

Net Zero, Energy and Transport Committee

30th Meeting, 2022 (Session 6), Tuesday 15
November 2022

Inquiry into a modern and sustainable ferry service for Scotland

Note by the clerk

Introduction

1. At its [meeting on 15 March 2022](#), the Committee agreed to undertake an inquiry into ferry services.
2. The Committee had been referred [Petition 1872: Improve the reliability of island ferry services](#). The petition said the unreliability of ferries has resulted in losses to island economies relying on tourism and in travel restrictions for island residents, who need reliable and regular services.
3. The Committee noted there were issues with island connections beyond those covered by the petition and agreed it needed to look at ferry services comprehensively and decided to launch an inquiry into current and future ferry provision in Scotland.
4. On 31 May 2022, the Committee agreed to hear from ferry users at a session prior to summer recess to discuss their priorities for the inquiry. [The Committee also agreed to undertake a public consultation](#) to invite members of the public and stakeholders to share their thoughts and ideas about the provision of ferry services in Scotland. The consultation was opened on 1 July and closed on 26 August.
5. At its meeting on 28 June, the Committee held an evidence session with a panel of island community members to discuss their experiences of ferry services in Scotland and their ideas for the inquiry. [Read the Official Report here](#).
6. On 1 November, the Committee heard from a panel of private ferry operators to discuss their approach to running a ferry service, as well as their views on how national service provision should be structured and procured. [Read the Official Report here](#).
7. On 7 November, the Committee undertook a fact-finding visit to Arran in which Members met with local stakeholders and ferry users to discuss their experiences of ferry services to the island.

8. On 8 November, the Committee held an evidence session with a panel of representatives from the business and tourism sectors to hear what they require from ferry services.

Background

9. Major Clyde and Hebrides ferry services and services linking the Scottish mainland and Northern Isles are specified, let, and funded by Transport Scotland. Multi-year contracts for the provision of these services are awarded following competitive tendering exercises. The current operators are—
 - **CalMac Ferries Ltd:** A subsidiary of **David MacBrayne Ltd**, itself wholly owned by Scottish Ministers, which provides ferry services to 22 islands and four peninsulas on Scotland’s west coast. The current contract runs between October 2016 and October 2024.
 - **SERCO Northlink:** A private sector operator, part of the major outsourcing company SERCO, which operates ferries between the Scottish mainland, Orkney, and Shetland. The current contract runs between June 2020 and June 2028.
10. Scottish Government supported ferry services are operated using vessels owned by **Caledonian Maritime Assets Ltd (CMAL)**. CMAL is owned by Scottish Ministers and owns 36 ferries, 31 of which are leased to CalMac Ferries and five to SERCO NorthLink. It is also leading on the procurement of new vessels for these services. It also owns 16 Clyde and Hebrides harbours and owns or leases properties and port infrastructure at 10 other Clyde and Hebrides locations.

Other ferry services

11. Several local authorities, Orkney Islands Council, Shetland Islands Council, Argyll and Bute Council and Highland Council also operate ferry services, along with a number of private sector operators.

Scottish Government ferries policy

12. The Scottish Government sets out its strategy for the development of ferry services in its [Ferries Plan 2013-2022](#), published in December 2012.
13. The Ferries Plan is due to be replaced by a new Islands Connectivity Plan (ICP) from the end of 2022. The ICP will consider island connectivity in the round, covering ferries, fixed links (bridges or tunnels) and aviation.

Remit of the Inquiry

14. The inquiry aims to seek out how best to secure a state-funded ferry service that is future-proofed, compatible with Scotland’s net zero goals and will meet the needs of all service users, having regard in particular to the long-term sustainability of island communities.
15. The Committee will consider what island residents, businesses, and other ferry users need from Scottish Government-supported ferry services and the institutional and

funding arrangements that would most likely meet the needs of current and potential future ferry users. The inquiry will also explore what vessel size, type, deployment and crewing arrangements would best satisfy the needs identified.

