads Keyword Planner

Keyword	Avg. monthly searches
shetland	100K – 1M
the isle of skye	100K – 1M
scotland islands	10K – 100K
outer hebrides	10K – 100K
isle of mull	10K – 100K
orkney	10K – 100K
isle of arran	10K – 100K
isle of harris	10K – 100K
isle of lewis	10K – 100K
isle of bute	10K – 100K
isle of skye scotland	10K – 100K
skye island	10K – 100K
island of orkney	10K – 100K
ferries scotland	1K – 10K
scotland isles	1K – 10K
isle of islay	1K – 10K
isle of lewis scotland	1K – 10K
foula island	1K – 10K
summer isles scotland	1K – 10K
tobermory isle of mull	1K – 10K
isle of skye hiking	1K – 10K
skye scotland	1K – 10K
iona scotland	1K – 10K
islay scotland	1K – 10K
isle of staffa	1K – 10K
orkney scotland	1K – 10K
portree isle of skye	1K – 10K
bute scotland	1K – 10K
lewis scotland	1K – 10K
inverness to isle of skye	1K – 10K
staffa island	1K – 10K
tiree scotland	1K – 10K
inverness to skye	1K – 10K
edinburgh to isle of skye	1K – 10K
glasgow to isle of skye	1K – 10K
the shetland islands	1K – 10K
st kilda scotland	1K – 10K
barra scotland	1K – 10K
jura scotland	1K – 10K
mallaig to skye	1K – 10K
ullapool to stornoway	1K – 10K
shetland isles	1K – 10K
arran scotland	1K – 10K
tobermory scotland	1K – 10K
mull scotland	1K – 10K
shetland scotland	1K – 10K
lerwick shetland	1K – 10K
portree scotland	1K – 10K

Submission by Highlands and Islands Enterprise

2 Information about your organisation

Please add information about your organisation in the box below:

Highlands and Islands Enterprise (HIE) is the Scottish Government's economic and community development agency for an area which covers more than half of Scotland. We work with high growth businesses, social enterprises, communities, public and third sector organisations to build sustainable economic growth across a diverse region which stretches from Shetland to Argyll and from the Outer Hebrides to Moray.

Our aspiration is for the Highlands and Islands to be a highly successful, inclusive and prosperous region in which increasing numbers of people choose to live, work, study and invest. We help build successful, productive and resilient businesses; strong, capable and resourceful communities; and create the conditions for growth and a green recovery to create a region which is well connected and well placed to maximise opportunities.

A. Needs

1 What do island residents, businesses, and other ferry users need in the short, medium and long term from Scottish Government-supported ferry services?

There are clearly chronic issues around the resilience and reliability of the fleet serving the Clyde and Hebrides Ferry Service (CHFS), which is having a profound impact on residents and businesses on many islands. As is widely recognised, these challenges with CalMac services are due in large part to the ageing fleet. The average age of the fleet is currently 24 years, while four out of the 10 major vessels are now over 30 years old.

The purchase of the second-hand vessel MV Utne (now renamed MV Loch Frisa) by Transport Scotland (TS) in October last year has been valuable in providing extra capacity on the CHFS network since entering service this summer. But despite this additional tonnage, resilience of the ageing CalMac fleet remains a concern as shown during instances of major disruption over recent months, with the regularity of unforeseen disruption damaging to business confidence. Regarding short term needs, there is an urgent requirement for further second-hand vessels as soon as possible to ensure that there is a reasonable level of spare capacity to manage and effectively mitigate any further disruption caused by technical problems on ageing vessels. There is also an immediate need for additional tonnage to meet the needs of industry in the Outer Hebrides during the planned closure of Uig Harbour from October through to March 2023 when all traffic from Harris will be rerouted to the Stornoway-Ullapool link. We would note, also, that autumn is an annual pinch point for freight on the Northern Isles Ferry Service (NIFS) due to increased demand from the agriculture sector and changes to scheduling of the service to meet these requirements. In most years in recent times, the MV Arrow is chartered temporarily on the NIFS network to manage this.

