

COUNCIL OPERATED FERRIES

1.0 EXECUTIVE SUMMARY

- 1.1 Argyll and Bute Council currently operate four ferries at Easdale – Seil (Ellenabeich), Lismore (Point) – Port Appin, Luing – Seil (Cuan) and Jura (Feolin) – Islay (Port Askaig). Luing and Jura are both vehicular ferries with the other two being passenger only ferries. The council's Lismore ferry operates between the north of Lismore and Appin. There is an additional vehicular service operated by Calmac on behalf of Scottish Government/Transport Scotland which operates between Achnacroish and Oban.
- 1.2 Argyll and Bute Council is not a statutory provider of ferry services, the provision of lifeline ferry services is the responsibility of Transport Scotland. Argyll and Bute Council receive some funding through GAE for ferry services, however, currently, there is a shortfall of around £1M for the four Council services which the Council is currently subsidising. Financial data is set out in paragraph 4.7.
- 1.3 The succession of revenue budget cuts over recent years means that the subsidisation of these lifeline services puts increasing pressure on other essential services. Whilst the Council does receive some income through ferry fares, this is not sufficient to fully fund the service hence the £1M shortfall referred above.
- 1.4 In line with the Scottish Ferries Plan, Argyll and Bute Council have been in discussion with Transport Scotland with a view to transferring these four ferry services to Transport Scotland. It is understood that Transport Scotland's contract with Calmac to run their Clyde and Hebridean Ferry Services (CHFS) makes provision for these ferry services to be transferred. The Council has gone through a six stage assessment process to meet the requirements of Transport Scotland for ferry transfer. This information was presented to Transport Scotland in 2017. At a recent meeting, Transport Scotland officials were unable to provide any update on the assessment and confirmed that progress would be further delayed by staff absence.
- 1.5 Last year (2018/19), Orkney and Shetland received £10.5 million worth of support from the Scottish Government for operating island ferry services – a

similar amount has been made available this year (2019/20). Argyll and Bute Council has not received any payment to date.

1.6 It is recommended that the Committee:

- Agree that the council continue to pursue the transfer of ferries to Transport Scotland,
- Agree that transfer should be on the basis of 'no transfer of revenue funding',
- Refer the Committee's decision to Council to endorse their position,
- Consider how this issue should continue to be escalated.

COUNCIL OPERATED FERRIES

2.0 INTRODUCTION

2.1 This report details the four ferry services the Council currently operate at a subsidised cost of around £1M per annum. Financial data is included at paragraph 4.7 below. This report also details the work carried out to date with a view to transferring these ferry services to Transport Scotland who have responsibility for running lifeline ferry services.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee:

- Agree that the council continue to pursue the transfer of ferries to Transport Scotland,
- Agree that transfer should be on the basis of 'no transfer of revenue funding',
- Refer the Committee's decision to Council to endorse their position,
- Consider how this issue should continue to be escalated.

4.0 DETAIL

4.1 Argyll and Bute Council is responsible for the operation of four separate ferry routes:

- Easdale – Seil (Ellenabeich) – Passenger Service
- Lismore (Point) – Port Appin – Passenger Service
- Luing – Seil (Cuan) – Vehicle and passenger Service
- Jura (Feolin) – Islay (Port Askaig) - Vehicle and passenger Service

Average annual passenger / vehicular figures are provided in the table below:-

Table 1 – Passenger / Vehicle Numbers

	Easdale	Lismore	Luing	Jura	Total
Passengers	30,000	45,000	42,500	68,000	185,500
Vehicles			22,500	28,500	51,000

- 4.2 The Easdale and Luing ferries both provide life-line services to those islands from the mainland of Lorn; the Easdale service is a passenger-only service, whilst the Luing service is a vehicular/passenger service. The Jura ferry provides a lifeline vehicular/passenger service from the island of Islay to the island of Jura i.e. an island off an island ferry service.
- 4.3 At Lismore, a separate vehicular/passenger service is operated by Calmac directly from Oban. The Council provides a passenger-only ferry service between Port Appin on the Lorn mainland and the island of Lismore – a proposal to combine both the Calmac and Council services was raised initially in Transport Scotland’s Vessel Replacement and Deployment Plan (VRDP). The 2016 annual report (published in January 2018) states that *‘this is a long-term proposal as we recognise considerable improvements will be required to port infrastructure, public transport and road links. This range of issues will require further work and engagement with the community...’* This issue has not been progressed by Transport Scotland.
- 4.4 Discussions have been ongoing between the Council and Transport Scotland for a considerable number of years regarding the transfer of the four ferry services to Transport Scotland. The rationale for these discussions being that the Council is not a statutory provider of ferry services, this function resting with Transport Scotland. The Council agreed a policy position seeking to transfer ferries to Transport Scotland providing that this could be done at no detriment to the Council in March 2012; at that time, the Council approved the proposal to undertake the Routes and Services Needs Assessment and subsequent Business Case Process that would allow the Council and Transport Scotland to consider the transfer of responsibilities for the four council-operated ferry services.
- 4.5 Transport Scotland asked the Council to complete a six stage process which provided Transport Scotland with the necessary information for them to give consideration to progressing the transfer. This process was concluded in 2017. To date, Transport Scotland have been unable to make any formal response on the submission made.
- 4.6 The Routes and Services Methodology (RSM) Explanatory Paper for Local Authorities produced by the Scottish Government included the six step process which is summarised as follows:

1. Identify the dependencies of the community
2. Define the ferry service profile that fits the communities' dependencies
3. Define the current ferry service profile
4. Compare the current and proposed service profiles to identify gaps in service provision
5. Propose and appraise options for addressing gaps in service provision
6. Prioritise options to be taken forward in the short, medium and long term.

