

**AGENDA ITEM 4
REPORT NO. LA/14/17**

HIGHLAND COUNCIL

Committee: Lochaber Area Committee

Date: 22 August 2017

Report Title: Corran Ferry – Operational Update

Report By: Director of Community Services

1. Purpose/Executive Summary

- 1.1 This report provides an update on the recent suspension of the Corran Ferry; actions taken to restore the service; and business continuity measures being put in place to deliver improved resilience of the service.

2. Recommendations

- 2.1 Members are invited to:
- i. Note the actions taken to restore operation of the Corran Ferry service and business continuity measures taken to improve the resilience of the service in the future; and
 - ii. Agree that the options appraisal for the Corran Ferry is commenced in 2017/18.

3. Background

- 3.1 Due to technical difficulties it was necessary to suspend the Corran Ferry service from approximately 13:00 on Saturday 15 July 2017. The back-up vessel, the Maid of Glencoul, was unavailable due to ongoing refit works and manufacture of parts resultant from its annual service.
- 3.2 On 17 July 2017 in consultation with the Maritime Coastguard Agency (MCA) a remote operative vehicle (ROV) was organised to undertake an underwater survey of the ferry. A specialist engineer was organised to undertake an inspection, this was scheduled for 19 July 2017.
- 3.3 The ROV survey was completed on the 19 July 2017 as was the initial inspection by the specialist engineer who identified repairs required.
- 3.4 Repairs were undertaken on 20 July 2017, after which sea trials were run with the MCA then approving the vessel for reinstatement of service. The Corran Ferry recommenced operations at 12:30 on 20 July 2017.
- 3.5 Throughout the period of suspension communications were ongoing to provide updates.
- 3.6 Costs resulting from the incident totalled £39,000, these are made up as follows:-
 - Loss of fares income £30,000
 - Steering repair £ 6,000
 - ROV inspection £ 5,000
 - Fuel saving -£ 2,000

4. Business Continuity Plan

- 4.1 Members have requested that officers set out the business continuity plan for a similar scenario happening again. The situation of having the main vessel and the back-up vessel out of service at the same time is rare but requires to be planned for none the less.

4.2 Current maintenance regime

Despite the age of the vessels (17 and 42 years) incidence of breakdowns or groundings is significantly less than Calmac, who experience such situations approximately once per month across their fleet. Highland Council have been able to sustain this due to their meticulous maintenance regime and the constant diligence of the Council's ferry team. However the increasing age of the vessels inevitably means that the likelihood of mechanical failure is rising.

4.3 Refits

The back-up vessel refit takes place in March and the main vessel refit in October annually. This arrangement, as proven by this year's problem with the Maid of Glencoul, ensures that the main vessel is ready for the busiest season, rather than the other way around. The Corran's refit is scheduled for after the Mull Rally (although this can delay the refit due to the volume of Calmac boats undergoing refit at that time of the year).

4.4 Depending on the amount of scheduled and unscheduled work, refits tend to take between 3 to 6 weeks each. Therefore with the current system, for a quarter of the year there is no back up while the vessels are out of service in refit.

4.5 An extension of this period without the back-up vessel occurred last year due to delays in the replacement of the Maid's mooring, and again this year due to the delay in the manufacturing of the Maid's spare steering slewing ring. As is usual practice, in future the local team will ensure that Members are kept informed of any delay in the return to service of vessels after refit.

4.6 Contingency plan for a replacement vessel

Trials were undertaken 2 years ago with Calmac's strongest suitable vessel of a comparable size but these concluded that this is not possible. This is because their vessels are not quarter-loading like ours; theirs are roll-on-roll-off, unable to operate in the strong tidal current end-on to the slipway, and the angle of the slip is wrong for their ramps.

4.7 Alternative replacement vessels

The navy has been mentioned. Landing craft would appear to be the type of vessel they may have, but to transport an equivalent number of cars they would require more than one. This could be trialled however they too tend to have ramps at the bows so may not be able to sit end-on to the slip in the tide race. (If enough cars cannot be transported quickly enough traffic queues quickly build up onto the A82.)

4.8 Alternative passenger vessels

Those being considered at present include the ferries at Treslaig, Cromarty and Glenelg. Rings or bollards to allow the vessels to tie up would have to be installed in such a way as to not interfere with the normal operation of the car ferry. It is intended to continue work to enable trials to be arranged in the autumn when seasonally operated vessels are likely to be available.

4.9 Council Redesign Board recommendation – Business Case options appraisal

The Council Redesign Board for Transport Services included the Corran Ferry Service. The Redesign Board Review 14 February 2017 recommendation (**Appendix A & B**) included the undertaking of an options appraisal to inform a business case to decide the future operation of the Corran Ferry, with the options examined to include:-

- appraisal of in-house service delivery;
- of an Arms-Length External Organisation; and
- of out-sourcing by transfer to another provider.

4.10 Such a study will examine the different options in operating the ferry in order to deliver the best ferry service in the short and medium term, in all aspects including reliability, efficiency and safety.