16. Further details about the remit of the Committee's inquiry can be found in **Annexe A**.

Evidence Session on 15 November 2022

17. At its meeting on 15 November, the Committee will take evidence from a panel of representatives from key trade union organisations to discuss crewing arrangements for ferry services, union members experiences of working on ferries and their ideas for future services.

18. The Committee will hear from—

- Martyn Gray, Executive Officer, Nautilus International;
- Gordon Martin, Regional Organiser and Lead Officer for CalMac Ferries, National Union of Rail, Maritime and Transport Workers (RMT).

Next steps

19. Following this meeting, the Committee will continue to hold evidence sessions.

20. The Committee has agreed to hear from—

- Ferry operators;
- International experts;
- Local Councils; and
- Ferry service experts.

21. The Committee will also invite the Cabinet Secretary for Net Zero, Energy and Transport and the Minister for Transport to conclude evidence taking.

22. Responses to the call for views are currently being processed and will be published shortly.

23. The Committee will also undertake a programme of fact-finding visits.

Clerks

Net Zero, Energy and Transport Committee

ANNEXE A

Remit - Inquiry into a Modern and Sustainable Ferry Service for Scotland

The Net Zero, Energy and Transport are holding a major inquiry into current and future ferry provision in Scotland, which will ask—

1. What do island residents, businesses, and other ferry users need in the short, medium and long term from Scottish Government-supported ferry services?
 - Meeting the needs and sustainability of island and remote rural communities and businesses, including secure jobs providing ferry services
 - Meeting the needs of mainland communities and businesses, including visitors
 - Service needs at different times of the year
 - Which needs are better met by other modes, e.g. air travel where available?
 - How should the Scottish Government support council-run ferry services?
 - How can ferry users and island communities be involved in decision making at strategic and operational level?

2. What institutional and funding arrangements would most likely deliver service patterns, vessels, and crewing arrangements that meet the needs of current and potential future ferry users?
 - Can the current tri-partite arrangement (Transport Scotland, CMAL, Ferry Operator) for managing most ferry service provision be improved?
 - Can current tendering arrangements be improved, e.g. through service unbundling?
 - Can Scottish Government subsidies be better deployed to meet the needs of current and future ferry users?
 - Are current services providing best value for the taxpayer?

3. What vessel size, type, deployment and crewing arrangements would best satisfy the needs you have identified?
 - Vessel size and type
Sustainable propulsion systems (including energy-use and moves to low carbon systems)
 - Compatibility with harbour facilities
 - Onboard crew accommodation
 - Current procurement criteria and processes: what are their strengths and weaknesses? Are they “future proofed” to accommodate new technologies and the need for sustainable low-carbon travel?

During the inquiry, the Committee will also pursue the following objectives:

- To engage with communities impacted by problems with ferry services and understand better the impact these have, particularly on island life (in particular, the effects of weather on services, sustainability of population and attracting inhabitants, access to key services and businesses)
- To understand what a modern ferry service should look like from different perspectives, from island and mainland residents, individuals and businesses,
- To consider and draw attention to best practice in ferry provision and service including considering examples from private enterprise or internationally;
- To hold the Scottish Government, operators and asset holders to account and scrutinise carefully whether their decisions and strategies are in the best interests of service users and the taxpayer;
- To help inform Scottish Government's policies and strategies on ferries and island connectivity as well as the procurement process for future vessels.
- To identify the needs and views of different groups in particular young people and disabled people;
- To adapt scrutiny to the different needs, experiences and solutions of different islands and communities;
- Recognise the importance of island impact assessments carried out by relevant authorities; and
- To incorporate the contribution of transport to net zero goals into scrutiny throughout the inquiry.

Conclusions and recommendations will be set out in a report to the Scottish Government and Transport Scotland, setting out the Committee's views on how best to secure a state-funded ferry service that is future-proofed, compatible with Scotland's net zero goals and will meet the needs of all service users, having regard in particular to the long-term sustainability of island communities.

ANNEXE B – WRITTEN SUBMISSIONS

Correspondence from the RMT – 5 July 2022

Dear Mr Lockhart

Inquiry into a Modern and Sustainable Ferry Service for Scotland

I am writing to offer the expertise and assistance of RMT members and officials to your Committee's current inquiry into the provision of ferry services in Scotland.