Financial Position

- 4.7 The Council's ferry services operate at an overall loss to the Council. The net annual expenditure in 2017/2018 was £1,690,317. The 2017/2018 grant aided expenditure (GAE) received by the Council from the Scottish Government for ferries was £675,000. There is approximately £1M of subsidy being funded by the Council to these lifeline ferry services when the GAE figure is taken into consideration. Expenditure over the last 3 years is as detailed in the table below:-

Table 2 – Ferry Expenditure / Income

	Financial Year		
	15-16	16-17	17-18
Expenditure	1,612,807	2,076,844	1,952,148
Income	-224,858	-250,100	-258,335
Net Expenditure	1,387,949	1,826,744	1,693,813
Grant Aided Expenditure (GAE)	798,000	754,000	675,000
Net Cost to Council	589,949	1,072,744	1,018,813

- 4.8 The Council has investigated methods of reducing operational costs – this relates to decisions made as part of budget savings cuts put forward in 2017/18. To this end, the Council has employed a member of staff with specialist marine knowledge, to take over management responsibilities from the specialist consultant previously under contract to the Council, ASP Ship Management. To date, management responsibilities for all Lorn-based ferries have now been transferred to the Council. The management of the Jura ferry service has also been transferred to the Council with the staff moving under TUPE. Whilst there is an element of risk in taking over management responsibilities, the Council will continue to operate the four ferry routes as efficiently as possible whilst discussions with Transport Scotland continue.

Future Commitments / The Future

- 4.9 The Council's ferry fleet is an ageing asset; officers are currently compiling a

ferry-vessel replacement plan. There may be an opportunity to upgrade vessels during the replacement process and off-set costs by making savings i.e. by introducing a bow-ramp on the Easdale ferry allowing the Council to provide the island refuse collection service in-house. Replacement costs and the order of replacement is likely to be as outlined in the table below:-

Table 3 – Vessel Replacement Costs

Proposal (subject to future funding)	Estimated Timing	Estimated Costs
Short-term <ul style="list-style-type: none"> • Replace ML Easdale (main Easdale Ferry) • Replace ML Fladda (back-up Easdale Ferry) • Replace ML Torsa (Luing Passenger Ferry) • Replace ML Lismore (Lismore Passenger Ferry) 	2019 / 20 2019 / 20 2019 / 20 2020 / 21	£100,000 £60,000 £60,000 £500,000
Medium-term <ul style="list-style-type: none"> • Replace MV Belnahua (Luing Car Ferry) 	2025 / 26	£1,200,000
Long-term <ul style="list-style-type: none"> • Replace MV Eilean Dhiura (Jura Car Ferry) 	2028 / 29	£2,000,000

- 4.10 The costs outlined above do not currently form part of the Council's capital plan. Other means of funding the provision of replacement vessels are being considered i.e. leasing.
- 4.11 Council Officers and representatives from Transport Scotland held a series of meetings in 2016 and 2017 to consider the potential transfer of Council ferry services. A report was produced which outlined all likely future financial commitments should the transfer take place i.e. enhancement of services, replacement of ferries etc. This report currently sits with Transport Scotland.
- 4.12 As mentioned previously in this report, both Orkney and Shetland Councils have received financial support from the Scottish Government (last year, and again, this financial year). To date, despite providing all necessary information, Argyll and Bute Council has received no additional financial support. Clearly, further dialogue with Transport Scotland is required to address this financial anomaly. In the meantime, Council officers will continue to engage with local

communities.

5.0 CONCLUSION

- 5.1 Work will continue by Council officers to seek ways of reducing costs, by working more efficiently and, more than likely, by increasing ferry fares. From a Council perspective, it seems likely that the cost of providing ferry services will continue to be a burden for the foreseeable future.

6.0 IMPLICATIONS

- 6.1 Policy – The Council's current policy position is that the Council would seek to transfer the four ferries to Transport Scotland providing this can be done in a way that is cost effective to the Council.
- 6.2 Financial – Argyll and Bute Council is currently subsidising lifeline ferries in the region of £1M per annum.
- 6.3 Legal – None known
- 6.4 HR – Should the ferry transfer take place, there will be staffing (including TUPE) implications which will need to be dealt with in line with Council policy and procedure.
- 6.5 Equalities / Fairer Scotland Duty – None known
- 6.6 Risk – There is a risk to existing core Council services should the ongoing subsidy of lifeline ferry services continue to be made.
- 6.7 Customer Service – None known

**Executive Director of Development and Infrastructure, Pippa Milne
Policy Lead, Councillor Roddy McCuish
May 2019**

For further information contact: Stewart Clark, Marine Operations Manager