When the MV Arrow was instead used on Stornoway-Ullapool last autumn, industry in the Northern Isles, Shetland in particular, raised concerns about the knock-on impacts with a heightening of freight capacity problems. It is critical that all efforts are made to ensure that when these added pressures arrive in autumn, that there are solutions in place for both Stornoway-Ullapool and the Northern Isles.

In the short term, the delivery of MV Glenn Sannox and Vessel 802 within the current timescale with no further delays is undoubtedly vital, as is delivery of the two new Islay vessels within the delivery dates of October 2024 and early 2025. It is also important that progress over the short term (i.e., up to 2026) includes delivery of the Gourock-Dunoon vessels and harbour project, significant progress on the first phase of the Small Vessel Replacement Programme, and significant progress on vessel replacement projects for the Oban-Craignure and Lochboisdale-Mallaig services.

The Scottish Government's commitment as part of the Infrastructure Investment Plan 2022-26 for at least £580m of investment in CHFS and NIFS is strongly welcome. Beyond 2026, there will, in our view, continue to be a need for significant levels of investment for fleet renewal, which will include key medium term (i.e., 2026-2032) projects such as the second phase of the Small Vessel Replacement Programme and replacing the two Northern Isles freighters. Greater clarity on timescales and investment programmes are also required.

In relation to the replacement NIFS freighters, we would note that in Shetland there are a number of major infrastructure schemes – including offshore and onshore wind, space, and decommissioning projects – expected to be delivered over the next 20 years, generating significant economic activity on the islands and demands on the NIFS service. In Orkney, ScotWind developments and further growth of the aquaculture sector will also see increased demand on ferries. Added to this, both Shetland and Orkney also have a high number of 'local' construction projects reliant on the ferry service that are either ongoing or in the pipeline, such as housing, hospital and care home developments.

Although some of the Northern Isles projects discussed above will utilise charter vessels due to their scale, the accumulative impact of these additional freight requirements is expected to place further demand on freight capacity. This should be reflected in not only the medium term plans for the two Northern Isles freighters, but we would re-iterate that there also needs to be additional tonnage in the short term to provide NIFS with flexibility to help address key freight pinch points such as dry dock periods, livestock season or major infrastructure projects. Additional sailings have to be considered to cope with peak demand, for example during the summer season, and ensure the lifeline service continues to service its communities while responding to increased visitor numbers. This particularly pronounced on the Lerwick - Aberdeen route.

Over the long term (beyond 2032), there will be increasing opportunities to accelerate progress towards the decarbonisation of Scotland's ferries as part of renewal programmes.

Regarding local-authority operated ferry services in the Highlands and Islands, they are, similarly to much of the CHFS network, facing serious challenges due to ageing vessels, and often associated harbour infrastructure, that are in need of replacement. In Orkney, all but two of the nine vessels in the intra-island fleet are operating beyond 30 years or more, while the median age of vessels is 33 years for both Argyll and Bute and Highland and 34 years for Shetland. In HIE's view, uncertainty around the renewal of this infrastructure in remote and often economically disadvantaged areas is amongst the most pressing transport challenges in our region.

2 Are current services meeting the needs and sustainability of island and remote rural communities and businesses? This includes the provision of secure employment for those working for ferry services.

Ferry links are fundamentally important to island businesses for the delivery of supplies, transporting goods elsewhere and enabling client visits. A majority (71%) of island firms have indicated to the HIE Business Panel Survey that they rely on ferries. When asked about the transport that they use, the most important factor for businesses across the Highlands and Islands was reliability (66%), and for those reliant on ferries, the resilience and reliability of services was considered particularly vital.

The well documented reliability problems on CHFS services has thus had a huge impact on businesses and on many islands there is a lack of confidence in the ferries to meet the needs of industry. HIE is aware that the impact on the movement of freight during periods of disruption has often been significant, with goods taking longer to transport – resulting in shorter shelf life, delays in work programs and extra costs for business. On occasions disruption has also meant the cancellation of orders with outward freight from islands unable to meet critical times, and one of the consequences of inward freight issues has been cases of low stock in island grocery stores. During major disruption hauliers have been faced with extra costs as a result of needing to re-route vehicles to access islands and paying driver costs while vehicles are stranded and waiting for alternative bookings.

