



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 26 September 2018

Session 5



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Wednesday 26 September 2018

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
PRE-BUDGET SCRUTINY 2019-20	4

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

24th Meeting 2018, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Gail Ross (Caithness, Sutherland and Ross) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)

*John Finnie (Highlands and Islands) (Green)

*Jamie Greene (West Scotland) (Con)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

*Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jim Anderson (Caledonian Maritime Assets Ltd)

Angus Campbell (CalMac Community Board)

Robbie Drummond (CalMac Ferries Ltd)

Kevin Hobbs (Caledonian Maritime Assets Ltd)

David McGibbon (CalMac Ferries Ltd)

Rob McKinnon (Outer Hebrides Tourism)

Roy Pedersen

Ranald Robertson (Highland and Islands Transport Partnership)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 26 September 2018

[The Convener opened the meeting in private at 09:00]

10:08

Meeting continued in public.

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning and welcome to the public part of the 24th meeting in 2018 of the Rural Economy and Connectivity Committee. I ask people to ensure that their mobile phones are on silent.

Agenda item 2 is a decision on taking business in private. The committee is asked to consider whether to take item 4, which is consideration of our work programme, in private. Are we agreed?

Mike Rumbles (North East Scotland) (LD): No, I do not agree. Every time we have moved into private session I have given my agreement. I do not want to give my agreement again, because I think that the work of the committee over the past two weeks has been undermined by one member and we can have no belief that our meetings in private session will not continue to be undermined.

It is not that there has been a leak from the committee, as reported in the press, but the committee's work in private session has clearly been misrepresented—with personal attacks on you, convener, for a start. Although I am sure that you are the most aggrieved member of the committee, I am aggrieved as well, because I read those reports in the press that were clearly from a member of our committee and there was a grain of information in them that was private, even though the spin put on it was not true.

We have had no commitment from the person responsible that it will not continue to happen. It has completely undermined the work of the committee in private session, because people out there read what appears in the press and that is what they think we are doing in private session, which is not true. I would prefer that we took all our business in public, so that the public can be assured that what we are doing is completely bona fide, right and appropriate. If we continue as we are, that person on the committee will, in my view, continue to undermine our work.

The Convener: Thank you, Mike. I take note of your comments. I will take very short comments and then, because a member of the committee has not agreed to take item 4 in private, we will need to go to a division on that. I will observe that there are matters under item 4—our work programme—that I have given a personal undertaking as convener of the committee will not be made public until we have had a chance to consider them, so it would be inappropriate not to take the item in private.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I reinforce what the convener said about the practical point that there are matters in the private paper relating to our work programme that have been shared with us in confidence and are not yet a matter of public record. They may turn out to be preliminary and subsequently be changed. It is extremely helpful that people give the committee information to help it plan its work, and we cannot discuss the paper that is before us in public. If the committee were to conclude that the item should be discussed in public, that paper would need to be withdrawn and the parts of it that were shared in confidence removed. We cannot discuss the paper in public without the paper becoming public, and we cannot publicise the paper. Notwithstanding any of Mike Rumbles's comments on other matters, in this particular instance, we cannot discuss the paper in public.

Jamie Greene (West Scotland) (Con): I have sympathy for Mr Rumbles's position, but committees in the Parliament must and should be able to meet in private to discuss a wide range of matters. However, I impress on all fellow members of the committee that anything that is discussed in private should stay private.

John Finnie (Highlands and Islands) (Green): As someone who wants to see as much openness and transparency as possible in all our deliberations, I think that it is important to say to anyone who is listening to this meeting that it is on rare occasions that we meet in private, but when we do it is to discuss the merits of evidence and come to a consensual point of view. That consensus and our ability to speak freely will be curtailed if anyone breaches that confidence, which would be very disappointing. Most importantly, if there is an agenda behind this—and I am not convinced that there is—the work of the committee will be frustrated if we do not go into private session. I encourage the committee to continue the collegiate nature of all our undertakings thus far. We should go ahead and consider the important matters of our work programme in private.

The Convener: Mike, you have heard the views of the committee; do you wish to hold to your position on not taking item 4 in private?

Mike Rumbles: I hear what everybody is saying, but I genuinely think that the work that we have done in private session has been deliberately misrepresented by a member of the committee.

If we ignore that or continue to operate as we have done before, nothing will stop that person behaving in that way. If it had happened just once, I would be inclined to agree with members, but it has happened twice in two weeks. The member has not indicated to me that he will not continue such behaviour. I want to press the decision to a vote.

10:15

The Convener: I have heard a cross-section of views. The proposition is, that item 4 be taken in private. Are we agreed?

Members: No.

The Convener: There will be a division.

For

Chapman, Peter (North East Scotland) (Con)
 Finnie, John (Highlands and Islands) (Green)
 Greene, Jamie (West Scotland) (Con)
 Lyle, Richard (Uddingston and Bellshill) (SNP)
 Mason, John (Glasgow Shettleston) (SNP)
 Mountain, Edward (Highlands and Islands) (Con)
 Ross, Gail (Caithness, Sutherland and Ross) (SNP)
 Smyth, Colin (South Scotland) (Lab)
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)

Against

Rumbles, Mike (North East Scotland) (LD)

The Convener: The result of the division is: For 10, Against 1, Abstentions 0. The committee has agreed to take item 4 in private.

Pre-budget Scrutiny 2019-20

10:16

The Convener: Item 3 is evidence from two panels on investment to support the Clyde and Hebrides ferry services. First, we will hear from CalMac Ferries and Caledonian Maritime Assets Ltd, which run the services and own the ferries and the infrastructure. The committee will then take evidence from transport, tourism and community stakeholders.

I welcome from CalMac Ferries Robbie Drummond, managing director, and David McGibbon, chairman, and from Caledonian Maritime Assets Ltd, I welcome Kevin Hobbs, chief executive officer, and Jim Anderson, director of vessels. We have a series of questions—*[Interruption.]* I am sorry; I was about to cut off Robbie Drummond in his prime—I was so keen to get to the questions that I failed to give the witnesses the opportunity to make a short opening statement of three minutes. Would Robbie Drummond like to lead with a statement of three minutes or less?

Robbie Drummond (CalMac Ferries Ltd): Thank you. When I appeared before the committee in May, I outlined CalMac's responsibilities to deliver our contract for Transport Scotland. Increased clarity about who is responsible for each aspect of ferry services has enhanced the quality of the debate among communities about the challenges that we face. One of the main challenges is managing the impressive growth in carrying numbers that we are experiencing across the network. That growth has been enormously positive for communities, but it has placed additional pressure on our fleet, which is already working to the limit of its capacity.

I will provide some context. In the five years to 2017, the number of cars that we carry annually grew by 37 per cent, to 1.4 million, and passenger numbers rose by 17 per cent, to 5.2 million. Those were record carryings for CalMac, and the growth trend has continued in 2018. During the peak months of June, July and August this year, traffic grew by a further 4 per cent, which equates to more than 16,000 additional vehicles and 80,000 additional passengers in those three months.

Those additional volumes, combined with the delivery of a much higher number of sailings to deliver Transport Scotland's ferries plan, are placing more and more pressure on our services, our vessels and—most importantly—our staff. Managing higher volumes and more sailings has significantly reduced our capacity to manage disruption, which is inevitable from time to time, given the fleet's average age.

We regret every instance of disruption, as we know that lives and businesses are inconvenienced. However, our record bears out a commitment to working with communities and local stakeholders to manage and minimise disruption and to explain clearly what is wrong and what we are doing about it.

It is impossible to overstate the importance of lifeline ferry services to the long-term economic sustainability of remote and vulnerable island communities, and we very much welcome the committee's interest in the Clyde and Hebrides ferry services. As a business, we are working hard on short and medium-term measures to improve our fleet's technical resilience. Those measures include in-service maintenance teams, preventative maintenance regimes and targeted investment to keep vessels in full running order.

However, communities want to understand the long-term strategy for ferry services and the impact that that will have on them. We are committed to working collaboratively with Transport Scotland and the communities that we support to determine the best strategy for the future.

From an operator's perspective, standardisation of port infrastructure and ferry design to allow better flexibility in the deployment of the fleet would improve our resilience and reduce operating costs. Any future strategy must therefore also address trust, local authority and private ports, to which we pay millions of pounds in berthing fees.

We welcome the committee's focus on accessibility, because it is important to invest in facilities that enable ferry services to be used by all sections of the population. That is not easy with ageing assets, but CalMac is absolutely committed to doing everything we can to support our customers who might require additional assistance.

The Convener: Thank you, Mr Drummond. We will now hear from Kevin Hobbs.

Kevin Hobbs (Caledonian Maritime Assets Ltd): I am the chief executive officer of Caledonian Maritime Assets Ltd, and I am accompanied today by Jim Anderson, our director of vessels.

As the committee will be aware, Caledonian Maritime Assets Ltd—which is more commonly known as CMAL—is 100 per cent owned by Scottish ministers. Transport Scotland, our sponsoring body, is represented by the head of the ferries unit, Graham Laidlaw.

As an organisation, CMAL has responsibility for ferry assets for the Clyde and Hebrides ferry services, which are known as CHFS, and the northern isles ferry services, known as NIFS. Based in Port Glasgow, it has 31 employees, and

that small professional team shows great dedication and commitment to supporting the lifeline services that our ferries provide. Our board comprises four non-executive and four executive directors.

As our name implies, we are the owner of the maritime assets. CMAL does not operate the ferries; the day-to-day performance of the vessels is undertaken by commercial operators under public service contracts awarded by ministers. A total of 31 vessels currently operates in the CHFS network, and those vessels are chartered to the operator, CalMac.

A total of five vessels operates in the NIFS network, three of which are owned by CMAL and were purchased in April. The other two have been bare-boat chartered from a third-party company called Fortress and then sub-chartered to the operator, Serco NorthLink Ferries.

In addition, we own 26 port facilities on the west coast that support the CHFS network. The number of harbour facilities on the west coast totals 51, which means that we have responsibility for just over 50 per cent of the total, and the harbours are operated by CalMac under a harbour operating agreement. We work closely with Transport Scotland, and we are in many instances its professional and trusted advisors within our specialist area of expertise.

