

ARGYLL AND BUTE COUNCIL FERRIES

1.0 EXECUTIVE SUMMARY

- 1.1 Argyll and Bute Council currently operate four ferry services. The Scottish Government produced their Scottish Ferries Plan in 2013; this document indicated a willingness to work with Local Authorities to take over the responsibility of ferry services. Argyll and Bute Council has previously confirmed that it was content to consider a transfer of responsibility, based on the principles set out in the Ferries Plan.
- 1.2 Since the Scottish Ferries Plan was produced much work, relating to the Argyll and Bute Council operated ferry services, has been undertaken by Transport Scotland and the Council. The items of work which have been carried out are detailed in this report.
- 1.3 Transport Scotland produced a document entitled 'The Scottish Routes and Services Methodology' (or RSM for short) which outlines a six step process which must be applied to the routes in question. The first four steps in the RSM document have been completed. The last two remaining steps in the RSM process (Steps 5 and 6) are ongoing between the Council and Transport Scotland.
- 1.4 The average net expenditure for Council-operated ferries over the past 6 years is £1,176,578 per annum. The 17/18 grant aided expenditure (GAE) received by the Council from The Scottish Government for ferries is £675,000. Therefore the gap between ferries expenditure and GAE received appears to be in excess of circa £500k per annum.
- 1.5 During a previous phase in the RSM process (in late 2014), a consultation exercise was carried out with the relevant Community Councils. Further consultation, with both Members and affected communities, would be required regarding all of the Council ferries if there was a realistic possibility in future of a transfer of Council ferries to the Scottish Government. Currently, both Orkney Islands and Shetland Islands Councils are having on-going discussions with the Scottish Government and Transport Scotland regarding ferries funding.
- 1.6 It is recommended that Members note the work that has been carried out to date, as outlined in this report, and approve a) the continuation of negotiations with Transport Scotland and b) a move to further consultation with community groups.

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2.0 INTRODUCTION

- 2.1 Argyll and Bute Council currently operate four ferry services. The Scottish Ferries Plan (2013 – 2022) published by the Scottish Government indicated a willingness to work with Local Authorities to take over the responsibility of such ferry services, should a Local Authority so wish.
- 2.2 This report provides some background detail on the process to date between the Council and Transport Scotland on this issue.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members note the work that has been carried out to date, as outlined in this report, and approve a) the continuation of negotiations with Transport Scotland and b) a move to further consultation with community groups.

4.0 BACKGROUND

- 4.1 Argyll and Bute Council are currently responsible for the following four Ferry routes:

- Jura (Feolin) – Islay (Port Askaig)
- Luìng – Seil (Cuan)
- Lismore (Point) – Port Appin
- Easdale – Seil (Ellenabeich)

- 4.2 The Scottish Ferries Plan (2013 – 2022) was published by The Scottish Government in December 2012. With regards to Council operated ferries, the Plan had several commitments and principles including:

- A willingness by the Scottish Government “to work with the relevant Local Authorities to discuss the possibility of the Scottish Government taking over responsibility for services currently provided by them”.
- A Local Authority wishing to transfer responsibility for a lifeline ferry service to the Scottish Government must also be prepared (where necessary) to transfer ownership of the port infrastructure used, e.g. ferry slips*

- The Scottish Government will need to be satisfied that the Routes and Services Methodology (RSM) has been applied to the routes in question and they will only fund services at a level considered necessary after applying the RSM.
- Agreement would have to be reached about the levels of capital and revenue funding to be transferred to the Scottish Government.

** Transport Scotland has suggested that this rule may be open to review. It is likely that the Council will wish to retain responsibility for ferry slip/piers at both Port Askaig and Islay and Ellenabeich at Seil if a transfer subsequently goes ahead in the future.*

4.3 In late 2014/early 2015 a consultation exercise was carried out with island communities to gauge views on the issue. Generally, communities indicated that they were content with the existing service, with requests for some enhancements to their service in terms of later sailings etc.

5.0 DETAIL

5.1 The Routes and Service Methodology (RMS) Explanatory Paper for Local Authorities produced by the Scottish Government included a six step process which is summarised as follows:

Step 1 - Identify the dependencies of the community

Step 2 - Define the ferry service profile that fits the community's dependencies

Step 3 - Define the current ferry service profile

Step 4 - Compare the current and proposed service profiles to identify gaps in service provision.