The Outer Hebrides' important seafood sector has been among the industries that have been seriously impacted by the problems with the ferries. The salmon industry is a critical part of the local economy, with production in the Outer Hebrides accounting for £120m in exports last year. The area's fisheries and aquaculture sectors reported that the reliability issues with the ferries has been having a significant economic impact on their businesses. Businesses across a range of sector have raised with HIE staff that ferries disruption has impacted on their day-to-day operations, while there have also been cases of development projects being delayed or put on hold due to concerns around getting materials and workmen on island.

In addition to the economic implications discussed above, ferry resilience and capacity problems has been disruptive and troubling to the lives of many island residents. Longstanding issues with resilience and reliability on CHFS services has impacted negatively on the quality of life of islanders and from a social perspective; sometimes restricting an equality of access to basic life needs – from seeing friends and family and attending social and sporting events to accessing work and attending further/higher education classes. Many people working offshore rely on ferries for work commutes, for example. These are high earning jobs and support people to remain and often raise families in the islands. Also, of particular concern is that during periods of ferry disruption people are often prevented from accessing medical services. Given the severity of the reliability issues we, along with a number of other stakeholders in the region, have concerns that limitations with ferry services can be a potential barrier to retaining and growing populations on some islands.

On NIFS services, increased demand and constraints on capacity has been a challenge in terms of fully serving the needs of industry. Freight carried on the Aberdeen – Lerwick route has experienced year-on-year growth since 2016 both north and south bound. Overall freight volumes lane meterage on the route in 2021 increased by 15% compared to 2020. Despite the presence of a commercial operator on the Pentland Firth as well as the NorthLink Stromness – Scrabster service, freight lane meterage on the Aberdeen – Kirkwall route has also grown, more than doubling since 2011. Shetland hauliers are experiencing regular disruption to freight shipments due to capacity constraints on the existing ferry service particularly during the key pinch points on Mondays, Wednesday and Friday (Lerwick-Aberdeen route) and Tuesday when there is no southbound freight boat. This is exacerbated during livestock season when the Monday freight sailing is replaced by a Sunday sailing to accommodate Orkney livestock movements.

A recent study by the Stewart Building Transport Group in Shetland found that six in 10 northbound and four in 10 southbound sailings were running at at least 90 per cent capacity, with one in ten over the allotted capacity. There is available capacity at weekends, but this does not meet the needs of the haulage businesses or more importantly their ability to service market needs - nationally and overseas. Greater emphasis on weekend sailings would require movement to a 7-day model (as would many of their customers), which would lead to additional operational costs.

We understand that Shetland haulage companies have had to invest in additional trailer capacity to cover the delays in empty trailers being moved and faced additional staff costs because of the unpredictability on movement of freight. Capacity constraints also impact on the reliability of forward bookings for freight, often making it more challenging for hauliers to guarantee delivery times for customers.

Freight challenges are heightened for businesses that operate on outer islands in Orkney and Shetland. For example, major businesses and employers in Shetland's northern isles face constant pressure and some constraints due to their reliance on the capacity and reliability of inter-island and external ferry services. Without adequate investment and flexibility in these services there is a risk of de-investment in our rural and remote communities.

3 Are current services meeting the needs of mainland communities and businesses, including visitors?

The introduction of RET has brought major economic benefits to islands on the CHFS network. However, renewal of the fleet has not kept pace with the surge in visitor demand in recent times, while persistent issues with disruption have undoubtedly had a significant detrimental impact on islands' tourism economies. HIE has been contacted by a large number of hotels and smaller B&Bs who have suffered financial losses as a consequence of the ferries issue. Providers being hit by cancellations and accommodation going unfilled in peak tourist season has been a widespread issue. A lack of confidence in the ferries has also in some cases led to tourism operators holding back on planned investments. These challenges resulting from ferries reliability should also be considered in the context of the already challenging conditions for islands' tourism after heavy losses to revenue during the pandemic and well documented issues around labour shortages.