4.11 This will include age and capacity of vessels, slipways, engineering and maintenance, moorings versus berthing structures, roll-on/roll-off versus quarter-loading, fares and passenger numbers, manning, workforce planning and management.

4.12 In light of the recent incident resulting in the suspension of the ferry service for five days it is recommended that the options appraisal is undertaken immediately commencing financial year 2017-2018.

4.13 HITRANS STAG

The HITRANS STAG report on the Corran Narrows crossing examines the possible long term option of a fixed crossing. The HITRANS' report is not yet complete but reference should be made to it in the proposed business case.

4.14 Recommended repairs

As recommended by the German steering engineers at their recent visit, the valves in the Corran's steering system will be replaced at her next refit in October 2017. They also recommend that the control system for the steering is replaced at the next earliest opportunity, which is the October 2018 refit. The latest cost estimate for replacing the control system is £140,000, to be met from the vessel's maintenance budget.

4.15 Such a new system will have the benefit of being fully supported, will allow computer diagnostics, and these can be accessed remotely, all improving future reliability. Such a system is also compatible with Calmac's modern systems (they have already upgraded such steering systems on their comparable vessels).

5. Communication Plan

5.1 Public information

Because this event occurred at a weekend out-with Council business hours, normal communications such as press statements, Facebook messages, and Members' updates did not function as they normally would during the week. Discussion is currently ongoing with the Chief Executive, the press office and the emergency planning team regarding future arrangements.

5.2 The local team has noted the requirement to provide regular Twitter updates in future, rather than limiting updates to waiting until there are new developments to report. This decision was taken at the time to preserve clarity of message. However regular communication updates are agreed to be essential in future.

5.3 Advance notice to motorists

The "ferry off" procedure currently includes signage at Corran and Salen, and a phone call to NADICS. Discussion is ongoing with Transport Scotland/Traffic Scotland/NADICS seeking their assurance that they will treat such an event as priority, displaying the "ferry off" message at the Fort William VMS signs and those other VMS signs further afield at key junctions such as Tyndrum and Oban, plus on the Traffic Scotland website, to give motorists sufficient advance notice in order to alter journey plans. A meeting is scheduled in August with Traffic Scotland.

5.4 Additional local advance warning information signs

Recently the area team added a new flip-down sign at Corran. With the agreement of Transport Scotland it is proposed to add others on the A82 at Lochybridge and at Corran, in similar locations to the temporary signs made up by the local team during this latest event.

5.5 The “ferry off” procedure also includes Nevis Radio, local schools, Police Scotland and emergency services, bus operators, school transport operators, the Council’s corporate communications team, haulage operators and the Ward Manager.

5.6 Bus operators

Meetings are planned with Stagecoach and Shiel buses to discuss contingency plans for such a future event including possible contingency timetables, alternative routes, and coordination with a passenger ferry.

6. Implications

6.1 Resources - In addition to the planned ferry maintenance costs identified in 4.12, if additional staff were to be placed on standby, in the press office or Emergency Planning team for example, then this would have additional cost implications. The ferry service business case options appraisal will also have cost implications.

6.2 Legal - There are no implications.

6.3 Community (Equality, Poverty and Rural) - The crossing of the Corran narrows is viewed as a lifeline service to the community and essential to the economy.

6.4 Climate Change / Carbon Clever - There are no climate change or carbon clever implications.

6.5 Risk - Introduction of the additional measures to provide resilience to the service will reduce the risk of future service suspension.

6.6 Gaelic - There are no Gaelic implications.

Designation: Director of Community Services

Date: 8 August 2017

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Background Papers: Redesign Board Review 14 February 2017 reports and recommendations

Transport Services Review - Corran Ferry

Redesign of The Highland Council Board
Summary of review recommendations 14 Feb 2017

The following links to the Highland Council website contain the relevant Redesign Board documents (links have been provided, rather than printing, due to the size of the documents):

(i) Overview and summary of review report recommendations

http://www.highland.gov.uk/downloads/file/17560/summary_of_review_recommendations_14_feb_2017

(ii) Redesign review reports

http://www.highland.gov.uk/downloads/file/17551/redesign_review_reports

KEY RELEVANT RECOMMENDATION FROM THE REDESIGN REVIEW REPORT DOCUMENT (i):

“Recommendations that can be taken forward as an operational matter and the service needs support from others to do that - e.g. CIT, HR, Finance, partners

Transport services review

- Support from Corporate Improvement Team or external support to develop a business case for the future operation of the Corran Ferry including:
 - appraisal of the in-house,
 - of an Arms-Length External Organisation
 - and out-sourced by transfer to another provider.

The outcome would be considered at an appropriate Committee *(with scope for Member involvement in the options appraisal according to any new governance /policy development arrangements arising from redesign).*”

The Highland Council
Redesign Board Workshop – January 2017

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Transport Services

Report by Transport Services Redesign Review Group

Summary

This report details the findings of the Transport Services Redesign Review Group, and makes recommendations for the future operation of Local Transport Strategy, Statutory Quality Partnership, Public and Community Transport and Corran Ferry.

