

**THE SCOTTISH COUNCIL FOR  
DEVELOPMENT AND INDUSTRY**

**RESPONSE TO THE TRANSPORT, INFRASTRUCTURE AND  
CLIMATE CHANGE COMMITTEE  
INQUIRY INTO FERRY SERVICES IN SCOTLAND**

1. 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.
2. SCDI's comments relate to the Clyde and Hebrides and the Northern Isles ferry services, and the potential for more sea-based public transport on the Firth of Forth and the Clyde. However, SCDI recognises the social and economic value of smaller inter-island and other Council and community ferry services.

**Introduction**

3. The Government Economic Strategy says that the Scottish Government will "accord greater priority to achieving more balanced growth across Scotland" to "ensure the most remote areas of Scotland can contribute to, and benefit from, economic growth". This will require significantly higher economic growth in the regions served by ferry services in Scotland. The latest official statistics show that the Gross Value Added per person for the Highlands and Islands as a whole, Eilean Siar, Orkney and Shetland all lag behind the Scottish average, while the population of Eilean Siar fell by 8 per cent between 1996 and 2006, the largest decline in Scotland. Many areas of the islands and west Highlands are community regeneration priorities. Looking ahead, population projections for 2024 show serious reductions for Eilean Siar (-15 per cent) and the Shetland Islands (-11 per cent), and a smaller reduction for Orkney. New policies and interventions to stimulate economic growth are clearly needed if the Scottish Government's regional equity target is to be achieved. Connectivity will be critical. The European Union classifies the Northern and Western isles, north and west Highlands, and Argyll and Bute as extremely or very peripheral. The promotion of new investment, exporting and employment, educational and other life opportunities will depend on combating this remoteness through radically improved communications and transport networks. Ferry services should have a key role to play, and they are also important employers in their own right.
4. In its response to the consultation on the National Transport Strategy in 2006, SCDI called for ferry services to be "seen as an enabler rather than purely a lifeline". It argued for "a step change...with regard to fare levels, capacity and frequency", with the utilisation of new vessel technology to cut journey times and greatly improve service provision. SCDI highlighted that ferry services

are not only crucial for passengers, but for goods. The freight sector is essential for the efficient running of the economy and SCDI hopes that this inquiry by the Transport Committee will pay sufficient attention to its needs. Action Point 12 of the Freight Action Plan published by the previous Scottish Executive and supported by the current Scottish Government says that, in the review ferry services in the Highlands and Islands, the Scottish government and the Regional Transport Partnerships “will take full account of the freight requirements of businesses and communities. This will lead to targeted service enhancements and revised fare structures within the next tender period.”

5. While ferry services linking Scotland with Northern Ireland or continental Europe are not the subject of this inquiry, SCDI would highlight the opportunities to expand international sea connections and short-sea shipping, and integrate them with ferries serving destinations within Scotland. SCDI welcomes the recent announcement by ZETrans, SEStran, Shetland Development Trust and their Norwegian partner that John White has been appointed to operate a new ferry service (The NORSHUKON LINK project) linking Kristiansund in Norway, Shetland, Rosyth and Zeebrugge. SCDI hopes that its bid for European funding is successful and that the service can be developed in the future with vessels with increased capacity and the inclusion of passenger accommodation and facilities. It remains a significant disappointment that the Rosyth-Zeebrugge ferry service was reduced from two to one boat and SCDI hopes that this reduced service can at least be sustained. The publication of the STAG appraisal of a Campbeltown-Ballycastle ferry service this summer will hopefully demonstrate the route’s economic viability. SCDI has suggested that West Coast ferry services to Ireland might feature as a nationally significant project in the next National Planning Framework.