In respect of the NIFS network, whilst there has not been the sharp crisis for tourism as seen from disruption on CHFS, competition for space between freight and passengers on NIFS passenger vessels has impacted the tourism market. Increased visitor numbers has affected capacity both for locals and visitors trying to secure berths and vehicles on the passenger ferry. As is noted in the Shetland 'Case for Change' Report (2021), commissioned by TS as part of the development of STPR2, further growth during peak tourist season in Shetland is constrained by capacity on NIFS.

We would highlight that there are particular issues for access to Shetland by bus tours and other NCV such as motorhomes and caravan holidaymakers. It is our view that without added resilience and confidence that the NIFS can flex to support even incremental growth of Shetland's tourism sector – i.e., more passengers and NCV while balancing community needs – investment in accommodation and other major tourism infrastructure risks being curtailed.

4 Are service needs different at different times of the year?

TS's evaluation of RET on CHFS, published 2020, shows the extent to which the fares policy has driven increased demand, accounting for a network-wide increase of 11.6% in passenger numbers and 20.6% increase in cars carried by 2018.

While RET has resulted in increased demand across all seasons, this has been particularly pronounced during the summer tourist season. 'Major Vessel' routes such as Stornoway-Ullapool, Oban-Craignure, Ardrossan-Brodick and Uig-Lochmaddy/Tarbert have seen significant capacity pressures in the summer. This is the case also on a number of smaller routes. For example, recent studies on the socio-economic case for timetables enhancements on both the Sound of Harris and Sound of Barra – co-funded by HIE, HITRANS and CNES – show that passenger demand is heavily concentrated on the summer months on these ferry services, creating significant capacity pressures.
It is critical that there is sufficient capacity and operational resource within the CHFS network to manage the high season pinch points so that tourism, a cornerstone industry for our islands, can thrive and the travel needs of visitors are not perceived as 'competing' with those of residents and freight users. We welcome ongoing marketing campaigns by Visit Scotland to increase visitors to the Highlands and Islands in the shoulders months and to encourage 'slow tourism'. These efforts should be beneficial in terms of helping to spread some of the visitor demand to less busy times on the ferries network.

In terms of other demand peaks, freight needs on the NIFS service in the autumn is one of the most notable. While there are freight capacity issues all year round, as discussed in our response to Q1 and Q2 above, this is particularly acute during livestock season.

5 Which needs are better met by other modes of transport, e.g. air, where available?

We welcome that through the Islands Connectivity Plan, the replacement to the current Ferries Plan, TS will be looking to take a wider view beyond solely ferries with consideration also to be given to air services, fixed links and onwards connectivity from ferry terminals.

Regarding air services, findings from a HIE Business Panel Survey undertaken last year highlights the important role that air transport plays in supporting local economies. Some 36% of regional businesses were found to be reliant on air transport to some degree. Island communities rely on air travel more than other areas, with around one in five (17%) reliant to a large extent (compared with 6% for mainland businesses). The level of dependence on air was similar for businesses in Shetland (23%), Orkney (20%) and the Outer Hebrides (20%). Where links are available, air travel can provide a significantly faster and more efficient option for business travel than via ferry and road.
However, the cost of air travel is a barrier to its use for many. Responses to the Scottish Government's National Islands Survey (2021) showed that the cost of air travel is an issue. One of the possible measures to address the affordability challenge on air travel would be including business travel within the Air Discount Scheme (ADS), and it is our view that this should be considered by the Scottish Government. The potential benefits would include supporting businesses based in remote areas to access markets and customers, helping aid wider economic recovery. Moreover, an uptick in business travel should help to strengthen the viability of island routes, many of which are continuing to see fragile demand.

In addition to cost, availability and frequency is a common issue for air services to/from islands. As noted in the National Transport Strategy (NTS2): " Many people and businesses in remote and rural communities need to be connected to urban areas, particularly Scotland's cities. However, some remote and island communities face the challenge of residents currently being unable to travel to and from Scotland's cities in the same day while undertaking a day's work" . HIE endorses the position of regional partnership groups, including COHI and HITRANS, that this challenge should be addressed through a commitment across Scotland that communities should be able to access/ be accessed from the Central Belt within 2-3 hours by rail or air and with scheduling and frequency of services that allow a day's business to be undertaken. Such a commitment would open up economic and social opportunities for communities that currently have poor connectivity to Scotland's main cities, helping ensure that all parts of Scotland are able to contribute to economic growth in Scotland.