1. Background

1.1 Between November 2016 and January 2017, the Transport Services Redesign Review Group was charged with looking at the following transport services:

- TS1 Local Transport Strategy
- TS2 Statutory Quality Partnership
- TS3 Public and Community Transport
- TS4 Corran Ferry

1.2 The Review Group has consulted the following:

- Director of Community Services
- Head of Planning and Building Standards
- Transport Planning Manager
- Head of Infrastructure
- Head of Resources
- Policy and Programmes Manager
- Services Finance Manager
- Joint Head of Commercial and Procurement Services (Aberdeen City/Aberdeenshire/Highland)
- Principal Traffic Officer
- Transport Coordination Unit
- Roads Operations Manager – Lochaber, Nairn, Badenoch and Strathspey
- Corran Ferry crew members
- HITRANS
- Community Transport Association
- Badenoch and Strathspey Community Transport Company
- Citizens Panel.

commercial) services and for community transport

In time for the next round of tenders (2021), develop and implement a strategy for school, public and community transport including:

TS3.2 Transfer School Transport budget to Transport Coordination Unit including agreement between services of governance and responsibilities.

TS3.3 Develop joint Care and Learning/ Community Services Business Case for Committee decision on the transfer of HC minibuses from managing establishment to central management

TS3.4 Analyse and adapt home-to-school network

TS3.5 Review contract terms and conditions

TS3.6 Phase contracts

TS3.7 Develop criteria for the prioritisation of non-commercial contracts

TS3.8 Develop range of options available to deliver local transport services

TS3.9 Continue to support and facilitate community transport

TS3.10 Ensure community engagement in public transport network analysis, prioritisation of routes to support and selection of options for service provision.

TS3.11 Review contracted ferries (excludes Corran Ferry) and concessionary fares to achieve savings.

5 Corran Ferry

5.1 Introduction

Corran Ferry is not a statutory service, and the Redesign Board did not classify it as essential or desirable. The Redesign Board queried why the Council, and not another provider, is running this service.

The Council has examined the Corran Ferry operation in some detail over the past two or three years including the following reports to Committee:

- Nov 2014 Community Services It. 9 "Corran Ferry"
- http://www.highland.gov.uk/download/meetings/id/66832/9_corran_ferr_y
- Feb 2015 Community Services It. 14 "Corran Ferry"
http://www.highland.gov.uk/download/meetings/id/67373/item_14_corr_an_ferry
- March 2015 Highland Council Notice of Amendment
http://www.highland.gov.uk/download/meetings/id/67674/item_6_notice_of_amendment_-_corran_ferry_additional_papers
- Feb 2016 Community Services It 11 "Corran Ferry"
http://www.highland.gov.uk/download/meetings/id/69677/item_11_corr_an_ferry
http://www.highland.gov.uk/download/meetings/id/69677/item_11_corr_an_ferry

The main conclusions and ongoing actions arising from these reports are as follows:

- The Council should not transfer the service to Transport Scotland

- The Council should pursue a change of policy from Transport Scotland regarding RET, so that it is not applied uniformly on all routes
- Detailed financial forecasts for the next 5 years should be compiled
- The STAG appraisal for a fixed crossing should be completed
- A long-term view should be taken comparing the whole life cost of a fixed crossing with the capital and revenue costs of ferry operations
- Acknowledgement that capital charges for the cost of a replacement ferry have not been included “above the line” in the Capital Programme
- The option for smart ticketing needs to be further explored
- Fares should increase by 2% in 2016/17 to continue position of covering running costs, but otherwise there should be no changes to the fare structure
- The timetable should not be changed.

5.2 Background

The Corran Ferry provides a vehicle and passenger ferry at the Corran Narrows south of Fort William providing access to Ardgour, Morvern and Ardnamurchan (estimated population 1,750) and onwards to Mull via Kilchoan and Lochaline. It reduces the journey to Fort William by over 20 miles and reduces a southward journey on A82 by 40 miles, compared with the road route. The road route (A861) is single track and passes under a railway bridge with a height restriction of 3.6m (12’0”) before joining the A830 (Fort William to Mallaig).

The service currently operates two quarter loading vessels which are required for the slipway alignment and the strength of the tidal stream through Corran Narrows. The second vessel, MV Maid of Glencoul, provides emergency cover when the main vessel MV Corran is away for refit. Operating the more common Roll On Roll Off (RO-RO) ferries, used elsewhere in Scotland, would require realignment of the slipways – the cost of doing this is not known at this stage. The Council employs two full time crews operating on 5 days-on 5 days-off basis. Crew Members are qualified/experienced to complete different tasks to ensure time limits are not exceeded. There is little spare capacity to cover for leave, which has to be carefully scheduled, and for sickness cover.

The ferry service is the second busiest in Scotland. It brings considerable economic and social benefits to Morvern, Ardgour and Ardnamurchan, including to those who use the service as part of their work (40%) or for commuting (17%) (AECOM Survey 2014) and is an important service for a Remote Rural Area.