As you may know, RMT organise seafarers and port staff at CalMac, Serco NorthLink, Orkney Ferries and at the private operator Stena Line. We previously organised crew on P&O's Cairnryan-Larne route before that employer took the now infamous action to cut local jobs and import ferry workers on low pay and long contracts. RMT is the largest ferry union in the Scotland, organising nearly 1,000 seafarers and port staff in this vital sector.

RMT strongly believe in the necessity of publicly owned and operated ferry services. In Scotland, where the Government owns contracts for public ferry services worth in excess of £1.5bn, the link between jobs, services and skills is vital to the local economy and the future viability of isolated island communities.

As members of your committee will be well aware, the fiasco over the Ferguson Marine contract has reduced the resilience of CalMac services on the Clyde and Hebrides network. As a result, my members face a perfect storm of operating ageing ships from ageing harbour infrastructure, just as the country emerges from the socio-economic trauma of the pandemic.

We strongly sympathise with the problems that this has created for passengers and businesses, but I must stress that my members are the ones who bear the brunt of passenger frustration when lifeline ferry services are either delayed or cancelled.

The ferry industry in Scotland and across the UK is at a turning point. The urgency of the cost of living and climate crises demand innovative and sustainable responses, and trade unions and their members have a central role to play in that. But we are absolutely clear that the actions of P&O Ferries are a further reminder of the threat that privatisation poses to Scotland's public ferry services, especially in the west of the country.

RMT will be submitting written evidence to the committee's inquiry. The Union also stands ready to provide oral evidence as part of your Committee's current inquiry, not least because we have recently launched our 'People's CalMac' campaign which is specifically aimed at delivering a modern and sustainable model of ferry service provision that we hope can be adopted across the public ferry network in Scotland.

Yours sincerely

Michael Lynch
General Secretary

Written Submission – The National Union of Rail, Maritime & Transport Workers (RMT)

Submission by The National Union of Rail, Maritime & Transport Workers
August 2022

Introduction

The Rail, Maritime and Transport Workers Union (RMT) is the largest trade union in Scotland's ferry sector, organising seafarer Ratings and port staff employed by public, local authority and private operators. Nearly 90% of Ratings grades and port staff in CalMac Ferries are members of the RMT. A significant number of our CalMac members live in communities on CHFS routes and our members offer a unique perspective on the existing problems and the future of lifeline ferry services in the west of Scotland. RMT welcome the opportunity to contribute to this important cross-party inquiry into the sustainability of ferry services in Scotland. The Union supports the development and delivery of A People's CalMac on the CHFS network, with services brought in-house permanently and an expanded role for workers and communities in vessel procurement and governance on all publicly funded ferry contracts.

Key points

- Unbundling and privatisation on CalMac services have been ruled out by the First Minister but the serious problems on the CHFS network are entirely due to the failure of the Scottish Government's vessel procurement timetable in the Ferries Plan.
- Ferries policy must avoid pitting passengers against CalMac staff.
- The Scottish Government must publish Project Neptune, as soon as possible and commit to working with the CalMac unions to bring the CHFS contract permanently in-house, provide job security for CalMac staff and reform CMAL.
- In keeping with the £2bn public investment in the CHFS network over the last 15 years, the £580m Infrastructure Investment Plan to deliver new vessels and infrastructure, mainly on the CHFS network by 2026 must also benefit domestic shipbuilding, including Ferguson Marine in the public sector.
- Passenger and vehicle volumes on the CHFS network increased 23% and 27% respectively between 2015 and 2019. This was driven by fares subsidy of over £20m and accelerated the subsequent decline in reliability and resilience during and after the pandemic.
- Ferry workers and passenger groups should have more say in the procurement of new vessels. This would improve transparency and the agility of the public sector to respond to changing travel demands and Net Zero imperatives.
- CalMac workers were heroes during the pandemic, transporting essential food and medical supplies and moving the sick to intensive and other forms of emergency care on the mainland.