**Ferry routes** – how useful are current ferry routes and what potential is there for new routes?

6. There have been few substantial changes in ferry routes over the last 30 years. While the current services generally seem to serve the needs of their existing users, Highlands and Islands Enterprise (HIE) and HITRANS have identified a body of evidence of suppressed demand, including the potential for much higher usage of new transport options than were projected. This strongly suggests that previous STAG appraisals of new investment in infrastructure and services inadequately capture the potential demand and that the true economic advantage of developing improved services, reduced fares and fixed links have to be fully reflected in the assessment of future investment options. SCDI believes that the STAG process should be reconsidered to ensure that these aspects are appropriately modelled in the future.
7. The Scottish Government’s intention to carry out a comprehensive review of ferry services is therefore welcome. SCDI believes that this should aim to put in place a 30-year investment plan aligned with the Government Economic Strategy, National Planning Framework 2, Strategic Transport Project Review and Infrastructure Investment Plan. Clearly, the review should consider whether the existing ports are in the optimum position, the integration with the wider transport network and dry dock facilities, and indeed whether ferry

services represent the best means of access for short crossings. There may be other opportunities to maximise the benefit of investment e.g. Scottish wave energy technology is currently being incorporated into new port developments in suitable locations in Spain.

8. Greater innovation within the period of the Clyde and Hebrides', and Northern Isles' contracts should be encouraged. SCDI supports the introduction of a route development fund as a means of stimulating and testing the demand for a new service. The procurement of a new ferry or infrastructure should be seen as an opportunity to look closely at the route, vessels, frequency and timetabling, not simply to replace like with like. Good examples are the community-led proposals to develop a new terminal on Kintyre towards the entrance to West Loch Tarbert for the Islay service and to introduce a new vehicle ferry service or fixed link at the north of Lismore. The latter is now subject to a STAG appraisal. Constant dialogue and early consultation with communities and industry are important parts of this process. Operators should consider the likely future needs of the economy. For instance, Scotch Whisky distillers on the islands are looking forward to a period of strong and sustained growth, and the industry understands that new distilleries may be developed on islands where none exist at present. Ferry services will be essential in getting these products to market, but capacity constraints have already disrupted the operations of some distillers on Islay. The ferry operator has reacted positively, but an agreement on the way forward took some time and further timetabling changes may be necessary. This has led to calls for the consideration of a new, direct freight service between Islay and Glasgow. Another specific suggestion from hauliers is for a link between Arran and Argyll, via an enhanced Lochranza-Claonaig route.
9. The review of ferry services should consider the views of individuals and businesses, as well as factors such as access to public services and the wider needs of and opportunities for the regional and national economies. SCDI welcomes the HITRANS, HIE and ZETtrans 'Origin and Destination Study' of passengers and freight operators using the Clyde and Hebrides ferry services and the Northern Isles ferry services and air services. The Aberdeen route is economically important for both the Northern Isles and the North East of Scotland, and for several of Scotland's priority industry sectors. Key economic links include oil and gas, fishing, food and drink, and tourism. Looking forward, the nascent marine energy industry in the Northern Isles is seeking to draw on the world-leading subsea technologies and expertise which have been developed by the energy industry in Aberdeen. In addition, there are strong educational and cultural ties between the City of Aberdeen and the Northern Isles. Aberdeen Harbour Board and the Scottish Government have recently invested in a new ferry terminal and livestock facilities at Aberdeen which have resulted in significant improvements for ferry users. SCDI understands that many businesses in the Northern Isles have welcomed the enhancements to the Aberdeen service in recent years. One SCDI member in the food industry on Orkney told us that it had "never been better". SCDI is supportive therefore of Aberdeen as the mainland port for Northern Isles ferry services.