5.3 Costs and Income

Income and costs for the past three complete financial years are presented in the table below. In 2015/16 the operation made a surplus of £0.191m. However refit costs were significantly less than in previous years and fuel costs were lower reflecting a reduction of fuel prices, which are now rising again. Income has risen in the past year following fare increase of 2%. The

long term position, (reflecting Council stated policy) is that the income from fares should cover the ferry's running (i.e. revenue) costs, rather than generating a surplus. As the vessels get older, on-board systems and plant will become obsolete and maintenance and refit costs will rise.

| | 2013/14 | 2014/15 | 2015/16 |
|------------------------------|--------------------|--------------------|--------------------|
| Expenditure | | | |
| Employee Costs | 675,217 | 658,120 | 686,884 |
| Property Costs | 27,231 | 26,037 | 26,780 |
| Fuel Costs | 188,534 | 169,843 | 119,230 |
| Transport Costs | 7,576 | 4,904 | 4,363 |
| Insurance | 64,614 | 48,576 | 60,361 |
| Refit Costs | 213,396 | 270,502 | 161,019 |
| Engine Repairs & Maintenance | 167,382 | 55,656 | 52,425 |
| Other Costs | 52,666 | 50,437 | 43,570 |
| Total Expenditure | 1,396,616 | 1,284,075 | 1,154,632 |
| Income | | | |
| Ferry Dues | (1,141,596) | (1,260,048) | (1,312,793) |
| Other | (33,346) | (34,442) | (33,455) |
| Total Income | (1,174,942) | (1,294,490) | (1,346,248) |
| (Surplus)/Deficit | 221,674 | (10,415) | (191,616) |

In terms of capital, the current Capital Programme includes £8m "below the line" allocated in 2022/23 for a replacement vessel. This reflects an indicative requirement rather than a firm commitment to necessary investment in the service.

5.4 Options for the Future of the Crossing at Corran Narrows

Notwithstanding the decisions made by the Council as outlined above (see Section 5.1), the Redesign Review Group considered the options for the future of Corran Ferry afresh.

The first consideration is to assess the options for crossing the Corran Narrows.

5.4.1 No Crossing

As stated above the crossing is of significant socio-economic importance to Ardgour, Morvern and Ardnamurchan, It reduces the journey distance of journeys to Fort William and by approx. 20 miles and by approximately 40 miles to journeys south on the A82. Furthermore it is the only access for HGVs to those communities and onward to Mull (without as diversion via Oban-Craignure ferry) due to the low bridge (3.6m 12'0") on the road route (A861). The ferry route also forms part of National Cycle Route 78 which diverts cyclists from the A82 between Corran Ferry and Fort William where there is no cycle path. There is a strong case for the retention of the crossing in one form or another.

5.4.2 Fixed Crossing

HITRANS have included an option for a fixed crossing at Corran Narrows in

their proposed STAG for West Highland. This is a necessary first step to assess the viability and benefits of the project, and would offer a costed comparison with other options. A favourable STAG would be required if any funding was subsequently sought from Scottish Government. At present there are no indications of the outcome of this study however, given that a bridge or tunnel at Corran Narrows would be likely to cost several tens of millions of pounds, and given competing priorities (e.g. Stromeferry), a fixed crossing can only be regarded as an option in the long term, if at all.

5.4.3 Ferry

This is the only option for maintaining a crossing in the short and medium term. However there are different approaches that can be taken to providing the ferry crossing, outlined in the next section.

5.5 Options for the Ferry Service

5.5.1 Highland Council

Highland Council, as current operator, is in a position to continue and improve the service; however it currently runs the service on the basis of covering revenue costs only, which has limited available funds for continuing investment in improvements. The service now requires significant investment in the following areas:

Replacement Vessel

MV Maid of Glencoul (which was built in 1975) requires replacement as many of the on-board systems and plant are now obsolete, requiring the manufacture of spare parts no longer available off-the-shelf. MV Maid of Glencoul is the back-up vessel and would be replaced with another quarter loading vessel and the current main vessel, MV Corran, would become the back-up vessel. Previously, consideration was given to running one vessel only, and this included discussions with Calmac about them providing a vessel for emergency and refit cover as required. However, it emerged during trials that the Calmac RO-RO vessels were incompatible in the slipways at Corran Ferry at certain states of the tide, which could only be resolved by realigning the slipways (no costing for this work has been done, but the investment has been described as "significant"). If the slipways were realigned the current quarter loading vessels could no longer operate and would need to be replaced by a RO-RO vessel. Replacement with a RO-RO vessel would allow the sale/scraping of both vessels yielding a reduction in running costs (although it would be necessary to pay for the refit cover) and potentially a capital receipt from the disposal of the two vessels.