Under its financial memorandum, CMAL is not permitted to borrow money from any organisation other than the Scottish Government without prior permission, but we have a number of funding streams that can be placed into three main categories. The first is our revenue stream. CMAL as asset owner receives bare-boat charter revenues—essentially lease payments—from the CHFS and NIFS ferry operators. We also receive harbour dues from the CHFS operator, and there are some minor revenue streams from third parties such as cruise vessels, fish landings and property leases.

Secondly, CMAL receives voted loans from the Scottish Government to purchase vessels, either new builds or second-hand tonnage, in accordance with long-term fleet renewal plans. The funds that have been borrowed, plus a small interest rate, are paid back to the Government throughout the life of the vessels. Indeed, such voted loans have financed the two vessels that are under construction at Ferguson Marine. The single exception is the vessel MV Loch Seaforth, which was financed by Lloyds Bank and delivered into service in 2014 under a leasing structure.

The third stream is grant in aid for harbours. Typically, grants that we receive from the Government have an intervention rate of 75 per cent of the capital project value. The other 25 per

cent of the funding comes from the CMAL revenue streams that I have previously mentioned, and the grants are not paid back to the Government.

We hope that that gives you a brief outline of our role and responsibilities. We are now at your disposal to answer questions on Government investment in the Clyde and Hebrides services.

The Convener: Thank you, Kevin. We will now move to questions from committee members. I think that it would be easiest if members could direct their question at the person whom they want to answer it, and I am also sure that committee members who wish to declare interests before they ask their questions will do so at the appropriate time.

I think that John Finnie has the first question.

John Finnie: I have two declarations to make that are relevant to our deliberations. One of the witnesses on the second panel, Mr Roy Pedersen, is a personal friend and I am a member of the RMT—National Union of Rail, Maritime and Transport Workers—parliamentary group.

I want to ask about network “resilience”, a term that was used by Mr Drummond. Do you think that the current level of investment is being used effectively to ensure that?

Robbie Drummond: One way of answering that is to provide some evidence about where we are now. The level of technical breakdowns across our fleet and how we manage that is something that we work on every day. Our challenge is that it is much harder to cope with those breakdowns and disruptions, whether they are technical or weather related, than it was in the past because of the huge number of passengers that we now carry and the additional sailings that we make.

In the past we had a bit of headroom, either on sailings or with spare vessels, which gave us the ability to cope with some of the disruptions. It is much harder for us now because we have no spare assets and our fleet, systems and staff are working at absolute capacity just to manage the normal scheduled services. Coping with those breakdowns is more difficult to manage than it has been in the past.

John Finnie: Are you unhappy with the level of investment?

Robbie Drummond: The challenge for us is that we are managing the service as best we can with the assets that we are provided with. Looking at the investments, two new vessels—801 and 802—were due to be in service this year. That would have provided enormous new capacity for us and improved our resilience. It would have put in place two larger vessels that were new, resilient and offered different capacity, and it would have allowed us to do a cascade through the fleet that

would potentially have freed up a vessel to be a spare that could have been deployed in the event of any disruption.

Clearly, that has not happened and we are as disappointed as our communities that it has been delayed; if that investment had happened on time, it would have made a significant difference. If we add to that the new Islay vessel that is due, those three new vessels together would make a significant difference to the resilience of our fleet.

It is not just about vessels. We are also looking at resilience at ports. Some of the challenge is that the ports were designed pre-road equivalent tariff, and we are facing significant capacity problems in managing normal timetabled services. When there is disruption, whether it is technical or weather related, managing the effect of that on the port—marshalling cars and managing passengers—is much more challenging than it has been in the past.

John Finnie: Okay. Would Mr Hobbs care to comment on the level of investment and whether it provides sufficient resilience?

Kevin Hobbs: In our professional opinion, there has been underinvestment. I say that up front, but I must balance that by saying that I would not like to be in the shoes of any Government with limited funds at the moment, because choices have to be made. We live in the bubble of ferries—that is what we are employed to do. However, the need for funds for ferries has to be balanced against the need for funds for things such as justice, education and health, so we are in a difficult place.

The costs of running the services in the past 10 years have been widely reported, and there has been investment of more than £1 billion. In that 10-year period, CMAL has had about £150 million-worth of vessel investment, which includes the investment for the vessels that are currently under construction, and we have had harbour investments of about £50 million from the Government. As I mentioned earlier, that has been topped up with another £35 million from our own revenue streams.

Broadly, there has been investment of about £200 million, which is only 20 per cent of the £1 billion that has been invested in the infrastructure for which we have responsibility. There has been other investment in trust ports and other assets, but we have no visibility of that. In other words, £800 million has gone on the subsidised services and £200 million has been invested through CMAL.

With regard to the asset base, replacing all 31 vessels today plus the two that are coming on stream would cost in the region of £850 million. The full life of a vessel is about 30 years, which indicates that about £30 million should be invested

in vessels per year—we have received about half of that.

10:30

We have analysed our port infrastructure; over a 10-year period, in our professional opinion, we need about £200 million. Some of that would come from our revenue streams, of course, and the rest would come from Government. Taking the numbers that I cited earlier, £50 million plus £35 million is £85 million—that comes to £8.5 million per year, on average—and we are saying that, in the future, it should be £20 million.

Overall, if we add the vessel investment over the past 10 years to the port investment, the figure is significantly lower than we would like it to have been. On average, it has been £23.5 million a year, and our professional assessment is that it should be about £50 million a year.

The Convener: That was quite a long answer.

John Finnie: Will you look forward and touch on future investment? I will wrap in another question: how will that tie in with the Scottish Government's vision of the islands as vibrant places that sustain communities, as laid out in the Islands (Scotland) Act 2018? I know that Mr Drummond had some input to that.

Robbie Drummond: I refer back to my opening statement. It is important to work on the future strategy for vessels and ports, and we are prepared to play a part in that. That strategy must look at where we are seeing much higher volumes and the islands' aspirations for their economies. The communities must come together to work through what that future strategy needs to look like if they are to be able to secure the economic sustainability that the islands want.

John Finnie: Are you highlighting a tension between the growth in capacity and the implications for island communities?

Robbie Drummond: That is the tension. In the past, we have been able to manage weather and technical disruptions. Although the level of disruptions now is not significantly different, their impact is much greater than in the past because the vessels that are impacted are full. That means that, when they are cancelled, it is much harder to deal with the level of disruption. That pressure on our systems, staff and vessels is creating the drive to consider what the future strategy needs to look like.

John Finnie: I have a very quick question for Mr Drummond about the 1,000 people who are employed. Do you have responsibility for Caledonian MacBrayne crewing?

Robbie Drummond: Yes.

John Finnie: Why is the company registered in Guernsey?

Robbie Drummond: We employ 1,700 people across the David MacBrayne group, the majority of whom deliver the CHF service.

John Finnie: Is the company registered in Guernsey?

Robbie Drummond: Yes. It is part of the group and it is registered in Guernsey.

John Finnie: Why?

Robbie Drummond: It is registered in Guernsey because that saves on national insurance. The scheme in question is a Government-sponsored scheme that allows British seafaring companies to compete. That is in the public domain; the situation has been the same for a long number of years.

John Finnie: Indeed. Thank you very much.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): The fact that you have a record number of passengers is a good-news story, and I presume that it means record profits. It would be interesting to receive, after the meeting, a list of the ferries and their ages, because there has been underinvestment in ferries not just in the lifetime of the current Government; there will have been underinvestment previously. If there are 32 ferries, one might think that the replacement process could be spaced out so that a ferry would be replaced each year, given that they have a 30-year lifespan.

The Convener: The clerks will put that in writing.

I have a question for Kevin Hobbs. You said that there was underinvestment, and you were clear about the level of underinvestment. When was that information last presented to the Government? How often has your view on that been presented to the Government in the past six years?

Kevin Hobbs: I can only talk about the past two and a half years, which is how long I have been employed at CMAL. I am sure that my predecessors would have brought that to the Government's attention.

As I mentioned in my opening statement, our sponsoring body is Transport Scotland, and we report through the ferry unit. We have a monthly tripartite meeting with the ferry unit and CalMac, which lasts most of the day and in which we have a full, open and frank discussion about the level of investment that is needed. However, we are not 100 per cent sure how that discussion is translated to the minister or the upper echelons of Transport Scotland. We certainly bring the issue to the attention of Transport Scotland, and we meet ministers about two or three times a year.

The Convener: You have raised the issue on a monthly basis for two and a half years and, prior to that, your predecessor probably did so, too.

Kevin Hobbs: Yes.

The Convener: We are pushed for time, so we will move on to the next set of questions, which will be asked by Stewart Stevenson.

Stewart Stevenson: I declare that I am honorary president of the Scottish Association for Public Transport, which is an unremunerated position.

On capacity, how does the actual growth in traffic map with the predictions that were made when RET was introduced? For completeness, I should say that I was the minister who introduced RET, and I do not remember the answer to my question.

Robbie Drummond: We do not know how much growth is related to RET and how much is related to growth in the economy. VisitScotland says that huge numbers of visitors are coming to Scotland, which can only be a good thing. Taking those two factors together, it is safe to say that the level of growth that we have experienced has been way in excess of what was predicted three or four years ago. In the past six years, growth rates have been in excess of 40 per cent across the whole network, and the growth rate on some islands has been way over 50 per cent. Over that period, we have had one additional ferry—the Loch Seaforth—so, in essence, we are operating with the same number of assets, but we are running more sailings and carrying much higher volumes of passengers.

Stewart Stevenson: I want to move on to some other matters. Again, this is a question for CalMac. The integration of various transport modes is an issue that has arisen. At many of the ports—mainland ports, in particular—into which CalMac sails, passengers need the sailings to integrate with buses, trains and so on. How are you seeking to improve that integration? I know that work is being done to provide more through-ticketing than we have at the moment. Are you satisfied that we are doing all that we need to do on that issue? Do other people require to do things?

Robbie Drummond: There are two aspects to that. One of our big commitments was that we would appoint a transport integration manager, whose role is to work with communities, as well as with ScotRail and the bus companies, to ensure that timetables are properly aligned. When a railhead is near a ferry port, timetables should be properly aligned, and there should be buses at both ends of the route. That is easier to do on the mainland than on the islands, but we are working hard to make sure that there is integration.