Unbundling and privatization

The current CHFS contract ends in September 2024. Since Ferguson Marine missed its first 2018 delivery dates for Hulls 801 and 802 on Ardrossan-Brodick and the Uig Triangle, ferry workers and passengers have faced the 'perfect storm' of declining

resilience on the ageing CalMac fleet and years of chronic congestion in vessel procurement, despite the targets in the Ferries Plan 2013-22.

RMT is crystal clear that any unbundling of the CHFS contract into individual routes and/or the privatisation of the contract or individual routes represents the biggest threat to sustainable evolution of Scotland's ferry services.

We welcomed the First Minister's clear commitment in answer to a question from Katy Clark MSP that the Scottish Government:

'have no plans whatsoever for that—we will not privatise our public service ferries and, equally, we have no plans to split up the CalMac network. That is the Scottish Government's position, and we will continue to invest in our ferry network to give people on our islands the service that they have every right to expect' (First Minister's Questions 3rd February 2022).

This is not, however, the same as explicitly committing to permanent in-house operation of the CHFS contract. The 2017 Ferry Law Review found that CHFS passenger groups and stakeholders (including trade unions) expressed:

"...a general preference for making a direct award to an in-house operator for the Clyde and Hebrides ferry services" (Page 16 of Ferry Services Procurement Policy Review – Emerging Findings, 20 December 2017).

Since then, the key piece of EU legislation Maritime Cabotage Regulation 3577/92 has been revoked but its main content, including regular competitive tendering of public ferry contracts has been retained, with the agreement of the Scottish Government.

As we understand it, the recent Subsidy Control Act 2022 passed in Westminster could effectively require competitive re-tendering. In any event, it is essential that the Scottish Government makes a statement on its procurement plans for the next CHFS contract. However, if anything were to interrupt service levels, jobs and harbour capacity on Scotland's ferries, it is the continuation of compulsory competitive tendering. This will ultimately lead to cherry-picking of the most profitable routes and the creation of a two-tier employment conditions and services, where busier routes are prioritised at the expense of quieter ferry routes.

In this vein, the Committee should note that assessments of 'market' and 'community' needs on every route operated by CalMac on the CHFS route are underway. The Scottish Government has tendered a £2m contract for this work, to a number of private sector consultants (See LINK EXPIRED). To some extent these assessments are normal practice – they took place on the CHFS network as part of the Ferries Plan 2013-22. But the subsequent managed stagnation of services and resilience resulting from the failure of the Ferries Plan's vessel replacement programme has heightened the significance of these assessments.

These seemingly dry policy points are fundamental considerations in the debate over the future of the ferry services that supported 5.6m passenger crossings, nearly 1.5m cars, nearly 80,200 trucks and over 11,000 coaches on the CHFS contract in 2019. Returning

to these volumes is desirable but has to be handled sustainably and under direct public control and operation.

CalMac employ around 1,700 seafarers and shore-side staff and their services are an indirect support to thousands more jobs and business across the CHFS network. Introducing the profit motive or unbundling individual routes would damage the sustainability of these services.

Project Neptune

Whilst there is unanimous agreement that reforms are necessary, the Scottish Government must be clear on the content of Project Neptune, the private sector report into 'ferry governance' it commissioned from Ernst & Young (for £156,000) in March 2021, in response to the predecessor committee's recommendations.

The significance of Project Neptune has not been lost on Audit Scotland, who recommended to Ministers in March that they

"...finalise the long-term plan and investment programme for ferries by the end of 2022. As part of this process, and considering the results of the Project Neptune governance review, Transport Scotland and CMAL should consider how best to implement the future new vessels programme and the most effective arrangements for managing new vessel projects" (Page 7, Audit Scotland New Vessels for the Clyde and the Hebrides March 2022).

RMT is campaigning for a People's CalMac, operated in the public sector, permanently in the interests of all passengers, workers, communities, businesses and the Scottish Government itself. Unresolved issues such as the impact of the UK Government's Subsidy Control Act, as well as the delayed publication of the Project Neptune are major barriers to the ongoing debate around the future of Scotland's ferry services.