Through the HIAL-led Sustainable Aviation Test Environment (SATE) project the Highlands and Islands is currently at the forefront in the development and demonstration of low carbon aviation. In time new aircraft technologies have the potential to widen the scope for air services to complement the ferries network in the region. In addition to reducing emissions, the prospect that low carbon aircraft will lower operating costs in the future should ultimately mean more services and lower fares. This will allow regional airlines to better serve island and remote mainland communities in Scotland; enhance the provision and cost effectiveness of essential services; and deliver better value to the public purse by delivering cost savings on essential lifeline services. However, we would emphasise that until these benefits from sustainable aircrafts are realised addressing the affordability and availability of conventional air travel to/from islands should remain a priority.

We would also highlight the potential to improve island connectivity through replacing ferry crossings with fixed links where financially viable and supported by communities. It is welcome that over the past couple of years fixed links are increasingly more part of the discussion for connecting remote communities. There has been sustained benefits to island and rural communities from historic investments in fixed links. To take some examples, the development of bridges at Ballachulish, Kylesku, Cromarty, Kessock, Dornoch and Skye have led to long-term positive impacts for communities. Likewise, the construction of causeways and bridges in the Outer Hebrides (Vatersay, Eriskay, Berneray and Scalpay) has been transformational.

In the region there are fixed link proposals that have had initial appraisal work undertaken suggesting potential economic and demographic benefits. These include previous work looking at a crossing to the isle of Luing and a 2020 study (co-funded by HIE, HITRANS and The Highland Council) examining fixed link options across the Corran Narrows. In Shetland, the economic rationale for fixed links connecting Unst and Yell to the Shetland Mainland has been significantly strengthened by opportunities arising from developing space sector activity and the ORION Clean Energy Project on the outer islands as well as from existing industries such as aquaculture. The Shetland example highlights the need for fixed links to be considered at a national level due to the economic benefit it could derive for Scotland (space, energy and aquaculture) and its potential to help address key structural issues such as depopulation, cost of living and access to key services.

6 How should the Scottish Government support council-run ferry services?

As discussed in our response to Q1, replacement of ageing infrastructure on ferry services operated by Argyll and Bute, Highland, Orkney and Shetland local authorities is a pressing issue in our region. In respect of the intra-island ferry links in Orkney and Shetland, HIE worked with both local authorities, HITRANS and ZetTrans on major reviews of both networks. The reviews identified funding requirements in relation to: firstly, revenue to bring service levels in line with those applied on the CHFS network (applying TS’s Routes and Services Methodology); and secondly, capital needed to replace vessels and associated infrastructure.

We welcome that the most recent Scottish Government Budget has seen an increase in funding earmarked for ferries revenue costs among the four local authorities. But it is our view that there is also a strong case for capital costs to receive consideration in the short term given the serious uncertainty around the viability of replacing ageing infrastructure through currently available funds. We feel it is imperative that a solution is found to the funding challenges so that these lifeline services can continue to provide quality, reliable links that enable small islands and remote areas to have thriving economies and communities.

7 How can ferry users and island communities be involved in decision

making at strategic and operational level?

There are existing valuable forums that focus on CHFS matters. The Ferries Community Board (FCB) has an important function in advocating directly to the CalMac Ferries Board on behalf of ferry users. Ferry Stakeholder Groups (FSGs), which meet twice a year and are administered by HITRANS, provide a critical opportunity for both route-specific and network-wide issues to be discussed. Also, local ferry committees include representation from across their communities and key industries and play a vital role in communicating ferry user requirements and views on service improvements to CalMac, CMAL, TS, ministers, and local authorities. Given the expertise and local insights that the FCB, FSGs and local ferry committees bring together, we feel that these groups can provide a strong basis from which to further develop the influence and involvement of communities in strategic decision making.