10. The potential of estuarial services has been largely unexplored for too long in Scotland. The success of the Kirkcaldy-Portobello hovercraft service pilot by Stagecoach, which was used by more than 32,000 passengers, illustrated that they could have a significant role to play in an integrated transport network, help to tackle climate change and bring other economic and tourism benefits. Glasgow City Council, SPT and Riverside Inverclyde have also recently initiated a three-day hovercraft passenger service on the River Clyde. SPT have in addition just completed a valuable study into the development of a riverbus on the Clyde. If the potential of water-based public transport for commuting to Scotland's biggest cities is to be realised and road congestion reduced, these pioneering developments need to receive the appropriate level of early assistance from national and local government. Following its trial, which was supported by SEStran, Stagecoach said that "a clear business case exists for establishing a permanent service between Kirkcaldy and Leith". It has also identified other potential routes, some of which would link to the Edinburgh Tram Network. Given the national importance of the route, the congestion on and condition of the current Forth Road Bridge, and the time it will take to build the new Forth crossing, some further government support to introduce permanent services on both rivers would seem to be in the public and economic interests. SCDI was therefore disappointed that a lack of clarity over future public sector involvement and financial backing of the Forth proposal has led to Stagecoach halting its development work.

**Frequency and timetabling of services** – are ferry services run at times which are convenient to ferry users?

11. The current timetabling of Clyde and Hebrides ferries often does not allow people to access employment opportunities in other locations. Ferries services may start too late and/ or finish too early. Hauliers would also like the summer sailing timetables extended into the winter schedules on some routes such as Arran-Ardrossan and Oban-Coll/Tiree, and increased services on Arran-Tarbert in the winter. The frequency and timetabling of services could be improved through addition vessels and faster vessels. Comhairle nan Eilean Siar and Highlands and Islands Enterprise published a report which recommended a summer only fast ferry service between Stornoway and Ullapool, with the existing vessel handling freight traffic. SCDI understands that investigations are planned to establish the suitability of a catamaran for routes over the Minch. The night freight ferry to Stornoway is felt by some SCDI members to be inadequate. It does not sail in a relatively slight swell when a better vessel could make the trip. Its arrival time of around 8.30 is also felt to be too late to meet business needs on the island, with 7.00 preferred.
12. While the focus of improvements in ferry services must be aimed at the needs of users and particularly island interests, it is recognised that extending the hours of operation for services would entail a revision of crewing regulations and it is essential that health and safety standards are not compromised. Introducing additional vessels would also mean the recruitment of more staff and there is currently a shortage of qualified seafarers. National initiatives are needed to promote seafaring careers and invest in their skills.

13. The current frequency and timetabling of the Northern Isles ferry services seem to be generally regarded as meeting their passengers' needs. The exception is the later sailing from Lerwick which is delayed because Shetland fish producers want to export a full day of production. Passengers travelling to Orkney via Shetland to Aberdeen would prefer it to leave earlier in the day.
14. The frequency and timetabling of services should be flexible enough to accommodate changes in demand. More flexibility for the operators would enable them to better respond to seasonal and growth industry needs. As has already been mentioned, island distillers are investing in new facilities and producing more Scotch Whisky for export which may require further changes to the timetabling of services. However, a balance has to be struck with other users' needs and integration with other transport modes maintained, the outcome of increased demand should be improvements in the services provided.
15. Hauliers have highlighted that there can be insufficient time allowed to unload a vehicle and return on the same ferry, which impacts on their productivity.
16. The debate around 7-day ferry services to Lewis and Harris has strong views within the community on both sides. While respecting the deeply-held convictions of those opposed to Sunday sailings and hoping that any changes would take place in consultation and with the approval of islanders, SCDI believes that ultimately this is a matter of choice. If there is sufficient demand from people and businesses for a Sunday service, then they should have that option. Evidence from other islands has shown that there would undoubtedly be economic, employment and social benefits, and many tourism and hospitality businesses support such a service. A 2006 report by Fisher Associates for Comhairle nan Eilean Siar estimated that it would raise output in the local economy by £4m over 10 years and contribute to 19 Full Time Equivalent Jobs. It would also help to address capacity issues arising from the introduction of Road Equivalent Tariff (RET) and optimise the benefits.