Investment in the public ferry fleet and lifeline services

Fully staffed, well run and zero carbon passenger ferry services are essential to delivering for passengers, businesses and island economies in the long term. Some commentators have described Scottish ferries as a 'job creation exercise' but this is anti-worker talk on a par with the Chief Executive of P&O Ferries.

Public investment in Scottish ferry services has been growing for a number of years. This is not only welcome but clear evidence of the need to maintain publicly owned and operated services on the CHFS contract, the second largest public contract that the Scottish Government holds after ScotRail, which is also in public ownership but facing similar threats to funding.

The only way to future-proof CalMac and any other publicly contracted ferry provider in the Net Zero era is to bring the services permanently in-house. An estimated £168m taxpayer's money has been wasted in the Ferguson Marine Engineering Limited (FMEL) fiasco (based on the original estimate of £72m) but the additional record levels of investment in the CHFS contract, the second largest on the Scottish Government's

books is a clear commitment to the long term future of CHFS services in the public sector.

Services need to be protected and ferry workers across CHFS routes are the first to be affected when disruption interrupts a scheduled service.

For example, when there is a vessel failure, the relief vessel is the 39-year old Isle of Arran, a large ferry operating between Ardrossan and Brodick, CalMac's busiest route. The loss of capacity on that route then ripples out across the network and if the ageing relief vessel fails, which it has on a number of occasions, then the problems intensify on increasing numbers of routes.

Procurement is desperately needed and RMT welcome the Scottish Government's commitment in the Infrastructure Investment Plan (IIP) to £580m investment in the ferry network over the next five years. But we remain concerned that the £281m budget for new vessels will not be sufficient to meet the schedule for replacing up to seven small ferries and the Hebridean Isles by 2025-26.

Indeed, tendering of design contracts for a low carbon model has only just begun. As long as the procurement process remains unreformed, there is the risk that the contractual and specification blunders on Hull 801 and 802 could be repeated. Contracts for building the first small ferries will be tendered by the end of the year.

The progress in tendering the contracts for two vessels for Islay and Jura is welcome but it is disappointing that the contract has gone to a shipyard in Turkey.

It is also likely that the Glen Sannox, when it is finally delivered next year will be operating from Troon to Brodick due to the knock-on delay to the harbour upgrade project in Ardrossan.

We question their motives but the UK Government's shipbuilding strategy cites the domestic ferry industry in Scotland as a 'pipeline of opportunity' for shipbuilders in the UK over the next 30 years (see page 21 of Ministry of Defence's National Shipbuilding Strategy Refresh, March 2022 at www.gov.uk/government/publications/refresh-to-the-national-shipbuilding-strategy). Scottish Enterprise and the Scottish Government need to demonstrate stronger commitment to shipbuilding in the nationalised facility on the Lower Clyde.

Audit Scotland recommended in March that the Scottish Government support investment in the nationalised Ferguson Marine facility (Page 8, Audit Scotland's New Vessels for the Clyde and the Hebrides March 2022). We believe that this commitment to a public sector shipbuilder should be permanent. This would not only support skilled jobs but support domestic employment on low carbon ferries in Scotland. That is a sustainable model for procuring the next generation of CalMac and other publicly owned, operated and subsidised ferry services. It would also support CalMac's industry leading seafarer training programme.

On Net Zero, Scotland and the UK do not have a target for decarbonising maritime transport. That also needs to change, as all of CalMac's emissions will count in the Nationally Determined Contributions. Maritime did not feature in the COP26 pledge to

zero emission public transport fleets (see www.theclimategroup.org/zev-pledge), endorsed by the Scottish Government which only applies to road transport. We need more clarity on emission reduction targets in the short term and it is likely that the LPG alternative fuel used in the design of Hull 801 and 802 will be a sustainable source in the long term.

Issues such as the training and safety implications of transporting electric vehicles on CalMac's ro-ro fleet also need to be addressed as part of the procurement process, along with long standing problems such as booking and ticketing.

International comparisons are useful in terms of technology but should not be used to undermine employment and collectively bargained terms and conditions on CalMac or any other ferry operator in Scotland.