B. Institutions and funding

1 What institutional and funding arrangements would most likely deliver service patterns, vessels, and crewing arrangements that meet the needs of current and potential future ferry users?

No comment

2 Can the current tri-partite arrangement (Transport Scotland, Caledonian Maritime Assets Ltd (CMAL), Ferry Operator) for managing most ferry service provision be improved?

No comment on this topic at this point in time. We will however review the TS-commissioned ‘Project Neptune’ report by EY once it is published and consider its findings on this question of whether the current tri-partite arrangement can be improved upon. We understand that there will be public and stakeholder engagement on the report’s findings following publication.

3 Can current tendering arrangements be improved, e.g. through service unbundling?

Again, no comment on this topic at this point in time. We understand that an examination of the pros and cons of alternative tendering arrangements, such as unbundling, forms part of the Project Neptune report by EY, which we will consider following its publication.

4 Can Scottish Government subsidies be better deployed to meet the needs of current and future ferry users?

As discussed in our response to Q5 in Section A, in our view, improvements in the affordability and availability of air links could help to complement ferry services and opportunities to enhance connectivity to islands through new fixed links should be an area of focus.

5 Are current services providing best value for the taxpayer?

No comment

C. Vessels and crews

1 What size and types of vessels are required?

Of foremost importance in deciding the specification of new vessels must be the needs of the people who live and run businesses on islands. It is critical that community groups, industry, local authorities and others are extensively consulted to inform the process, and that the views of the community are fully understood and reflected within the decision-making.

Community needs assessments will be undertaken for each island/route on the CHFS and NIFS networks as part of TS's Islands Connectivity Plan, and we understand that these assessments will be key in informing live and future vessel and port replacement projects. These assessments must be cognisant of not just the current requirements for passenger and freight capacity, but also how planned future developments and activity in local economies will affect demand on vessels.

Regarding vessel replacement options for the two NIFS freighters, although the design and business case are still being developed, it is possible that these new vessels will be 'freight plus' – i.e., freight vessels with the scope for carrying up to 200 passengers, with 60 cabins. Considering both existing capacity constraints and anticipated future demand growth on NIFS, we feel that there is likely to be a strong case for the freighter plus model. This could allow for anticipated growth in demand and better deal with the various pinch points of the service.

2 What type of sustainable propulsion systems (including energy-use and moves to low carbon systems) would meet the needs of ferry services?

Others will be better placed to comment on the different emerging technologies. We would note though that the wider energy supply chain will clearly be key in the journey to decarbonise Scotland's ferries network. In particular, regarding the available supply and affordability of green fuel in the coming years, and how demand from ferries and other transport modes sits alongside demands from other sectors for hydrogen and renewable electricity. The scale of the ScotWind leasing round announced this year – potential generating capacity of 25GW in total with 11 of the 17 awarded sites off the coast of the Highlands and Islands – means that Scotland is likely to have supply to meet increased demand in the years ahead.

Anticipated growth of the hydrogen economy could also be an important driver for areas of the Highlands and Islands to be forefront in hydrogen transport, helping decarbonise ferries, heavy duty vehicles (e.g. buses, trains and lorries) and aviation. There are various key developments planned for the production of green hydrogen that could supply the future needs of various transport modes, including the Green Hydrogen Hub at Port of Cromarty Firth, Flotta Hydrogen Hub in Orkney, ORION project in Shetland, Hebridean Hydrogen near Stornoway, and GreenPower's investment in the Argyll Green Hydrogen Hub.

3 How can we ensure ferries are compatible with harbour facilities?

No comment

4 What type of onboard crew accommodation is required?

No comment

5 Current procurement criteria and processes: what are their strengths and weaknesses? Are they " future proofed" to accommodate new technologies and the need for sustainable low-carbon travel?

No comment

Submission from Scotch Whisky Association

Introduction

The Scotch Whisky Association is the Scotch Whisky industry's representative body. Our 86 member companies, all of whom are distillers, blenders, owners of proprietary brands, brokers or exporters, together comprise around 97% of the industry's distilling and blending capacity. The SWA works to sustain Scotch Whisky's place as the world's premier whisky and consumers' spirit of choice by driving exports and global competitiveness, shaping the sustainable future for the industry and by working to enable the best conditions for the Scotch Whisky industry to thrive and grow.