On integrated ticketing, when I appeared before the committee previously I said that our ticket system was past its end of life. One of the challenges in managing the level of capacity is that our ticketing system no longer does what we need it to do. Having a new, modern ticket system would enable us to provide smart tickets and to have new channels for passengers, and it would allow for proper integration with trains and buses. Our current ticket system cannot facilitate that.

Stewart Stevenson: I hear what you say about the co-ordination of timetables but, for many passengers, the issue often arises when there are delays on either side of whatever mode of transport they are using. How are you ensuring that it is still possible for people to have a reasonable through journey in conditions of operational difficulties? It might be the rail company, it might be the bus company or it might be CalMac, or indeed the company that provides services to the northern isles.

Robbie Drummond: We manage that by having operating protocols with the bus and rail companies. Those protocols work through what happens when the ferry is late or the buses or trains are late. Communication goes between us and we have operating protocols for how we manage that. During the day, it is challenging, because if we delay a sailing by 20 minutes, that means that the next sailing will be 20 minutes late, which means that a whole load of new customers may then miss their connections. We try to manage the process through. We focus, in particular, on the end-of-day sailings to ensure that, if there are buses or trains connecting with those end-of-day sailings, the ferry will wait for those connections, and we have protocols for how we manage that during the day, to do the best that we can for customers but without disadvantaging future customers on that day's sailings.

Stewart Stevenson: Do you have adequate knowledge of your passengers' travel plans? Let us say, for the sake of argument, that people coming into Oban might be getting on the sleeper. Do you know that they have to get on the sleeper?

Robbie Drummond: No, we do not have that information. We know that that is the case because we are in contact with the rail company or the bus company. On some routes, we have that information, so we will be told that the bus has left and that a certain number of passengers are connecting, but on other routes we do not have it, because we do not have the smart and integrated ticketing that might give us some of that information.

Stewart Stevenson: It all comes back to having a more up-to-date computer system and better knowledge of the passenger's travel journey and

the role that you play in delivering part of that journey.

Robbie Drummond: That is right. We have already done a significant amount through having communication protocols with bus and train companies with regard to when their services are leaving and when services might be running late.

Stewart Stevenson: One of the things that island respondents to the committee's inquiry have said is that they are discriminated against. I am not entirely clear what that might mean, but we have heard some of the numbers. Is that something that you are hearing? If so, what can you do about it? Perhaps we could start with CMAL, although I think that CMAL has less of a relationship with individuals than CalMac does, so it might be a question for the operator.

Robbie Drummond: I will pick that up. Our contract with Transport Scotland explicitly states that all passengers are given equal access to our services, so we run on a first-come, first-served basis, whether people are booking or turning up. That is the way our contract runs. The communication that you have had is that some islanders are now finding it difficult to get on the sailings of their choice and be able to make medical or hospital appointments or whatever. That is perhaps where that conversation is coming from, because islanders are now finding it harder to get regular travel.

Stewart Stevenson: I think that it has more to do with emergency journeys, such as travelling to a funeral. How do you deal with that? That is the source of the discontent.

Robbie Drummond: Our contract says explicitly that we have to deal with passengers on a first-come, first-served basis. When there is an emergency, we will do all that we can to facilitate travel—for example, we can try to move commercial traffic to different sailings. We try to create space for such emergencies if the ferry is full. We nearly always manage to accommodate those requirements through the sensible management of traffic.

The Convener: Before we move on, does Kevin Hobbs want to comment on investment? The specific point that respondents to the committee's survey made on investment priorities was that islanders were being discriminated against by their location. Do you think that they are getting good value for the investment in ferries?

Kevin Hobbs: Against the backdrop of what I said earlier about underinvestment, it would obviously be nice if we had more money. I am not aware that people are being discriminated against, other than when it comes to situations such as those that Robbie Drummond talked about, when people need access to a ferry in an emergency. It

is a little bit like an easyJet flight—when it is full, it is full. There is undoubtedly a bit of a problem there.

To go back to my original statement, we can only spend what we are allowed to spend. We would like to spend more and deliver more, but all our funding—bar that for the Loch Seaforth—has always come from the Government, of whatever colour it has been. We put in compelling bids for funding for ships and ports; sometimes we are successful and sometimes we are not. I go back to the balance of where the priorities lie with regard to ferries in Transport Scotland and in the greater range of the Government's spend.

10:45

Richard Lyle (Uddingston and Bellshill) (SNP): You have 32 vessels, which have an average age of 22. By my counting, the oldest vessel was built in 1996, which was well before the Parliament was established and when another Parliament had responsibility. There has been underinvestment for the past 20 years, but I would like to see a list that shows the names of vessels, when they were built and where they operate, as my colleague Maureen Watt requested.

You have highlighted significant growth in usage; surely you have tracked that in the past number of years. You also know that local communities need to use ferries daily. What engagement was undertaken with communities on decisions about the procurement of new ferries and how were those views taken into account?

The Convener: Is that question for Kevin Hobbs?

Richard Lyle: It is mainly to Kevin Hobbs; Robbie Drummond operates the services.

Kevin Hobbs: For all sorts of reasons, we are duty bound to communicate with communities about new ferries and new port infrastructure. Proposals for ports might involve harbour revision orders, on which there is a statutory obligation to consult, and the approach is exactly the same for ferries. We must consult and undertake Scottish transport appraisal guidance assessments, so the level of consultation is high.

Our most recent series of consultations was on the Skye triangle, which involves Uig, Lochmaddy and Tarbert on Harris. We have been out on the network on three occasions to take a week's road trip to consult people and hear their views. Such consultation informs us about what is required.

However, we go back to the fundamental fact that we have no borrowing powers. What we would like to do in an ideal world does not always come to fruition. If we sat down with a blank sheet of paper, we would like to do many things but,

unless the Government—of whatever party—funds us to do it, we cannot deliver anything.

Richard Lyle: Do you agree that, in some ways, you are hoist by your own petard? In 2011, Lloyds Bank financed a larger vessel at a cost of £42 million, but existing port infrastructure could not accommodate it, so upgrades were required, at a cost of £32 million. Why have procurement decisions favoured having fewer, larger vessels that require upgrades in port infrastructure rather than having smaller vessels, which would provide more flexibility to operate across the wider network and save you from spending a fortune on upgrading harbours?

Kevin Hobbs: Given the lack of money, I think that what you describe is the correct recommendation moving forward. The new vessel for Islay that Mr Yousaf announced on 4 April will not replicate the Finlaggan, because time has moved on, but its displacement, length, draught, beam and so on will be broadly the same.

It is fair to say that building a bigger vessel inevitably means doing major port work so, as we in CMAL find that there is not enough money to do everything, we are moving to not doing such work and to having vessels that are broadly similar to those that are currently operating. We cannot turn the clock back on what has happened previously.

There is another aspect that people tend to miss. On the Skye triangle, which I mentioned earlier, the facilities at Uig, Tarbert on Harris, and Lochmaddy are nearing life expiry. We ensure that they are absolutely safe, as does CalMac, as safety is our number 1 priority. However, people seemed to believe that because a new and bigger ship was coming, work had to be done at the port facilities. That was a bit of an urban myth. All three of those facilities were nearing life expiry anyway, so the work would have needed to be done irrespective of whether there was a new ship.

The Convener: Richard, before you go on, I think that Robbie Drummond wants to come in on that.

Robbie Drummond: Kevin Hobbs has covered the technical process on consultation. Although he has raised some very good points, I would like to see a longer-term strategy that addresses the shape of the ferry service that we want to have over the next 30 years. Whether we will have smaller vessels or something different, we must ask what the strategy will look like. We must then place the investment programme within that broader strategy.

Richard Lyle: The last time that someone came to the committee and said that they were trying to secure vessels in the wider world, it turned out that such vessels could not cope with our infrastructure and were not suited to our harbours or slipways.

At the end of the day, you will have to tell us what you need, so that we can press other people to get what you want.

Finally, convener, I ask the panel whether the costs of port infrastructure upgrades and harbour dues associated with new vessels were fully accounted for in ferry procurement decisions.

Kevin Hobbs: Yes.

The Convener: Colin Smyth has a follow-up question.

Colin Smyth (South Scotland) (Lab): You seem to be implying that, overall, given the improvements to harbours and ports, it has worked out more expensive to go down the route of procuring larger vessels than it would have been to procure, for example, two smaller vessels, because you would not have required to do that work. Has it been more expensive to go down the route of going for the larger vessel than it would have been had you gone for smaller vessels?

Kevin Hobbs: It could be. What I have described on the Skye triangle is fairly clear: irrespective of whether there was a new ship, or a second-hand ship, or whether the service frequency increased, the ports needed an upgrade and investment. However, if we look at the issue broadly, we can see that a vessel such as the MV Glen Sannox, or its sister vessel 802, costs £48.5 million, and that to upgrade Brodick and Ardrossan would cost a similar amount of money.

I go back to my original comment. The recommendation that we are currently discussing at our monthly network strategy group meetings is to have what gets us the best value for money. To put it very simply, having a £50 million ferry and then having to upgrade ports for £50 million would equal £100 million. My personal opinion is that, at the moment, given the average age of the fleet—I can bore committee members about that in a minute if they wish me to do so—it would be better to buy two new ferries and not to do the work on the ports.

The Convener: You certainly would not be boring us on the age of the fleet, which is an interesting fact. It is just that we do not have the time to go through it. You could submit it in writing so that we all have a note of it.

Peter Chapman (North East Scotland) (Con): To some extent, we have all spoken about the situation with Ullapool and Stornoway. It appears that the public view was that two smaller vessels would have been a better investment and would have given you more flexibility rather than your investing in a big new vessel and then in the port facilities because you had to. It seems that you disregarded the views of the travelling public when you made that decision.

Kevin Hobbs: Ultimately, it is not our decision. We are the advisers and we can say what we feel. STAG reports were also done. I was not employed by CMAL then—it was way before my time. Robbie Drummond has been employed by CalMac for a lot longer. At the end of the day, it all comes down to funding, although I accept that people on the islands might have wished to have had two smaller vessels.

The MV Loch Seaforth cost £42 million to build, it was financed by Lloyds Bank and not in the normal voted-loan way. A decision was made to go with that because, at the time, it was believed that the capacity would be met by that vessel. It was designed to operate 24 hours a day, with two passenger services through the daylight hours, as it were, and the night freight run. If there had been two vessels on that route, you would probably have ended up with capital costs of, at the time, two lots of £35 million, so it would have been £70 million versus £42 million.