Taxpayer support for CalMac during the pandemic to protect ferry jobs and lifeline services was not only welcome but unavoidable. The equivalent position of privately owned ferry operators demonstrates the core resilience of a publicly owned service. For example, having initially claimed nearly £11m in furlough support for staff, including on the Cairnryan-Larne route in the first few months of the pandemic, P&O Ferries embarked on a programme of mass redundancies, rather than continuing to accept public support for jobs and services.

This ultimately led to P&O's further and egregious attack on its own staff, on 17 March this year when 786 seafarers, including many in Scotland and Northern Ireland, were summarily dismissed and replaced with agency crew. The Committee will recall this appalling episode, having taken evidence from P&O Ferries CEO Peter Hebblethwaite, on 25 March 2022. We cannot have employment practices like this anywhere, especially in Scotland's public ferry industry.

More positively, RMT strongly believe that the catering offer to passengers on CalMac services is an essential part of any sustainable investment strategy, particularly on ferry services where the taxpayer is subsidising cheaper fares.

This is particularly important over the course of a day's service during the summer season when tourist traffic offers significant revenue streams for a publicly owned and operated ferry service. It also provides an important opportunity to showcase and sell locally produced food and beverages, from Stornoway black pudding to bakeries and whisky and gin distilleries on the Isle of Mull and Islay, for example.

Road Equivalent Tariff (RET)

RET, designed for Transport Scotland by private consultant Roy Pedersen, was rolled out over the CHFS network in 2015. By 2019, RET had driven increases of 23% and 27% in passenger and car volumes, respectively across the network. It was costing £25m per year and has seen the taxpayer contribute £120m since 2008 when it was first trialled on CHFS routes.

In isolation, RET has been successful but that success must not come at the long term cost of ferry workers and communities.

Transport Scotland’s evaluation of the RET scheme, carried out by private consultants Stantec was completed in 2020 but publication was delayed until March 2021. The report was clear on the impact that lower fares were having (up to 2018) on reliability and resilience on the ageing CalMac fleet:

“The increase in visitors to the islands and the increased propensity for both residents and visitors to take their car on the ferry has caused capacity challenges on several routes across the network. This has created challenges for the operator in terms of managing demand, maintaining punctuality and, at various ports, safely and efficiently managing traffic. Vessels’ operating days are also longer with fewer lay up days than previously scheduled. This is putting added wear on already ageing assets which is impacting on the technical reliability of the service” (Page 5, Evaluation of Road Equivalent Tariff on the Clyde and Hebridean Network, March 2020).

The report also found that RET had led to dramatically increased pressure on crew and the absence of any spare capacity in the fleet. These conclusions were drawn in 2018, before the full extent of the Scottish Government’s faulty contract with Ferguson Marine became apparent.

As noted in the oral evidence to the Committee on 28th June from ferry user groups, Road Equivalent Tariff has driven massive increases in passenger and vehicle volumes on CalMac routes. It is notable that even where some ferry user groups regard RET as ‘fantastic,’ the failure to procure vessels since 2015 in line with the Ferries Plan is clearly implicated in the difficulties facing CalMac passengers and workers today.

RET’s role in accommodating higher volumes of mobile homes and caravans, which congest deck lanes and local roads, often to the detriment of local residents trying to use their ferry service is also something that needs to be looked at.

It should also be noted that the roll-out of RET on the Northern Isles network has effectively been vetoed by the private company Pentland Ferries.

CalMac heroes

CalMac’s key workers were rightly praised as heroes during the pandemic but faced increased passenger hostility as passengers returned in numbers in summer 2021. In the autumn of 2021, RMT members were surveyed by their union to gauge their experiences in providing services to returning local and tourist traffic on the same, ageing fleet. This returned the following findings:

- 56% of CalMac employees experienced violence from passengers since the beginning of the pandemic, from physical assaults, verbal abuse, racial harassment, threats of assault, sexual assault to being spat at/targeted with other bodily fluids.
- 95% reported verbal abuse.
- 27% reported threats of violence.
- 54% said that violence at work had worsened during the pandemic.

The origins of the current problems that have occasioned the Committee's inquiry are not the fault of CalMac workers. Greater public control of CMAL's procurement practices and strategies is what is needed.