The replacement of the MV Maid of Glencoul is the opportunity to convert the operation to RO-RO. The Capital Programme only contains a "below the line" provision of £8m for 2022/23, indicating that a replacement ferry is not an investment priority for the Council. The report to Community Services Committee in February 2015 estimated the cost of replacement to be £12m for a RO-RO vessel, based on recent Calmac acquisitions. A replacement for

a similar capacity vessel for the crossing at Strangford Lough cost approximately £6m (NB detailed spec. for full comparison was not available). It would also be worth investigating whether alternative financing options exist, including contract-hire arrangements.

Infrastructure Investment.

Work is required to the Ardgour slipway in the medium term, and the current MV Maid of Glencoul mooring would require upgrading if it was used to moor the larger MV Corran if it became the cover vessel. As stated above, "significant" investment would be required to realign the slipways to accommodate RO-RO vessels.

Equipment

There are various pieces of equipment which require to be upgraded, in particular the ticketing system, to enable a move to a smart ticketing systems and the replacement of the hand-held ticket machines.

Staffing

The majority of the staff are in their 50's and 60's which means that there needs to be investment in recruitment and training, for example apprentices, who can replace the older members of staff as they retire. The Council is vulnerable to the loss of skilled staff through sickness or moving to other employment, for example each shift has an engineer.

Management

The operation is currently supervised by two Foremen who report to the Roads Operations Manager – Lochaber, Nairn, Badenoch & Strathspey, who has a broad remit, and despite having an understanding of the ferry operation and requirements, only has limited marine-specific experience and knowledge, including the changing regulatory and training requirements – for example Marine and Coastguard Agency (MCA) is introducing a new set of qualifications and a requirement for the renewal of licences, previously held for life.

Potential Service Improvements and Changes

If the Council were to commit to the above investments there would be opportunities to alter the service to generate a sustainable surplus. Measures could include:

- Review of fare structure, in particular: the discount given for 30 ticket books; the fact that car and foot passengers and bicycles are not charged for; and differential charging for residents and visitors (only 15% of Citizen's Panel disagreed/strongly disagreed with this approach). One approach may be to base future fare structures on RET which is now established across the Calmac network and provides a useful benchmark for HC operations, while retaining a discount for residents who regularly use the service, such as season tickets or discounts for multiple trips through smart ticketing. NB previous attempts to change fare structure have faced strong community opposition.
- Reviewing the timetable including reducing the winter timetable,

reflecting lower demand.

5.5.2 Arm's Length External Organisation (ALEO)

Some consideration has been given to the possibility of setting up an ALEO to operate the ferry service. Operating an ALEO would provide a number of advantages including:

- Flexibility to vary fares and operations
- Freedom to operate more commercially than the Council (in the face of community opposition/scrutiny)
- Opportunity for community involvement (e.g. on the ALEO Board)
- Potential to attract private investment (e.g. investment in infrastructure)
- Transparent stand-alone operation that would be required to cover its costs.

However the service would still require the investment outlined above, much of which would in all likelihood have to come from the Council. Furthermore there would need to be investment in specialist management and back office support and systems and the transfer (TUPE) of existing staff to the ALEO. The relatively small scale of the operation may not justify the required investment in management, overheads and support costs.

This option would require further investigation, if the Council agrees this is an option worth pursuing.

5.5.3 Transfer to Another Operator

As outlined above, the service requires capital investment, however the ferry is not a statutory or core Council service so such investment may be difficult to justify in a competitive capital environment. Transferring to another operator would enable the Council to avoid the significant investment required (although there may be a need for some investment so that the operation is fit for transfer). It would also mean the Council would transfer the risk of running the operation to an organisation whose core business was operating ferries, bringing advantages including specialist engineering, safety and training which the Council is unable provide. Any transfer would involve the transfer of 18 (17.5FTE) Council staff, who would be protected by TUPE, and who may also benefit from opportunities for promotion, working other routes, specialist support during refit, and additional staff cover.

Transport Scotland

As reported to Community Services Committee on 5 Feb 2015, initial discussions were held with Transport Scotland regarding the transfer of the service as outlined in the Scottish Government Ferries Plan. These discussions identified matters to resolve or consider before the Scottish Government would make a decision about running the ferry themselves including the following:

- Understanding by the community of the impact of RET
- The need to justify the "lifeline" status of the Ardnamurchan peninsula
- Use of the standard Transport Scotland "Routes and Services

Methodology” to identify dependencies on the ferry and therefore the minimum service required

- A business case for operating the ferry that shows it covering its costs
- The transfer of all infrastructure to TS – for control of the assets required. It is possible that some investment in assets and infrastructure would be required to facilitate the transfer.

The continuing openness of Transport Scotland to consider a transfer was most recently confirmed in letter from the Transport Minister to Council Convener received January 2017. It is assumed that following the transfer, Transport Scotland would contract Calmac to operate the route as part of the Clyde and Hebrides contract.