Twenty-one Scotch Whisky distilleries can be found on nine of Scotland's islands. Islay is home to 10 distilleries and a maltings plant whilst two are located on each of Arran, Mainland Orkney and Skye. Other island distilleries are on Harris, Jura, Lewis, Mull and Raasay.

These islands are not just home to world famous distilleries, they are also home to hundreds of workers who themselves are part of the island communities in which they live. Like the island communities who live and work on the islands, distilleries (Not Skye due to the Skye Road Bridge link to the mainland) rely on the lifeline ferry services. The ferries are an essential part of the industry's supply chain. They are used to bring the materials necessary to produce Scotch Whisky including cereals, yeast, casks, packaging materials and fuel. They transport spirit and by-products to the mainland. They bring visitors who contribute to the island economies, but also workers and materials that are required as the industry continues to invest in new distilleries or maintain or expand existing ones. Despite the critical importance of ferries, like many island users, SWA members have expressed their frustration and concern at the service provided, particularly on the Clyde and Hebrides network. Put simply, the service is holding the industry back which is in-turn holding up growth and development in some of Scotland's most iconic and remote communities.
We have long-called for improvements to vessels, port infrastructure and services. We welcome the opportunity to contribute to this call for evidence. Our comments below largely relate to impacts on the Scotch Whisky industry as a business user of the ferries. Island communities are best placed to provide insights into the impact on the communities.

Call for evidence questions

We have responded to the questions relating to ferry service and provision (section A – Needs). We do not feel qualified to comment on the other themes covering funding and management of ferry service contracts, and vessels. On that last point, we do not recall a public consultation on the design of the four new ferries (including the two committed to the Islay route). We expect the ferries to be designed to offer flexibility, reliability and capacity as well as considering climate change impacts as emissions from ferries fall under our Scope 3 emissions.

What do island residents, businesses, and other ferry users need in the short, medium and long term from Scottish Government-supported ferry services?

Our needs are for a reliable and resilient service that meets current and future demands. Immediate priorities should be to improve reliability and resilience, improve the ability to respond (‘rebound’) following service cancellations, and improve freight capacity – current these services are failing.

In the mid-term, there needs to be better connectivity between different modes of transport, increased capacity to accommodate private vehicles and freight, improved facilities and capacity (including freight parking facilities) at ports, higher frequency of services, and consideration of alternative port locations (i.e. closer to the central belt which is the main location/destination of users.

In the longer-term the focus should be on “sustainable” services – low carbon ferries, connectivity to other low carbon modes of transport; high speed passenger-only services (to allow a reduction in air traffic and to provide a ‘day return’ capability); and, freight-only services. Planning for sustainability should take place now, to enable sustainability to be incorporated in the design of new vessels and major infrastructure (e.g. port) investment.

Are current services meeting the needs and sustainability of island and remote rural communities and businesses? This includes the provision of secure employment for those working for ferry services

No. For the reasons set out previously.

Are current services meeting the needs of mainland communities and businesses, including visitors?

No. Many of the above points are relevant. In terms of visitors, we have heard that many have been put off returning where they have had a bad ferry experience. This will have an obvious impact on island tourism and economies.

Are service needs different at different times of the year?

There is an element of seasonality to tourism, although this has become less pronounced more recently. Business requirements for freight tends to be constant throughout the year.

Which needs are better met by other modes of transport, e.g. air, where available?

Air might offer certain advantages for public transport, but for business freight, there are currently no viable alternatives to maritime. There might be scope for third parties to offer alternative services, perhaps even freight-only on certain routes, but that would be based on commercial factors. Some commercial operators have expressed an interest in offering a commercial freight-only service on some routes, but nothing has so far come forward.

How should the Scottish Government support council-run ferry services?

Link services, such as the Jura and Cromarty ferries provide a vital role, particularly in creating employment opportunities for local people through improved accessibility to workplaces. In addition, they provide increased opportunity for tourism to otherwise, remote locations. Improving the central support to these vital council-run services will ensure they remain sustainable into the future.