**Capacity** – is there sufficient capacity on routes to meet the requirements of ferry users?

17. At present, there is usually sufficient capacity on most of the routes other than in the peak summer period. Many ferries operate under capacity during winter, while there are waiting lists for some during summer. However, there is some evidence that the increased availability of direct flights into Scotland and development of more year-round attractions is expanding the tourism season. Visitors on city breaks would often like the opportunity to visit an island distillery. There must also be sufficient capacity to promote and accommodate the anticipated increase in this and 'ancestral tourists' for the Homecoming Scotland celebration throughout next year.
18. If demand has indeed been suppressed, then the Scottish Government's decision to pilot and subsequently roll out a RET scheme from 2011 may have implications for capacity which require additional sailings and, in the longer term, larger or faster ferries. SCDI welcomes the RET pilot to the Outer

Hebrides. The evidence suggests that current costs have been a serious burden to islanders and visitors, and a dead-weight on the economy. The costs to commercial traffic have been a disincentive to businesses transporting goods to the mainland and onwards markets in Scotland and the rest of the world. Any adverse affect on the capacity available for HGVs as a result of increasing demand from car users should be carefully monitored and avoided. It will be important for Comhairle nan Eilean Siar, Argyll and Bute, HIE, VisitScotland and businesses to maximise opportunities.

19. SCDI recognises that the duration and scale of the RET pilot will enable a full analysis of its economic impact, but it is concerned that the length of study may disadvantage other islands and there is a lack of clarity about how it would be applied to them. SCDI has welcomed the concessionary fares scheme on Shetland routes, but the overall costs are still the highest of any route. SCDI urges the Scottish Government to pilot extended concessionary schemes for Argyll and Bute, Highland, North Ayrshire and the Northern Isles over the same period as the RET pilot for Eilean Siar to ensure that their economies do not suffer and to allow fair comparison between the alternative models.
20. The supply of fuel oil and other commodities is vital for island life and the smoothing functioning of their economies. The problems experienced last year with deliveries to Islay, Jura and, to a lesser extent, Orkney, disrupted distilleries and other businesses. They demonstrate the potential need for further and more modern shipping capacity and the upgrading of associated infrastructure. Highlands and Enterprise and HITRANS' "Bulk freight shipping study" suggested that a small, general cargo vessel could be procured by the Scottish Government to import bulk commodities to the islands.
21. SCDI believes that the Scottish Government should consider further investment in modern vessel tonnage for the freight-only vessels between the Northern Isles and Aberdeen. While the freight capacity is generally reasonable at present, the livestock season and the tourist season (which creates extra demand from hoteliers and caterers) are particular exceptions. This investment would remove restrictions on some commercial vehicles on the current vessels, improve reliability and allow for future growth. The new vessels should also have limited passenger capacity. This would help to meet peaks in demand which puts pressure on cabin capacity, for example during the school holidays, and mitigate any shortfall when one of the passenger vessels is being refitted or - as is about to take place - is temporarily switched to cover the Pentland Firth route while its regular vessel goes into dry dock. Lack of adequate bulk delivery facilities and resultant modal shift would place a serious additional capacity constraint on existing ferry services.

**Integration with other transport modes** – how well does this work in practice?

22. Efficient access and integration with the road and rail network to facilitate the intermodal transfer of goods and passengers and encourage greater international connectivity is a major issue. There are strong links between

transport and planning. Unfortunately, planning decisions in Scotland have regularly failed to support transport integration. For example, rail freight facilities in Aberdeen were moved from near to the port to Craiginches and Raiths Farm (Dyce) to allow for the construction of a shopping development.