As outlined in the same report, transfer to Transport Scotland would lead to the introduction of RET fares. While introduction of RET would reduce the cost of a single car crossing, the discounted fares would be likely to disappear and car and foot passenger would start to be charged. Overall, this was estimated in the report to yield an additional £224K in fare income, but was rejected as an option in the face of community opposition. However, there are instances where multi trip discounts and/or season tickets have been retained on short routes operated by Calmac following the introduction of RET, for example Largs/Cumbræ, Wemyss Bay/Rothesay, Colintraive/ Rhubodach, and Oban/Carignure. Following this up is an outstanding action, and would address the main community objection to transferring the service to Transport Scotland.

Transfer to Another Commercial Operator

A further possibility would be to transfer the service to a private operator rather than Transport Scotland. There are various contractual/commercial arrangements that could apply such as selling the operation and assets to the highest bidder or agreeing a joint venture/ profit share arrangement, although it is unclear whether there are any operators who would be willing to enter into such an arrangement, particularly given the investment requirements; and the Council would come under community criticism it was seen to make profit from the service. Equally, any attempt by the Council to control fares or specify service levels would be likely to lead to a contracted service arrangement with the Council paying for the service to be delivered, similar to other contracted bus and ferry services. This option would require further investigation, if the Redesign Board felt that it was merited.

5.6 Meeting the Council’s Affordability Challenge

- There are no savings or income earning opportunities as the service aims to run at break-even (revenue only). This is stated policy agreed in response to community concerns.
- While there are no savings opportunities, there is significant capital investment required (including the impact on the revenue budget of servicing that capital requirement) if the Council retains the service, or establishes an ALEO to operate the service in its behalf. Transferring the service to another operator would avoid the need for most of that

capital investment – it is anticipated (subject to negotiation) that some capital may be required to ensure the service is fit for transfer.

5.7 Conclusion

- Corran Ferry presents no significant savings or income earning opportunities if it continues to be operated as at present
- The community has had a strong influence over the political decision making regarding fares, which has affected the ability for the Council to cover the costs of running the service, leading to a lack of investment
- Changing the fare structure (e.g. different fares for residents and visitors; charging for foot passengers) could raise additional income
- The service now requires significant investment (estimated up to £12m for a new vessel). Failure to invest will lead to increased maintenance costs, and eventually the vessels no longer being fit to operate (i.e. failing routine MCA inspections). Conversely the Council is likely to receive little financial return for that (scarce) capital investment given the current fare structure and community opposition.
- The Council has not prioritised capital investment in the operation and there is no provision in the Capital Programme for a replacement vessel
- A fixed crossing, whether bridge or tunnel, is only a possibility in the long term (if at all), and a crossing of some sort (i.e. ferry) needs to be maintained in the meantime.
- Transport Scotland remains willing to enter into discussions about assuming responsibility for the ferry.
- The service is currently operating at a surplus, but this is susceptible to increasing fuel and maintenance costs, so the window of opportunity to transfer to another operator may be limited.

5.8 Recommendations

TS4.1 Develop Business Case for future operation of Corran Ferry including the following options:

- HC continues to operate
- HC transfers service to an ALEO
- HC transfers service to another operator

TS4.2 The Council decides future operation of Corran Ferry based on Business Case

6 Implications

6.1 Resource Implications

The key resource implications are:

LTS/SQP

- No savings

Public and Community Transport

- Transport Programme has already achieved £1.74m of savings compared with the previous round of contracts, and now seeks to fill the outstanding savings gap of £0.506m in 2017.
- Further savings can be made by reducing the budget available for public transport once the current contracts expire in 2021 although some contracts could be terminated early if required. Similarly Community Transport grants have been agreed until 2019.
- Public and community transport are managed to maximise the use of resources, so any savings made will lead to service reductions, and these would need to be considered on a route-by-route basis, considering issues such as usage, transport alternatives, rurality, poverty and equalities impacts.
- Community transport is part of the solution to Highland transport needs, but coverage is not Highland wide and capacity is limited in many communities, meaning it is not a viable alternative in many cases.

Other Public Transport - Ferries and Concessionary Fares

Proposed savings are as follows:

| | £m |
|---|--------|
| Rail Concession Fares | £0.120 |
| Ft William - Camusnagaul Ferry contract | £0.020 |
| Total | £0.140 |

Please note these savings differ from those presented to the Redesign Board on 10 Jan 2017 following further analysis and discussion (see Section 4.9.3)

Corran Ferry

- There are opportunities to increase income if fare structure is changed and community opposition to fare increases could be managed by introducing different fares for residents and visitors
- The operation requires substantial capital investment (up to £12m for new vessel) plus investment to realign slipways and introduce smart ticketing.
- The saving available to the Council is to avoid most of this investment requirement by transferring the service to another operator (who may require some investment contribution from the Council).
- The service is currently operating at a slight surplus, but this is susceptible to increasing fuel and maintenance costs so the window of opportunity for transfer may be limited.
- Ferry Staff – should a transfer to another operator be agreed it will be necessary to transfer 18 (17.5FTE) Council staff who would be protected under TUPE regulations.
- The Transport Services Redesign Review Group staff side representative was fully engaged and briefed on the findings and recommendations of the Review at regular Review Group meetings. Unfortunately he was not available to attend the Corran Ferry crew meeting although the outcomes of that meeting were subsequently reported to the Review Group.