Further, there is the on-going revenue support or subsidy that is required to run ferries of that nature. The crewing element is not my responsibility, but running two crews for two vessels instead of one crew for two vessels represents a huge amount of money over the lifetime of the vessels, and we are living in a world in which there is not enough money to do what everyone wants to be done.

Peter Chapman: However, if you had had two similar-sized vessels, you would not have had to spend the money upgrading the port. That would have saved that £40 million or whatever.

Kevin Hobbs: To be honest, I cannot comment on that. I do not know how much was spent in Ullapool and Stornoway.

David McGibbon (CalMac Ferries Ltd): I was around at the time that the STAG appraisal was done. The communities were consulted and I remember that there was quite a lengthy debate around the options. Two feasibility studies were carried out: one on the one-vessel option, which we ended up with; and one on the option involving two smaller vessels. The decision could have gone either way, but the Government decided to go for the larger vessel. Had the Government decided to go for two smaller vessels, we would have operated that.

Jim Anderson (Caledonian Maritime Assets Ltd): I was technically responsible for the design and build of the Loch Seaforth. From a naval architecture point of view, a longer, more slender vessel is much more fuel efficient. Beyond the costs of the extra crew, there is a greater saving to be gained by having a larger, more slender and hydrodynamically designed vessel. That is another aspect that was taken into consideration. We still

have all the figures that we used to make the comparison between large vessels and small vessels and the cost of crewing, and the committee can see them. It is important to take those elements into consideration alongside the cost of the ports.

The Convener: If I remember rightly, the Transport, Infrastructure and Climate Change Committee carried out a review of ferries in 2008, and the Scottish Government carried out another ferries review. However, we still seem to be arguing about what should be delivered, where, when and how—it might be better to say “discussing” rather than “arguing about”.

Kevin Hobbs, taking into account those two bits of work, and the on-going problems that we are seeing in relation to Ferguson Marine and the issues of the procurement around vessels in that regard, and, perhaps, the cost overruns that are mentioned in the papers, do you believe that the procurement decisions that are being made represent good value for money in terms of increasing the long-term capacity and resilience of ferries in Scotland?

Kevin Hobbs: The simple answer is yes. You have referred to cost overruns with regard to the ferries that are being purchased. Jim Anderson can explain the tendering process to you. Very simply, there is a tendering process, then we contract, and then we build.

Jim Anderson: I can give you some background. We went out to tender for the two new vessels at the end of 2014, and we received seven bids—two of which were from one yard, so there were seven bids from six yards. Of the seven bids, the Ferguson bid was the outstanding one when evaluated on the basis of quality and cost, and it also clearly demonstrated that Ferguson completely understood what it had to deliver under this design-and-build contract. Certainly at the time the contract was placed, Ferguson demonstrated that it knew exactly what was required and the timescales involved.

11:00

The Convener: I want to push back on the comment that when the previous committee looked at ferries in 2008, it decided on the way forward. It was the Government that undertook a ferries review. You are now saying that we probably got the wrong vessels—and, in saying that, I am not making any comment about Ferguson Marine; I am simply wondering whether we might have been better off with smaller vessels. There seems to be a bit of confusion here.

Kevin Hobbs: I do not think that it is confusing. The decision to build two bigger vessels was

made on a cost basis. As a result of climate change, there are extra costs to doing what we do; we were the first company in the world to have electric-diesel hybrid vessels, and the vessels that are being built at Ferguson's are the first liquefied natural gas vessels to be built in the UK. However, this is not new technology. Our recent analysis shows that, across the whole wide world, 2,000 engine sets for dual-fuel vessels have been bought.

Again, we report to Transport Scotland, which in turn reports to the Scottish Government. There is an absolute desire to reduce our carbon footprint, and we have to take that element into account when making decisions—hence the use of dual-fuel vessels.

Colin Smyth: Following up on that, though, I believe that there has been criticism that the design of the ferries has changed significantly since the procurement process was undertaken. Are you absolutely clear that what you are procuring is exactly what is being delivered? Why has there been such a significant change in design?

Jim Anderson: There have been no significant changes in design. What you have read is untrue.

Colin Smyth: Why, then, in your interpretation, have the costs increased, and why are there delays?

Jim Anderson: That is really a question for Ferguson. We have a clear contract—

Colin Smyth: You do not know.

Jim Anderson: We can all look at the situation and say that a project that was supposed to have been delivered in 31 months has not been delivered. The second ship is coming much later—we have a delivery date of 2020. If the timescales for a project have to be extended from 31 and 33 months to 44 and 52 months, there will, of course, be cost overruns. That is quite clear: if a project takes almost twice as long than was envisaged, there will be cost overruns.

Colin Smyth: And none of those overruns has anything to do with design.

Jim Anderson: None whatsoever.

John Finnie: I have a question for Mr Anderson that follows on from the convener's question about procurement and, I think, aligns with the vessel design process issue. Why have the trade unions not been involved in either the vessel design or the procurement process?

Jim Anderson: I will ask Robbie Drummond to assist me with answering that question. How we work with CalMac is that we define a set of operational requirements—we have no direct link with the unions.

Robbie Drummond: I cannot see why the unions should not be involved in determining our future strategy. I cannot comment on procurement, because clearly that sits with CMAL and has a more legalistic impact.

Kevin Hobbs: Perhaps I can answer that question. Under the International Labour Organization rules, there are international regulations that define exactly the type of accommodation and the quality that it must be. We absolutely follow that, because if we did not, we would not be certified to operate the vessel.

John Finnie: For the avoidance of doubt, I was not referring exclusively to that. I stand to be corrected, but I think that it was Mr Drummond who gave a similar answer to a previous question that I asked on this issue, and the minister—indeed, the cabinet secretary—has given that answer. I take it, then, that the next time that there is a vehicle design or procurement process, you will invite the RMT and other unions along.

Robbie Drummond: We should invite consultation from all our communities, and that would include our unions, so the answer to your question is yes.

The Convener: Jamie Greene has a brief question.

Jamie Greene: Good morning, panel. Mr Hobbs, when was CMAL first advised by Ferguson Marine that it was experiencing difficulties with the delivery of hulls 801 and 802 and, specifically, that it might go over the £97 million budget that you had allocated in the contract? As the customer, do you know what the final cost of the delivery of those two vessels might be and who is liable for the overruns?

Kevin Hobbs: I can be very explicit on that. We were advised that there were cost overruns some 15 months ago, in July 2017. We have a team embedded in the yard anyway, so we knew well in advance of that that things were not going according to plan.

We need to be very clear about the type of contract that we tendered for and eventually signed. It is a design-and-build contract that has a fixed price of £97 million. That is in the public domain. It has fixed dates for delivery and, if it is not delivered on time, there are liquidated damages, which go beyond lateness and extend to excessive fuel use in sea trials, deficiency of deadweight and deficiency of speed. We will have to weigh up a number of things at the end of the contract.

I reiterate that it was known from stage 1, when we went to the *Official Journal of the European Union*, the pre-qualification questionnaire and the invitation to tender that it was a fixed-price

contract. Ferguson Marine, like every other bidder for that contract, is a private company, which means that there is risk and reward. It signed up to that contract knowingly and willingly and, as far as we are concerned, £97 million is what we must pay.

With our knowledge—Jim Anderson and I probably have 60 or 70 years of experience between us, unfortunately, given our ages—we can judge that the work will cost an awful lot more. Our assertion is that that is not our problem; it is the problem of a private company that knowingly and willingly bid to build those vessels. We feel that we have been extremely honourable. We have not gone to the press or moaned and groaned. We are keeping quiet about it, because we have nothing to say. However, it was 15 months ago that we were officially informed that the ships were going to cost more.

The Convener: I am going to park that issue there and move to the next question, which is from Colin Smyth. After that, we will take two further questions. I warn you that we will not get through all the questions, for which I am very sorry. The clerks will write to you with the other questions and I ask you to respond promptly. It will help if Colin Smyth keeps his question simple.

Colin Smyth: My question is on the budgets for harbour improvements. In his opening comments, Mr Hobbs referred to £50 million of Government funding that was received towards harbour improvements. Has CMAL received any commitment from Transport Scotland to any further investment in the ferries budget for harbour improvements?

Mr Drummond mentioned in his opening comments the importance of trust and local authority and privately owned harbours being involved in any future strategy. What is meant by that and to what extent is CalMac currently involved in discussions with such harbours about improvement works?

The Convener: If that was a short question, I will never ask for a long one. Please give a short answer, because there are two questions that I would like to get in.

Robbie Drummond: I will answer the second part.

Kevin Hobbs: Port investment is an on-going iterative process. As I said earlier, we put in compelling bids for funding for vessels and ports. Sometimes we are successful and sometimes we are not. The most recent funding letter that we received related to the replacement of the Colintrave and Rhubodach slipways and some ancillary work that needed to be done. Anything that is done in a marine context, whether it relates to ships or ports, becomes very expensive.

Believe it or not, two concrete slipways cost 6 million quid. Such work is expensive and takes a long time. We are discussing with Transport Scotland a number of further bids; a number of ports are nearing life expiry, such as Tarbert in Harris, on the Skye triangle, as well as Gourrock and Armadale—I could go on. Of our 26 ports, seven or eight are within five years of having to be replaced.

That is the world that we live in and that is the sort of money that is involved. Our biggest project was at Brodick and cost £31 million. These are big numbers to support island communities.

Robbie Drummond: I can answer briefly from the operator's perspective. I mentioned other ports in my opening statement because of the challenge that we face in running to ports that are all of different designs. If port design was consistent—whether the port is owned by CMAL or by a local authority—that would make our job much more efficient. It is also worth stating that ports are required to be fit for purpose. We pay £33 million a year in berthing and traffic dues to a variety of ports, and it is up to them to keep the facilities fit for purpose for our services.

Colin Smyth: Robbie Drummond talked about facilities being fit for purpose, and Mr Hobbs mentioned the Brodick terminal. What is your response to the concerns that we have heard that the terminal is not fit for purpose?

Kevin Hobbs: We have certainly had feedback. Before we put the project out to tender and before the terminal was built, we consulted widely. The vast majority of comments are about the passenger access system being 210m long, versus 60m long for the previous system. The nature of the build and the way in which the ship ties up at the new finger pier means that we can do nothing more about that.