23. A 30-year plan is needed. There is the potential for hubs to be developed - either at existing ports or on new sites - alongside the introduction of larger or faster ferry services, and improved transport infrastructure on land. This should be informed by the multi-modal freight hubs study which is Action Point 2 of the Scottish Government's Freight Action Plan. For example, the Western Isles spinal route could be fully upgraded to a modern two-lane carriageway, and fixed links built between some islands, and some islands and the mainland. This would allow the consolidation of existing ports and services, while improving service frequency and overall journey times for all ferry users. Thorough research, consultation and piloting would be needed.
24. There has been some significant work in recent years to improve some multimodal interchanges in the west of Scotland, in particular at Gourrock.
25. Evidence has been presented which shows that ferry services can be poorly integrated with other public transport services. While the seasonality of demand, infrequency of service, timetabling changes between summer and winter, and variable franchise conditions between modes can impede the integration of timetabling with other transport modes, there must be scope to better join up journeys. Transport operators should work out their timetables in concert with each other and in close consultation with people and businesses in the communities. There should be some flexibility at specific locations. SCDI welcomes the proposal by HITRANS to hold regular meetings between service operators across modes to overcome service integration issues.
26. The introduction of RET may create additional pressure on road and rail links, particularly the A82, the A9 and the West Highland Line. It would have been preferable to know more about the impact of RET before the completion of the Strategic Transport Projects Review. However, the likely increase in traffic should further strengthen the case for significant investment on these routes.
27. The Scottish Government should encourage more freight handlers to utilise rail freight and promote modal shift where possible. Aberdeen Harbour's new rail-freight facility will be operational in early 2009 and, taking advantage of the recently-completed Mossend-Elgin rail freight gauge enhancement, this will provide a major new opportunity for the integration of freight transport links between the Northern Isles, Aberdeen, central Scotland and beyond.
28. Short-sea shipping of freight represents another opportunity to reduce congestion on Scotland's roads network, but again good quality links to ports and harbours are required. Concerns have been raised with SCDI about the operation and effectiveness of the Waterborne Freight Grant, and improvements to the process would also help facilitate road to sea modal shift.

29. As with the railways, passengers deserve the highest quality facilities and information on their journeys. Small scale improvements can often make a big difference. For example, NorthLink have taken steps to improve the information to passengers about potential weather disruptions to their services into Aberdeen. SPT and CalMac operate a number of integrated, multimodal ticketing options which are especially important for attracting visitors to island and peninsula communities. SCDI would like to see more of these options throughout the transport network and for government to investigate a means of encouraging engagement by bus operators who are currently so constrained by interpretation of the competition regulations.
30. The lack of convenient public transport and taxi connections at Aberdeen ferry terminal remains a barrier to integration. NESTRANS and Aberdeen City Council have investigated whether they could fund a shuttle bus service, but found the costs to be too expensive, a position which is unlikely to change. Such a service would be of general benefit of passengers. There is a proposal that the cost of its provision should be included in the franchising process and passed onto passengers through their tickets. This is supported by SCDI.

**Competition** – how has this affected ferry services?

31. SCDI notes that the European Commission has just launched a formal investigation into whether public funding to CalMac and NorthLink is consistent with state aid and competition law. It has stressed that the future of the lifeline ferry services is not under threat and that the investigation is about ensuring their full compatibility with EU law and providing legal certainty.
32. The top priority must be meeting the needs of passengers and the economy. Where there is competition, the evidence suggests that it can work in the interests of passengers and businesses. Western Ferries and Pentland Ferries both successfully compete with and complement the public sector operator on individual corridors, helping to reduce prices and add more capacity. The freight only service operated by Streamline on the same routes as NorthLink between the Northern Isles and Aberdeen has also ensured competition on them.
33. However, the evidence from other European countries suggests that tendering for ferry services tends to attract very few bidders. The focus for the Scottish Government should not be, therefore, trying to generate more competition simply by tendering services. Alternative ways should be found to promote innovation. CalMac and NorthLink are presently too tightly constrained in the changes that they can make. Route development funds and rewards for service improvements and efficiency gains should be considered. The recent franchise extension for First Scotrail may provide a template. If the Scottish Government decides that it must continue to tender ferry services it should seek to avoid defining the process so tightly that any innovation is stifled.
34. Extra, larger and faster ferries may increase greenhouse gas emissions if introduced albeit from a low base. The review of ferry services should also consider the role of complementary air services on the same routes and their

relative pricing and environmental impact. SCDI strongly supports the Scottish Government's Air Discount Scheme and reducing fares for ferry users. However, given concerns about current carbon emissions from travelling, use of the more environmentally friendly mode should be encouraged and pricing structures should send the right signals to travellers.

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