6.2 Legal

There are a number of detailed legal implications arising from the reports, however the main legal issues are:

- Contractual issues relating to early termination of transport contracts
- Legal and procurement issues regarding transfer of Corran Ferry to another operator (if implemented)
- Transfer of ferry staff to other operator (TUPE) if implemented

6.3 Equalities

Equalities screenings have been carried out for the following:

TS3.3 Develop joint Care and Learning/ Community Services Business Case for Committee decision on the transfer of HC minibuses from managing establishment to central management

TS3.4 Analyse and adapt home-to-school network

TS3.5 Review contract terms and conditions

TS3.8 Develop range of options available to deliver local transport services

TS3.10 Ensure community engagement in public transport network analysis, prioritisation of routes to support and selection of options for service provision.

TS3.11 Review contracted ferries (excludes Corran Ferry) and concessionary fares to achieve savings – Rail Concessions

TS3.11 Review contracted ferries (excludes Corran Ferry) and concessionary fares to achieve savings – Fort William-Camusnagaul Ferry

The major issues identified are:

- Potential impacts on disabled and elderly from withdrawn or reduced bus services.
- National Entitlement Card (bus pass) holders (elderly and disabled) are not affected by any fare rises as their fares are covered by Scottish Government concessionary fares scheme
- Increased community access to Council minibuses presents a potential positive impact if more services are provided, particularly in areas where transport services are light or non-existent. Access for disabled passengers will improve as vehicle specifications improve.

An Equalities Impact Assessment will require to be completed as part of the proposed Business Plan for Corran Ferry (see TS4.1)

6.4 Climate Change/Carbon Clever

There are no specific Climate Change or Carbon Clever implications arising from this report.

6.5 Risk

There are a number of detailed risks associated with the actions proposed in the report. However the main risks are as follows:

Home-to-school transport not provided

This statutory service must be provided. The risk is managed by prioritising provision of home-to-school transport. Withdrawing support from other public transport may have an unintended impact of forcing operators to withdraw from home-to-school contracts, so it is necessary to maintain open dialogue with contractors.

Reputational damage to the Council

This may arise from early termination of contracts. It is important that the Council treats its contractors fairly. The risk is managed by maintaining an open dialogue with contractors.

Outstanding budget gap of (£0.506m) not filled

This is a priority for the transport programme in 2017. Failure to fill the gap will lead to a budget pressure and/or need to reduce agreed services and grants.

Corran Ferry out of service

This risk will be caused by a delayed decision whether to invest or transfer the service to another operator. The risk is managed by timely decision making informed by Business Case.

6.6 Gaelic

There are no implications for Gaelic arising from the report.

6.7 Rural

Rural and poverty initial screenings impacts have been carried out for the following:

TS3.3 Develop joint Care and Learning/ Community Services Business Case for Committee decision on the transfer of HC minibuses from managing establishment to central management customer friendly booking system

TS3.4 Analyse and adapt home-to-school network

TS3.5 Review contract terms and conditions

TS3.8 Develop range of options available to deliver local transport services

TS3.10 Ensure community engagement in public transport network analysis, prioritisation of routes to support and selection of options for service provision.

TS3.11 Review contracted ferries (excludes Corran Ferry) and concessionary fares to achieve savings – Rail Concessions

TS3.11 Review contracted ferries (excludes Corran Ferry) and concessionary fares to achieve savings – Fort William-Camusnagaul Ferry

The major issues identified are:

- The negative impact of increased fares and /or withdrawn services on households in rural areas and/or affected by poverty. This would particularly apply to households without access to a car, or where the only car is taken to work leaving parent/carer/partner at home without

transport.

- An impact assessment would be required on a route-by-route basis for any services withdrawn.
- Any change to home-to-school transport will be within policy and will ensure this statutory service continues to be provided. There may be a negative impact in some households, for example, reducing the number of pick-up points and requiring pupils to get to those pick-up points by their own means, where road safety allows.
- Increased community access to Council minibuses presents a potential positive impact if more services are provided, particularly in rural areas where transport services are light or non-existent.

Rural and Poverty Impact Assessments will require to be completed as part of the proposed Business Plan for Corran Ferry (see TS4.1)

7 Transport Services Recommendations

7.1 Recommendations that need further Review Team work

None

7.2 Recommendations that can be taken forward as an operational matter within the service

LTS/SQP

TS1 Council continues with the current arrangements, whereby the Local Transport Strategy is incorporated into the Local Development Plan process.

TS2 Council continues with the proposed SQP

Public and Community Transport

In time for the next round of tenders, develop and implement a strategy for School, public and community transport including:

TS3.4 Analyse and adapt home-to-school network

TS3.5 Review contract terms and conditions

TS3.6 Phase contracts

TS3.7 Develop criteria for the prioritisation of non-commercial contracts

TS3.8 Agree range of options available for local transport services

TS3.9 Continue to support and facilitate community transport

TS3.10 Ensure community engagement in public transport network analysis, prioritisation of routes to support and selection of option for service provision.