I do not wish to stray into operational areas but, if people with accessibility needs require assistance, CalMac is there to help. There is no other option than to have a passenger access system that is relatively long, although I note that at Gatwick, for example, where I was a couple of weeks ago, passengers are asked to take 15 to 20 minutes to get to their gate, and a distance of 210m is not 15 minutes of walking. However, we all appreciate that, for people who have accessibility needs, 210m is a long way.

The Convener: The deputy convener has a quick question.

Gail Ross (Caithness, Sutherland and Ross) (SNP): What has just been said fits in nicely with what I will ask about. CalMac's submission says:

"The issue of an ageing population, and with it an increase in people facing mobility challenges, is already being felt".

I am willing for you to answer in writing if you cannot answer immediately. Do you have figures for the increase in the number of passengers with mobility issues? What consultation have you had with disability groups? What improvements need to be made across the fleet and the ports? Given that we are scrutinising the budget, I ask how much extra would be needed to fund that. I have a feeling that you will want to write to us.

Robbie Drummond: That was quite a long series of questions. We work hard to support customers who need additional assistance, and that number is growing. We are working with Disability Equality Scotland on an assisted travel policy, which has been well regarded in the industry. We are also working with Transport Scotland and other bodies to create regional access groups that will develop short-term action plans to address what we in the transport industry can all do collectively to give the travelling public a better experience. I can expand on that in writing, if that would help.

Jim Anderson: When we engage with stakeholders on all new vessel projects, we engage with all the access panels from all areas. Within the constraints of vessels, we build in everything we can—we put in additional lifts, changing places toilets and access throughout all areas of the vessel. We try to accommodate everything we can.

11:15

The Convener: Thank you. Again, I should say that the clerks will clarify the questions that we would like answers to.

I am going to bring in John Mason for a brief, final question. The members whom I have not been able to call must excuse me, but we will submit questions in writing to the witnesses.

John Mason: As far as I can see, the road equivalent tariff has been hugely successful in boosting demand. Has it just been too generous? Does it need to be curtailed? If it were, would that bring demand back down and make all your lives a bit easier?

Robbie Drummond: I think that you are getting into matters of policy, but RET has been very successful and has had a huge impact on island communities. However, we are facing those pressures and the issue of how we manage those on our vessels. There are options for managing that demand—for example, through looking at pricing or at which traffic we allow on which vessels—but that is getting into issues of policy that will certainly be challenging for some areas of the community and might be attractive to others. It is about striking a balance for the islands, for those who are travelling for tourism reasons and

so on, and there are things that we can do to manage demand better. We can discuss with communities options that might be attractive to them.

The Convener: David McGibbon will have the final word.

David McGibbon: There is no doubt that RET has been a great success, and it has been great for the communities, the islands, tourism and the economy. It has caused pressures; however, to go back to what Robbie Drummond said earlier, the two new vessels that Kevin Hobbs mentioned were scheduled to be in service this year, and that would have helped us hugely with the size of the fleet and by giving flexibility and the ability to cascade down. For example, when MV Loch Seaforth came in and MV Isle of Lewis became available, we had discussions with Transport Scotland. It wisely decided to retain the vessel instead of selling it, and it was then deployed on a dedicated service to the island of Barra. I have been in Barra a couple of times since then, and I know from talking to the locals up there that the daily service has given a huge boost to the island. If we get the capacity, we can work with the islands and help with things.

Kevin Hobbs: There is no doubt that RET has been a success but, from an infrastructure and asset point of view, every lorry and car that goes over a linkspan and every passenger that goes up a passenger access system incrementally puts greater pressure on the system. Things are wearing out quicker than they ordinarily would have done.

That is the nature of what we are doing. If you put more miles on a car, you will expect to have to maintain it more regularly. That is what we are dealing with, and it is costing us more money, but our view in CMAL—and, I am sure, in CalMac—is that it is worth it to support the islands.

The Convener: I am afraid that we must stop there. The clerks will circulate a list of questions to you; the timescale for your responses will, I am afraid to say, be very tight, but it has to fit in with our own timescale for pre-budget scrutiny. I apologise in advance for that, but I look forward to receiving your responses and I thank you for giving evidence at today's meeting.

I suspend the meeting briefly to allow a changeover of witnesses, but I must ask committee members to stay in the room so that we can move straight on.

11:18

Meeting suspended.

11:22

On resuming—

The Convener: I welcome the second panel for our pre-budget scrutiny. We have Angus Campbell, chair of CalMac community board; Randal Robertson, partnership director of the Highlands and Islands transport partnership; Roy Pedersen, author and consultant; and Rob McKinnon, chief executive of Outer Hebrides tourism.

We have a lot of questions. Committee members will direct their questions at the person they would like to answer. If anyone else wants to answer, they should try to catch my eye. I apologise in advance if I do not call everyone to answer every question, but I want every question to be asked.

John Finnie: I thank the witnesses for their written submissions. I will ask all my questions at once, because we are pressed for time. Is the current level of investment in the Clyde and Hebrides ferry services being used effectively? What impact will that have on the resilience of the islands in the future? Is the level of investment in line with the Scottish Government's position, as set out in the Islands (Scotland) Act 2018?

Angus Campbell (CalMac Community Board): The community board has been in existence for less than a year, but we have done an awful lot of work. We have 14 members, from Arran right across to Lewis. The most common feedback that we have received quite loudly is that the level of investment is not adequate to maintain or, indeed, improve service. I qualify that by saying that there is an appreciation of the large sums that have gone into particular projects. However, communities question whether the money has been used wisely and effectively.

I listened with interest to the discussion about the Stornoway to Ullapool route. With another hat on, I attended all the public meetings on that issue, and the option of the two ferries was certainly not on the table in the way in which it was suggested. I remember one slide going up saying that there were two options and 37 slides saying that the large vessel was the option.

Communities question whether what they bring to the table is included in planning. They would like the opportunity to be part of that process, because there is a place for the views of communities and users. When we engage with communities, people often question the strategy that is going ahead. What is the long-term plan? How do we build on and maximise the benefits that have come with the very successful RET? People are asking questions about equality and island proofing in relation to the Islands (Scotland)

Act 2018, and I have no doubt that we will come back to those issues at some point.

The Convener: Roy Pedersen might have a different opinion.

Roy Pedersen: Yes. The recent and potential future investment in the current CalMac CMAL system compares very unfavourably with best practice elsewhere. By "elsewhere", I mean, in particular, Scandinavia, where there is a model of operation that is much more cost effective than the model that we have. I also mean that operators elsewhere in Scotland provide better services at much less cost compared with the CalMac operation.

I will give some examples of such services. Western Ferries, which runs ferries across the Clyde, operates without any subsidy and makes a good profit on its routes. It has invested in its own terminals and, as far as I can recall, it carries more cars and lorries than all the other Clyde routes put together. That point might be worth checking but, if it is not exactly true, it is pretty close.

There is also Pentland Ferries. Its vessel, Pentalina, will be joined by a larger catamaran ferry that is about to be delivered. The new ferry cost £14 million and will not have much less capacity than the Glen Sannox, which cost close to £50 million. Pentland Ferries, again, operates without subsidy. Its rates of emissions and fuel consumption are half those of the competing NorthLink Ferries service, it uses clean diesel fuel rather than very polluting heavy fuel and it carries the majority of passengers, cars and trucks that cross the Pentland Firth. Therefore, one operator is winning the business without any public subsidy, and that includes capital and terminal costs, while the competing operation—it is NorthLink rather than CalMac, but their styles of operation are similar—costs something like £10 million a year. The key reason for that is that—we should remember that the vessels need to operate in the notoriously rough waters of the Pentland Firth—the catamaran hull design leads to less draught and uses narrow hulls so that there is a low block coefficient. That means that much less power is needed to drive the vessel through the water, which leads to less fuel consumption, which leads to less CO₂. She also has less than half the crew of the NorthLink alternative.

The catamaran technology is maybe slightly different from the norm for vehicle ferries in Norway but, that aside, the comparison is stark. The Norwegian approach focuses on keeping the crewing down and having the passenger capacity at a ratio of about three or four to one. The CalMac norm is a ratio of seven to one, which means that it carries a large and unnecessary crew, because the passenger capacity is rarely, if ever, used on most of the routes.

The Convener: Does Ranald Robertson want to come in?

Roy Pedersen: Could I say one further sentence or so?

The terminal design is another aspect. For example, Western Ferries requires one person to berth a vessel, because the linkspan, which is operated from the ship, locks on to the vessel.

It is the same in Norway, where the berthing of large ferries is done by one hand on the boat. For the CalMac operation, it takes nine people—three forward, three aft and three on the shore—so crewing is a major cost. I am not saying that there will be redundancies, because, if we use more efficient medium-sized ships, we can have more ships and more frequency on routes and we can employ roughly the same number of people.

11:30

The Convener: That was certainly more than a sentence. Would Ranald Robertson and Rob McKinnon like to come in on that?

Ranald Robertson (Highland and Islands Transport Partnership): I was enormously encouraged by the evidence that we have heard this morning. There is a lot of agreement in our positions and on the way that we see ferry service deployment going in the future.

A significant part of the issues that we have seen, which have been particularly evident this year, stem from some of the more recent decision making, which has followed a lengthy period of under-investment. That is not a political point; we went 10 years without a major new vessel, from the MV Hebrides entering service in 2001 to the Finlaggan entering service in 2011.

Some of the recent decisions were ones that we did not welcome. The decision to go for a single large ferry on the Stornoway to Ullapool route was not in alignment with the STAG appraisal that was undertaken on that route. I noted the reference to a further technical piece of work that I do not think has been made public, which perhaps came after the STAG appraisal, but the message that came from the appraisal was in line with what the community wanted, and it came from a wide swathe of stakeholders.

There was no such exercise for hull 802, nor for hull 801, the bigger ferries for Arran and the shared operation of the two routes across the Little Minch. The consequence of that, looking at the forecasting from Transport Scotland and the network strategy group that we heard reference to, is that there has been the welcome announcement of the new ferry for Islay, with Islay having serious constraints at the moment. There is a forecast of an 85 per cent constrained demand in 2021 on the

route to Islay. However, after the introduction of the new ship that is in build at Ferguson's and the Loch Seaforth, the routes to the Western Isles will all be in the high 70s, and that is over a whole given day. The vessel replacement and deployment plan set out what above 70 per cent means, which is, "Get another ferry because you may frequently not be able to get on the one that you want." On the routes from Mallaig to Lochboisdale, Uig to Lochmaddy, Uig to Tarbert and Stornoway to Ullapool, there are some 26,500 people. They can look for an alternative ferry but it is highly likely that one will not be available, and that is following substantial investment.