Step 5 - Propose and appraise options for addressing gaps in service provision

Step 6 - Prioritise options to be taken forward in the short, medium and long term

5.2 Summary of work undertaken to date:-

Since the Scottish Ferries Plan was produced, work relating to the Argyll and Bute Council operated ferry services has been undertaken by Transport Scotland and the Council. The items of work which have been carried out, or are ongoing, are summarised as follows:

- Argyll and Bute Council confirmed that it was content to 'consider' a transfer of responsibility based on the principles set out in the Ferries Plan
- The first four steps in the RSM document have been completed
- The last two remaining steps in the RSM process (Steps 5 and 6) are ongoing between the Council and Transport Scotland.

5.3 Ferry operating costs:-

The average net expenditure (i.e. expenditure less ferry fares income) on the Council ferries over the past 6 years is £1,176,578 per annum. The 17/18 grant aided expenditure (GAE) received by the Council from The Scottish Government for ferries is £675,000. Therefore the gap between ferries expenditure and GAE received appears to be in excess of circa £500k per annum. It is also worth noting that most of

the Council ferries will require replacement over the next few years (indeed several are overdue). The replacement of the passenger only ferries combined will cost circa £400k and the total combined cost of replacement car ferries is estimated at £3.4 million.

5.4 Management of the ferry service:-

Currently, four ferry services are operated by ASP Ship management on behalf of the Council; these services are operated by ASP under two separate contracts – one for the Luing, Easdale and Lismore ferry services and the other for the Islay/Jura service. Both contracts have recently been extended, with end dates of 8 June 2018 and 31 December 2018 respectively.

The Council has intimated its intention to terminate the existing contracts with ASP on the dates outlined above. The Council will then have full responsibility for the safe operation of the four ferry services, including ensuring compliance with current maritime legislation. Currently ASP take on the duties of 'Designated Person Ashore' (DPA). Duties include the following:-

- (a) taking such steps as are necessary to ensure compliance with the company 'Safety Management System' on the basis of which the Document of Compliance was issued; and
- (b) ensuring that proper provision is made for each ship to be so manned, equipped and maintained that it is fit to operate in accordance with the Safety Management System and with statutory requirements.

On termination of the two existing contracts with ASP, the Council will assume the above responsibilities.

5.5 Transport Scotland - consultation with other authorities:-

Currently, both Orkney Islands and Shetland Islands Councils are having on-going discussions with the Scottish Government and Transport Scotland regarding ferries funding. It would appear that, similar to Argyll and Bute Council, both Councils have a gap between ferries expenditure and GAE received. Whilst neither Council, it seems, is considering transferring their ferry services, both Councils are seeking additional funding from the Scottish Government to support their respective ferry services.

5.4 Consultation:-

As mentioned above, during a previous phase in the RSM process (in late 2014), a consultation exercise was carried out with the relevant Community Councils.

Further consultation, with both Members and affected communities, would be required regarding all of the Council ferries if there was a realistic possibility in future for additional sailings and/or transfer of Council ferries to the Scottish Government.

6.0 CONCLUSION

- 6.1 Discussions between Transport Scotland and Council officers, regarding the potential transfer of ferry services, continue. Further consultation with both Members and Community Councils will take place in order to gauge opinion over a transfer of the service.

7.0 IMPLICATIONS

- 7.1 **Policy** Any decision to relinquish responsibility for the operation of the four ferry services will require full Council approval.
- 7.2 **Financial** Financial implications for the Council have yet to be clarified - dependent upon the outcome of discussions with Transport Scotland.
- 7.3 **Legal** The Council would no longer have responsibility for operation of the ferries and some of the related marine infrastructure.
- 7.4 **HR** Three of the four ferry crews are Council employees. One crew is employed by ASP, the Council's ship managers. It's likely that, in all instances, TUPE regulations, would apply.
- 7.5 **Equalities** None.
- 7.6 **Risk** Risks to the Council are financial – dependent upon the outcome of discussions with Transport Scotland.
- 7.7 **Customer Services** A consultation exercise will be carried out with local communities. If the four ferry services become the responsibility of Transport Scotland, the Council will no longer have any involvement in their operation.

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