

22 May 2008

Commissioner Jacques Barrot
Vice-President of the European Commission, in charge of
Transport
European Commission
B-1049 Brussels

Formal Procedure on Aid Payments to Scottish Ferry Operators

The Scottish Council for Development and Industry (SCDI) is an independent membership network that strengthens Scotland's competitiveness by formulating policies to encourage sustainable economic prosperity. Its members are drawn from businesses large and small, local authorities, trades unions, educational institutions and the voluntary sector from across Scotland, including many in the Highlands and Islands and North East.

I am writing with regard to the Commission's decision to launch an investigation into publicly subsidised ferry services in Scotland. I would like to express SCDI's strong concern about the potential break-up of Clyde and Hebrides, and Northern Isles services.

The European Union classifies the Northern and Western Isles, north and west Highlands, and Argyll and Bute as extremely or very peripheral. Their ferry services sustain many communities, enabling access to public services, employment and educational opportunities, carrying people and goods, and supporting sustainable economic growth. Their loss would precipitate further rapid population decline and economic disadvantage.

If the routes are broken-up and re-tendered it is hard not to conclude that there would be cherry-picking of those most likely to return a profit. This would undermine integration of services, economies of scale and the capability of a publicly-subsidised company to operate, improve and promote services on the commercially unviable, but lifeline routes.

It is SCDI's view that essential ferry services to island and remote locations cannot simply be treated like other tendered transport services within the European Union. Indeed, the evidence from other European countries suggests that tendering for ferry services

tends to attract very few bidders and is ineffective in promoting competition.

SCDI welcomes the reported assurances that “regular and affordable” lifeline ferry services for local communities in Scotland are not threatened by the investigation. It understands that when a formal complaint is received the Commission will want to ensure that public funding - in this case to Caledonian MacBrayne and NorthLink - is consistent with the European Union’s competition laws, and to provide legal certainty.

However, SCDI has concerns about the timing and duration of the Commission’s investigation. The Scottish Government is due to launch a comprehensive review of ferry services by the end of the year and a protracted investigation could create uncertainty and deflect attention from the new, more flexible contract specifications and 30-year investment plan which SCDI believes are necessary to drive innovation and transform Scottish ferry services.

The top priority must be meeting the needs of passengers and the economy, creating opportunities for all and enabling higher sustainable economic growth. It should be recognised that where there is currently competition on routes in Scotland, it is working well for consumers, but few routes will support such competition, and the Scottish ferry network must work in the interests of the many people and businesses which it serves.

SCDI would urge the Commission to fully consider the economic and social benefits of the current integrated network and to recognise that substantial public subsidy support is necessary for the sustainability of these essential services. Any changes which are necessary to achieve full legal compliance should be made in this context. SCDI would also ask the Commission to work closely with the Scottish Government to ensure that the Commission’s investigation and Scottish Government’s review are mutually beneficial processes, which maintain community and business confidence. SCDI hopes that together they will lead to a long-term, legally-compliant framework in which levels of service and innovation can be continually improved across the entire Scottish ferry network.

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