The case is strong for more ferries in the network and more frequency to open up the opportunities that that accessibility brings to those communities. That is what we need to see and that is the message that communities would be giving, but unfortunately for the Little Minch investment the opportunity to do that was not there. There was substantial consultation after the big decision was taken about the solution.

We need to move away from that and I am confident that the Islands (Scotland) Act 2018 and the Community Empowerment (Scotland) Act 2015, which have both come along since those decisions were taken, will mean that we will not end up in that position again. Also, I am confident that the agencies involved—Transport Scotland, CMAL and CalMac—are all committed to that sort of consultation and openness.

I am sorry if I have been a bit long-winded with that answer.

The Convener: I am just mindful that Rob McKinnon may not like you if I have to cut down his answer.

Rob McKinnon (Outer Hebrides Tourism): Lots of the points have been covered. The ferries to the Western Isles—or Outer Hebrides, whichever name you want to use—are already over Transport Scotland's recommended capacity. The new ferry will enter service above that recommended capacity and the committee has already heard about additional growth to come and the fact that there will not be any additional capacity for another two years.

That causes concern among businesses and communities in terms of their business and how to grow it. There is no incentive for growth at the moment because we cannot get people there—80 per cent of our visitors come on the ferries—and if we cannot get the visitors there, businesses are just taking share from their neighbours, rather than growing demand. We want to grow business and there is a lot of enthusiasm there.

It was good to hear that there was a lot of community support for a small, two-boat service—

Angus Campbell covered that point. The last two consultation exercises found strongly in favour of a two-boat service, but in both cases we have ended up with one larger vessel, which has resulted in a need for significant investment in port facilities. It is good to hear that that is beginning to change, but what is happening now is unfortunate.

John Finnie: I want to pick up on some of Mr Pedersen's comments. I am not sure whether you were present when I asked about the involvement of the trade union movement in the ferry deployment plan and procurement. Trade unions would have some concerns, particularly when we hear about building hotels on top of ferries and so on. Do you think it important that the trade unions are involved in any discussion about future ferry design?

Roy Pedersen: Yes. It is important that the terms and conditions of work are up to industry standard, at the very least. I am not sure how expert trade unions are in the design of ferries for key routes and so on, but they should certainly be consulted on the operating methods. That is not to say that operating methods should not change.

One of the recommendations in my paper is that we should move gradually to shore-based crews—basing the crews on the island communities that are served by the ferries. That would answer the Scottish Government's priority for islands, which is to increase population and improve economic activity, which would increase school rolls and so on.

Change is necessary, but it can be done in consultation.

Ranald Robertson: That incremental change will not happen overnight—we are talking about a 30-year strategy. If we are going to move to new fleets of ferries, it would be very good to see increased local employment as part of that. We absolutely understand that that would need local educational establishments to step up to the mark more than they have in the past. We need to offer the ability to train people in marine jobs in places that are more local to the ports. At the moment, not enough people in the Western Isles—for example—are employed in the ferry services, even though they are their bread and water. It would be good to see an increase there.

That would also help address the worrying demographic shift and ageing population. I am a native of North Uist and I do not live there any longer—nor do many of my classmates. It would be good to retain people like me in the islands. Incidentally, if I am not necessarily offering to relocate—I might have to clear that on the domestic front.

Stewart Stevenson: I want to raise a simple question on the integration of transport links. You

all heard the answers that we got from the earlier panel. Do you have any more to say on that? Perhaps we could start with Angus Campbell.

Angus Campbell: It is common for us to get feedback on that. The onward links from the ferries do not always match and we hear stories of buses leaving three minutes before a ferry comes in. We are asked about the ability to hold other forms of transport back.

There has been improvement in some areas, but there is still room for more. That ties in with the disability perspective. Many of our facilities and vessels are old and that makes access difficult. We seem to be coping better with the newer vessels. There is constant demand for better connections and tie-up between the different forms of transport.

Stewart Stevenson: My experience some time ago was that I put my case in the hold of the bus in Inverness and got it on the pier at Stornoway, which I thought was rather good.

Ranald Robertson: Unfortunately, that facility is no longer available.

The nature of the current ferries means that they have a lot of passenger accommodation. There is no constraint to travelling to and from our islands as a foot passenger. There is a constraint in relation to the car decks. We could and should be doing an awful lot more to improve integration with other modes of travel from the ports.

That is something that an organisation such as HITRANS could do a lot more about. We have taken some steps forward in that respect, but there are often steps back as well. A recent example involves one of the two new routes that CalMac has introduced—the Mallaig to Lochboisdale route, which failed to connect with trains. It needs to get the basics right. It has addressed the issue, and now the connection is available three or four days of the week, so that is good progress.

Stewart Stevenson: Just to be clear, what you are saying is that we could, if we get this right, help more people to use public transport rather than private transport, with all the benefits that might derive from that.

Ranald Robertson: To encourage the use of public transport we also need to make other options available, such as car clubs and easy-to-get remote car hire. We need to ensure that there are facilities in place at airports that make it much easier for people to travel to and from them without their cars.

Jamie Greene: You have described a scenario in which there is availability for passengers but not for cars, and that is probably commonplace across much of the network, resulting in a huge sense of

frustration among drivers and businesses. Do you think that there is space for discussion about easing pressure on the vessels by removing some of the cargo or commercial vehicles from passenger services and creating dedicated cargo or commercial services? Whether they would be publicly or privately operated is another discussion, but would that free up much-needed space on some of the CalMac services?

Roy Pedersen: I know of two private operators who would be keen to operate between Islay and the mainland on a freight-only, non-subsidised basis. Islay has the third-biggest freight traffic by volume of any island group in Scotland. The opportunities are there and private operators would be willing to do it, as long as they were not undermined in the process.

Jamie Greene: My question is, why is that not happening? What would need to happen to enable that to go forward?

Roy Pedersen: Private operators would have to be encouraged to do it.

Rob McKinnon: We have talked a lot about vessels. Roy Pedersen has mentioned one issue, but there are lots of operational constraints on the vessels that limit capacity—both operating practices and schedules. CalMac would say that it does not have the budget to operate some of those facilities. There is more capacity on the Stornoway to Ullapool route, and it runs a freight service overnight that often is not full, and that may be of use, but people are not allowed to use it. There are capacities in the system but lots of constraints around it. The Sound of Harris service runs at 97 per cent, but it is only allowed to run during daytime hours because of safety constraints.

There are things that we could do in addition to those services. I would like to mention bikes as well. There is lots of growth in cycle use in the islands, and that is one of the areas where we can be more sustainable. There is a lot of demand both from visitors and from islanders, and the ferries are not necessarily all set up to take bikes, so we are having problems with people not being able to move bikes around the network.

Richard Lyle: Hindsight is a wonderful thing. I do not want a deregulated ferry service. I want the service that we have got. I have nothing against private operators, and I have been on Western Ferries, but unfortunately a ferry is not like a dinghy. You cannae just take it off the wall, blow it up and stick it in the water. You have got to build it, and what was built in the past may not be suitable for today. I saw one or two of the witnesses shaking their heads when I asked this question earlier, while they were still in the public gallery. I want to ask them now, are you satisfied

with the process of engagement with island communities over ferry procurement? If not, why not?

Ranald Robertson: I think that we were nodding our heads. My earlier answer reflected, in part, the question that you had asked. In the past, consultation with island communities, or with other key stakeholders such as hauliers, who are important customers, has not been as good as it should have been, but I hope that things will be different in future. That was the point.

Angus Campbell: I would have been nodding my head in agreement when you brought that point up, because it is critical that we improve that input into the process. A lot of communities would ask for evidence of where we have changed any of the decision making in the past, and it is difficult to see where we have. If we are going to be real about this, they have a more obvious and up-front part to play in the design of services and should be included from the beginning.

11:45

Richard Lyle: Angus Campbell, you are the chair of the CalMac community board. Do you feed in to CalMac and say, “No, don’t do that,” or, “Our members say dah-de-dah-de-dah”?

Angus Campbell: We are finding our feet in the first year, but our remit is to feed in to the CalMac board. I go to the board by invitation.

Richard Lyle: Sorry, I wanted to ask about that.

Angus Campbell: We have recently done a piece of work that might be of interest to the committee. One of our sub-committees looked at the operational constraints and planning issues. It was a three-month piece of work, and it became apparent what we are now facing. There could be input not just to CalMac, but to Transport Scotland and CMAL. I was going to offer to pass that work on to the committee after this meeting.

Richard Lyle: I think that you should do that, because everybody wants to work together to solve the problem.

I will move on. Recent procurement decisions have favoured larger vessels over medium-sized vessels. Are you content with those decisions, and do you think that they have provided good value for money?

Roy Pedersen: I am not content—I think that it has been a mistake to do that—but there are ways round it. For example, in what has been called the Skye triangle—it is not a triangle; it is a V, because the other part of the triangle is missing—it is not too late to move to a two-ship scenario. That would obviate the need for major

improvements to terminals, although they would need some improvements and maintenance.

The new ship, the sister of Glen Sannox, should be redeployed elsewhere, and I suggest the Scrabster to Stromness route. She is an LNG-burning ship, and the LNG will have to come from the south of England by lorry. It requires a round trip of over 1,000 miles by a lorry that is burning diesel to bring the supposedly green fuel to run that ship. Orkney has a supply of LNG, so the ship would be suitable for Scrabster to Stromness.

The ship is not suitable for Uig to Lochmaddy and Tarbert. The one-ship solution has always been no good because the timetable varies each day and is not user friendly. Two ships would provide a far superior service with double the capacity of the present arrangement, which the new ship will not provide. The new ship will bring only a marginal increase in capacity. The two-ship solution can be implemented at no more cost than the large ship and major upgrades to terminals, and it will generate more revenue.

The Convener: Would anyone on the panel like to offer a different view?