7.3 Recommendations that can be taken forward as an operational matter and the service needs support from others to do that

Public and Community Transport

With support from Care and Learning:

In time for the next round of tenders, develop and implement a strategy for School, public and community transport including:

- TS3.2 Transfer School Transport budget to Transport Coordination Unit including agreement between services of governance and responsibilities.
- TS3.3 Develop joint Care and Learning/ Community Services Business Case for Committee decision on the transfer of HC minibuses from managing establishment to central management

Corran Ferry

With support from outwith the service (secondment/ external consultancy):

- TS4.1 Develop Business Case for future operation of Corran Ferry including the following options:
- HC continues to operate
 - HC transfers service to an ALEO
 - HC transfers service to another operator

7.4 Recommendations that need Member consideration before any implementation

Public and Community Transport

- TS3.1 Council continues to provide financial support for contracted (non-commercial) services and for community transport
- TS3.11 Review Contracted Ferries and Concessionary fares to achieve savings

Corran Ferry

- TS4.2 The Council decides future operation of Corran Ferry based on Business Case (TS4.1)

Designation: Transport Services Redesign Review Group

Date: January 2017

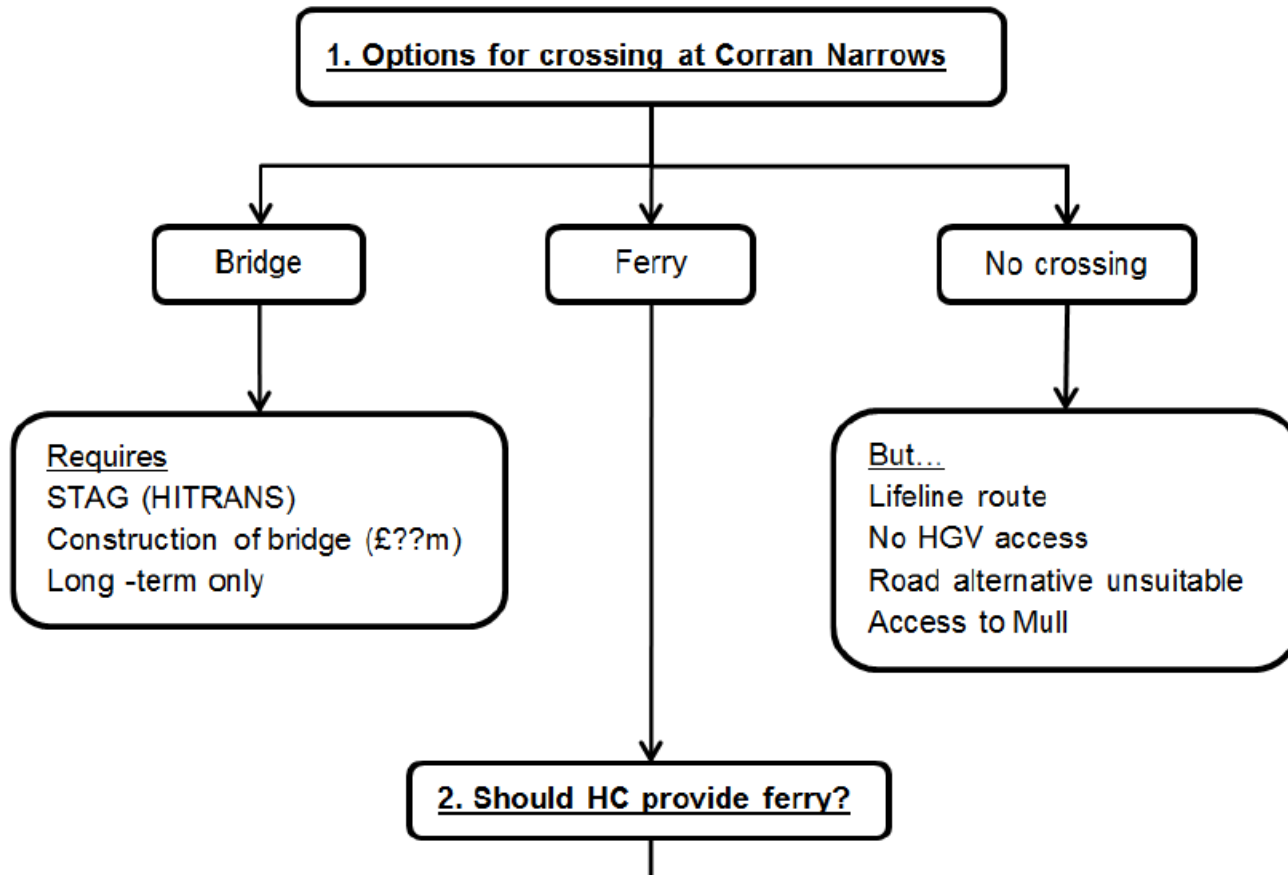
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Background Papers:

Future Options 1



Future Options 2