Ranald Robertson: It is not a different view, but I will expand on what has been said. For reasons that I gave earlier, the big single vessel replacing another slightly smaller vessel does not feel like the right solution. It will not add any accessibility or frequency to drive the economy.

We need to plan ahead and understand where the next problems will arise in the network. Unfortunately, some of them will be where the most recent investment has been made, but we still need to understand them. Transport Scotland has made great strides in forecasting and understanding what the network issues will be. We need to plan for the next 20 or 30 years, which will include Mull, Islay, the Little Minch and looking at vessel age elsewhere, because some vessels will need to be replaced.

Richard Lyle: I do not get this. First, people say, "I need a bigger vessel because more vehicles want to come to my island," but you are now saying that it should be a smaller vessel.

Roy Pedersen: It should be two smaller ones.

Richard Lyle: You are saying that it should be two smaller ones that will go back and forward. Okay.

Ranald Robertson: People cannot now take a day-trip from the Western Isles to the mainland. To put that into perspective, it equates to the inability to take a day-trip from Elgin to Aberdeen or Inverness—I am looking at the convener when I say that. That is an example of what the current timetabling for the Western Isles means.

Richard Lyle: Smaller ships would give you more frequency.

Ranald Robertson: Yes, they would drive frequency and open up new markets.

Richard Lyle: Thank you. That is what I wanted to know.

The Convener: I am not sure that it is a good ploy to put the convener on the spot, but he always likes to be brought into the conversation.

Jamie Greene: There is a lot of expertise on the panel. In your professional opinion, what should have happened over the past 10 years? We all want to look forward. What should the Scottish Government do to improve the situation, specifically on the CHFS network, given that we are operating at maximum capacity with little or no resilience?

The Convener: I guess that all the witnesses will have a view on that. I am not sure who wants to come in first—you are all looking the other way. *[Interruption.]* Now you are all volunteering. We will start with Angus Campbell. I would be grateful if you could keep your answers succinct.

Angus Campbell: I will keep my answer short, convener. A sensible approach would be to sit down and ask how we will plan ferry services for five, 10 and 15 years in the future and whether we want ferry services to be part of growing the economy of the islands. That takes us back to the question of how we would finance that. We might need to look at new ways of raising finance. In other countries, there are publicly owned ferry services that get finance from the market. There are options. It would be good if the Government thought about its ambitions for the islands and the places that the ferries serve and if it created a new baseline and started working on a long-term plan. No long-term plan is of any use if there is not the finance behind it. We recognise that challenge, but there are other ways of looking at financing.

Ranald Robertson: Building on what Angus Campbell has said, I think that we should undertake the right appraisal. I do not know what all the answers are, but the Government is taking the good step of undertaking a STAG appraisal, which will look at all the services to and from—and within—the Outer Hebrides. I would roll on that process by undertaking a similar piece of work on understanding what the communities that are served by the Oban services want and on creating a long-term plan for those communities. The introduction of a new second vessel will address some of the issues on Islay, and it is based on the principle of a two-vessel service for Islay that was developed through a STAG analysis. It looks as though Arran will be pretty well served, too. Therefore, we are making some good progress, but we need to undertake an appraisal and

understand what that will tell us about the most appropriate steps. We should also bring in some other, softer measures to manage demand.

Roy Pedersen: One of the papers that I submitted to the expert ferry group was called “West Coast Ferries Scoping Study”, and it sets out the scenario. We need medium-sized and simpler vessels as well as shore-based crewing. We also need to create shorter routes—for example, by using Mull as a land bridge for people going to Coll, Tiree, Islay and Jura. All of that is set out in the paper, and it would be better for that paper to be distributed to committee members than for me to give a long answer.

Rob McKinnon: A long-term plan is necessary, and a review is under way that will be crucial for Outer Hebrides services. There is broad support for having smaller, more frequent services that will open up new markets and for a ferry plan that links into and is not disjointed from the overall economic plan for the islands.

The Convener: I am now totally confused. I thought that we had a ferries plan with which we all agreed, but it seems that every witness this morning does not agree with it. Is that a fair assumption?

Angus Campbell: The plan has been superseded, because events have overtaken it. I was talking about the challenge of developing a new ferries plan that reflects the ambitions of the islands that are served by the ferries.

The Convener: No one seems to disagree with that proposal.

John Finnie: As the meeting has progressed, we have heard more frequent references to Transport Scotland—perhaps it should have been represented on the panel, too. What role does Transport Scotland play? It seems to be pivotal, but I am not entirely sure where Transport Scotland fits into the scheme of things.

Roy Pedersen: It is difficult to be tactful on that topic. There is a case for creating a new management structure to address ferry services in Scotland.

The Convener: I will broaden the discussion by bringing in Maureen Watt.

Maureen Watt: As the session goes on, it strikes me that we keep talking about needing a replacement vessel for this or that route. However, we should surely look at what Scotland needs in terms of ferries, including NorthLink, as I would have thought that there was some crossover between Aberdeen to Orkney and Shetland and Ullapool to Stornoway. We should surely look at the range and types of vessels so that there is a greater ability to swap vessels around on routes

when that is required. From the answers so far, I do not get the feeling that that is happening.

The Convener: Everyone is nodding.

Ronald Robertson: At the moment, there is a vessel replacement and deployment plan that is looking just at the Clyde and Hebrides ferry services. The plan should also take in the northern isles ferry services, as it seems absolutely right and proper that the ferry services that the Scottish Government funds are looked at as a whole.

Transport Scotland’s position in that is working. CMAL and CalMac did a good job of presenting what their role is—which is, in essence, to be the Government’s agency and take responsibility for the ferry services. It is a challenging role. We take a lot of heart from recognising that the demand that we are dealing with is very different, and we perhaps have to pivot and change the way in which we cope with that demand. We will all work together on that, as there is a shared sense of purpose.

Jamie Greene: Maureen Watt made an excellent point about looking at the bigger picture. Is the way in which the whole thing is operated at the moment fundamentally flawed? We know that, as the previous panel said, around £850 million is needed to replace the current fleet, notwithstanding any future growth, but that the operators are getting around half of that in investment. We also know that there are private operators out there that could perhaps operate on routes unsubsidised and deliver environmentally friendly, efficient and reliable services. Is Transport Scotland fundamentally wrong in how it approaches tender processes, franchise and ownership models, operational routes and the licences that it operates? Is there, and should there be, another way of looking at all of that?

The Convener: That is a huge question.

Roy Pedersen: There has been a tendency to do things as they have always been done, with a little bit of change on the margins, rather than look at the system as a whole, as the Scandinavians have done, and come up with a plan that addresses the needs of the islands and provides the required services in a cost-efficient manner.

Angus Campbell: There is a need to look at the model and how it works, but we also have to realise that CalMac employs part of the communities that it serves, so there would need to be protection for the communities to make sure that the value that they give to the system is maintained.

Other operators have come in before to run a freight ferry on the Stornoway route, but that was not successful in the long term.

There is no doubt that there is a need to have a complete look at how we supply the services, but growing the economies of the islands should sit alongside that and be part of the discussion, so that we do not inadvertently cause harm.

Colin Smyth: So far, we have focused on issues around replacement ferries, but I want the panel to consider the ports infrastructure. Are any ports in need of significant investment?

Rob McKinnon: We have a strategy to build in-island traffic down the Western Isles or the Outer Hebrides, which has been very successful. We have the Hebridean way, which can be walked or cycled, and lots of other things that can be done on the way down. The service across the Sound of Harris between Berneray and south Harris is really under pressure in terms of volume, and it is just hanging in there. It needs all sorts of investment—in the port, in the boat and in the route between the two islands. That is a particular concern for our industry, because it holds the whole thing together. As well as getting people to the islands, we need to be able to move them around once they are on the islands. You have heard that there has been quite a bit investment in the Outer Hebrides and that more is planned for the future, with the ports at Stornoway, Tarbert and Lochmaddy being upgraded for the new vessels.

12:00

The Convener: When the committee went out to Mull, we saw more camper vans going out to the islands, and we heard comments about the pressure that that puts on infrastructure. Could you comment on that?

Roy Pedersen: I have mentioned that issue in my submission. I feel that camper vans ought not to be given the advantage of RET, because they are mostly tourist vehicles. Camper van users tend not to use local accommodation, and they tend to bring their own food with them from their own supermarkets. They contribute little to the island economies, so I do not think that they should benefit from subsidised travel.

The Convener: I am not sure that Angus Campbell agrees.

Angus Campbell: No, I do not agree with that. An island economy needs everything it can get. I know businesses that have been built on the back of camper vans coming to the islands, and I know that individual businesses do get spend from that traffic. I do not think that we are in a position to say that we do not want any form of input into our economy, with our population challenges and the challenge of finding work for young people to encourage them to stay in the islands.

A question was asked earlier about RET. Let us not look for a financial penalty to stop something growing just because it is successful; let us look at how we can maximise it. If we go down the route of removing such a subsidy, it will be the poorest people who suffer by losing access to those services. There are people on our islands who travel in camper vans for their holidays on the mainland, and I know some people who just could not afford to do that before. Let us not take a broad brush to this; we must maximise what we have.

The Convener: We will definitely have a chance to look at RET in a minute. I believe that Jamie Greene has a specific question on ports.

Jamie Greene: We have heard a lot about whether two smaller vessels are better than one big vessel, but a by-product of making that decision is the effect on port infrastructure and on whether ports are suitable for larger vessels. An example is the Ardrossan to Brodick route. Brodick has had its investment, but the decision to operate a larger vessel on that route means that Ardrossan, too, will require significant investment, and there could be a need for temporary relocation to a competitor port in the interim. Do you think that enough thought goes into the decision-making process and that people look at the bigger picture when choosing which vessel needs to be built? Is consideration given to the consequences that the decision will have and the cost of improving the ports that the vessels will serve?

Ronald Robertson: I was going to address exactly that point in response to an earlier question. In Audit Scotland's work on ferries, it is acknowledged that there should be an infrastructure investment plan, just as we have a vessel replacement and deployment plan. I am not qualified to say where the investment in infrastructure is needed, but I feel that the two cannot work apart; they need to happen together, and we need to understand the full implications of the infrastructure. We have heard evidence about the Stornoway to Ullapool route, and there was significant investment in Stornoway when a new pier was built for the previous ferry in the mid to late 1990s.

We have invested in the freshest infrastructure in the network but there are challenges with the quality of facilities at terminals, which is pretty variable. On the one hand, there is Brodick. However, having travelled through Craignure to go to Mull, you will have seen the dearth of facilities there. A large waiting shelter that HITRANS funded in 2002 is the main passenger facility, and people have become unwell while standing in that shelter during the fine summer that we have had. There needs to be some consistency around the basics that each port should have.

Gail Ross: I want to go back to the question that I put to the first panel on accessibility for people with mobility issues. Do you think that sufficient consideration is given to people with extra mobility needs when designing ports? In your submission, Rob McKinnon, you say what we heard earlier, which is that although the newer vessels are good, there is an issue with the older vessels. Will you expand on that?

Rob McKinnon: I commend the operating procedures. I am a personal user of that service. I cannot comment on the service for people who have visual impairment or hearing issues, but in respect of mobility assistance, the operating procedures and attitude of the staff on the ferry are great. It is better if someone is in a vehicle, because then they get direct access; foot passengers have to navigate more steps, which is likely to be more challenging. As the replacement ferries come into service, those considerations are being fully taken into account. I am not an expert on accessibility, but as a user—my father has mobility concerns—it seems to me that it is taken into account in practice.

Accessibility is an issue running through the legacy systems—ports and vessels—because of the age of vessels and so on.

The Convener: I will bring in Ranald Robertson before we move on to RET, which is a big issue.

Ranald Robertson: I will be brief. The operator does an excellent job of managing people with reduced mobility. It has a good track record. The new investment has always considered the accessibility needs of different stakeholders as a priority. I have been involved in the accessible travel framework and have worked closely with CalMac and NorthLink on how they address the needs of passengers with restricted mobility, including on test runs on ferries. Ferries perform very well compared to some other transport modes.

Like anything, it is an issue with the older vessels. However, even among the older vessels the major ones have lifts to at least one part of the ship. That dates back to the Isle of Arran ferries that were introduced in 1984. Ferries have been doing a good job in that respect for at least 30 years.

John Mason: Road equivalent tariff has already been mentioned. I should say that I do not use a camper van when I visit—I use a tent. My input to the island economies is limited, as I do not stay in a hotel. There have been a lot of hopes for RET, and it appears to have had a big impact. Have there been both pluses and minuses?

Roy Pedersen: I was the original architect of RET in 1974, when I was a very young transport research officer for the Highlands and Islands

Development Board. The idea of RET was of its time. It seems to have been a considerable success in generating traffic, but there is scope for improvement.

RET does not reflect modern yield management techniques—charging more at peak times. There is scope for that. There is also scope for giving island residents, including camper van owners, more moderate fares than visitors. We have heard a lot of talk recently about tourist taxes, yet at the same time we are heavily subsidising tourists to go to the islands. There is a balance to be struck.

There is scope for more flexibility to generate more revenue, regulate capacity and continue to benefit the island communities.

Ranald Robertson: I hope that we are not in danger of treating the symptoms instead of the disease. RET has had as significant an impact on island economies as anything else that I can remember—although that does not go back as far as 1974. RET has done a tremendous job in delivering new people and increasing the profile, demand and desire of people to travel to the islands.

It has also, clearly, grown the propensity of islanders to travel, which is a good thing, but it is not absolutely consistent. Some islanders have more access to RET than others, as it were, because they have more ferry services, because of their distance from the mainland or because of other factors. That may leave some scope for ways of managing demand. Mr Greene mentioned the possibility of incentivising travel for hauliers on lower-demand sailings by making it a bit cheaper for them without breaking RET. There are lots of things that could be done, but we should try to manage the success of RET as a concept.

John Mason: Can I press you on that? Mr Pedersen seemed to be suggesting that we had not got the balance right. I went to the Scilly Isles in the summer without a car and it cost me £100 return. Is part of the problem that the fares are too cheap? We could raise the fares a bit and that would also help the management.

Angus Campbell: People living on the islands would not say that the fares are too cheap.

John Mason: I was thinking more of the tourists.

Angus Campbell: If we differentiate the fares for tourism, where do we stop in terms of the classifications that we put on people's travel? I have real worries about that. The tourism industry is hugely important to the islands and I would not like to see it taking a backwards step. Many economies in the islands are still going backwards; we are not keeping young people and providing employment.

If, as a country, we want to put investment into the islands, RET is a good vehicle for that—pardon the pun. If we evaluate RET, that should be done in a holistic way, looking at all the benefits that come in against the costs of it. There is no doubt that there has been a huge improvement in people's ability to live a more equal life in the islands in terms of accessibility and health services, and we need to look at the tax that is paid into the Exchequer from the activities that are now taking place on the islands. If we evaluate RET, please let us not do it in a vacuum in terms of the cost that is put in. Let us look at the outcome as well.

John Mason: For clarification, I understand that Transport Scotland is going to do a review of RET in 2019. Is it your understanding that it will cover all those issues?

Angus Campbell: I have not got the detail on how widely it will look, but on behalf of the community board I have already expressed to Transport Scotland our fear that it will be less than a holistic look. I certainly encourage that evaluation to look at all aspects.

Rob McKinnon: From an islander's perspective, RET is an amazing thing and the principle of people not being discriminated against for choosing to live on an island is great. It has been a big boon for the tourism industry. It is not the only thing that has happened in the tourism industry on the islands in the past six years—there has been a significant amount of demand and we have tried to grow the industry ourselves, as well—but RET has been a big help.

Roy Pedersen mentioned yield management. There is no difference in fare for a tourist, whether they go in December or July.

John Mason: Is that right?

Roy Pedersen: Yes.

John Mason: I thought that there were different levels of fares for CalMac.

Roy Pedersen: Not any more.

John Mason: Okay.

Rob McKinnon: Again, I would separate out the island perspective from that of the visitor. If we think of the visitor as an investment in generating demand and look at yield management techniques, we see that even without price changes we could use yield management much more effectively across the network. However, if we can stimulate traffic outside the peak weeks that would help the communities significantly.

All this conversation has been about a four-month peak in the summer. At the other end of the season we have the reverse. You are all welcome to join me on the ferry in November—we can be

pretty sure that we could get on it, assuming that the weather allows it to work. On the tourism side, there are things that could be done to help ensure that the islands get more visitor income from the same amount of investment.

The Convener: Thank you. The final two questions are from Jamie Greene.

Jamie Greene: I have a brief follow-up on that. I hear what Mr Campbell is saying about differentiation between users of ferries. I can cite numerous examples of islanders from Arran who were unable to get to the mainland to access hospital appointments, and one constituent contacted me recently because they could not get to a funeral on the mainland because the ferries were full. Whatever redesign happens, there must surely be a way of ensuring that islanders are given some sort of priority on services, in the face of such numbers. Would that not merit consideration?

12:15

Angus Campbell: I certainly agree that there has to be a method, particularly on those routes that have heavily used and short crossings. Arran is a perfect example of that, and we are aware of exactly what you said happening there.

We need to find a way of making it easy for people who live on the island to access services. The point that I was trying to make is that we should not punish things to make that happen. Let us be ambitious and ask how we can grow capacity on the routes to allow people to access them. It is not a perfect world and we will not get everything, but there is tweaking that can be done. I agree with what others have said. For example, a school minibus that is going to a sports event is on the same level as some of the commercial vehicles. These little things can be altered if we have the will.

What I was trying to say is that we should not use a hammer to sort out problems, as there might be unknown consequences. However, I certainly agree that a basic right to access services and get to and from the mainland should be available to islanders. Otherwise, we are doing the opposite of what we set out to do.

The Convener: Jamie, do you want to ask your final question on the tendering?

Jamie Greene: Oh—do I have a final question? I apologise, convener.

The Convener: I am happy to ask it.

Jamie Greene: No, it is fine. I was just not aware that I had another question, so please bear with me.

There is a Government strategy to directly award contracts to CalMac. A process is on-going and I believe that we are due an update on that. What are the panel's views on the current wider tender process? Who should be able to bid? Should contracts be directly awarded? Is there potential, as we discussed earlier, for other operators to enter some of the markets and relieve some of the pressure points, especially during the peak seasons?

The Convener: I would love to give each of you a short opportunity to answer that. Roy, will you start? I will then move along the panel and I will come back to Rob McKinnon at the end.

Roy Pedersen: The present tendering system is quite restrictive in that the incoming operator for the whole bundle is expected to have the same crews, the same ships, the same fares and the same conditions. There is no scope for innovation in that. The tender has to be made rather more open in order to invite innovation. I believe that there is scope for smaller bundles, which would make it easier for incoming operators to handle.

Ranald Robertson: We have been pretty agnostic about whether to tender and how things will move forward. We can see positives in tendering in the engagement that we have had. We administer the ferry stakeholders groups for the CHFS network and we have heard evidence at those that the tendering has been demonstrated to provide savings. There would also be savings from not having to tender, given the costs that are built in. There is a feeling that there is a net saving from that. However, as an organisation, we have broadly been agnostic and have allowed the review to go forward. The subject has attracted mixed views from communities as well when we have been at the various consultation sessions on the review.

Angus Campbell: I can bring no expertise on tendering to the table, and as a board we have not discussed that, but there is a feeling that some form of benchmarking against the performance of the company would be helpful.

There is a worry about breaking the network up into different bundles. There has always been that worry when we have discussed the matter across the network. If we let private companies cherry pick the best routes, we end up with the public purse taking the routes that are more difficult to manage. Having been well involved in that discussion, I suggest a bit of caution about that approach.

The Convener: Rob, do you want to add anything?

Rob McKinnon: I have no tendering expertise. All opinions are expressed in the community. A strong affinity with CalMac has come out, but

equally there is frustration with the ferry service and a desire to get things done. As Angus Campbell said, there are different ways of getting to a better performance and you can pick whichever one you think is appropriate.

We have talked about the operational staff, but I think that this debate is very remote from the communities in which we operate. It is about large national organisations talking to other large national organisations in remote places. None of the management lives in the communities that they serve. They talk about things emotively, but if more of them were based there, it might have a bigger impact than the tendering process. It is not just about the people who run the boats. It is about people taking the decisions there.

The Convener: I thank all the members of the panel for the answers that they have given. It has been very helpful. I am pleased that we have managed to get through all the questions.

12:20

Meeting continued in private until 12:36.

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