

Agenda Item	7
Report No	ECI/9/20

## HIGHLAND COUNCIL

**Committee:** Economy & Infrastructure Committee

**Date:** 01 July 2020

**Report Title:** Corran Narrows Update

**A. Corran Ferry Project (Outline Business Case)**

**B. Fixed Link Crossing**

**Report By:** Executive Chief Officer Infrastructure and Environment

### 1. Purpose/Executive Summary

- 1.1 This report provides Members with an update on the progress of the Corran Ferry Project (Outline Business Case). The project has been established to review the options for securing a replacement ferry vessel and for considering the preferred way forward for the future operation and management of the Corran Service.
- 1.2 This report also up-dates Members of the work being progressed regarding the future prospects of a Fixed Link Crossing.

### 2. Recommendations

- 2.1 Members are invited to:

**Note** the information in the following reports –

- Corran Ferry Options Appraisal ([Item 20](#) in background papers)
- Corran Ferry Project (Outline Business Case) ([Appendix 1](#))
- Ferry replacement Vessel and Fixed link Timeline ([Appendix 2](#))
- Fixed Link Crossing Up-date ([Appendix 3](#))

- 2.2 **Approve** that the Highland Council is content to “approach” Transport Scotland regarding a transfer of responsibility based on the principles set out in the Scottish Ferries Plan.
- 2.3 **Approve** that a private operator running the service should be rejected for further consideration. (As agreed at HMB 2020/02/25).

- 2.4 **Approve** the preferred vessel and infrastructure option (Roll-on Roll-off) with a view to reducing optimism bias and establishing greater cost certainty prior to any procurement. (As agreed at HMB 2019/11/13).
- 2.5 **Support** the concept of a 5-year Ferry plan to ensure that the current model is sustainable. Costed items will be brought back to EDI committee seeking approval.
- 2.6 **Note** the requirement for the setting up of a Corran Narrows Options Working Group, based on similar criteria used for the Stromeferry Options Working Group.

### **3. Implications**

- 3.1 Resource - There are potential significant resource implications for the Council depending on the final preferred option, however these will form part of future reports for presentation to the appropriate Council Committee.

### **4. The Requirement for a replacement Ferry Vessel**

- 4.1 The existing ferry vessels are in need of replacement, due to their age, reliability issues, and associated difficulty in sourcing parts. The vessels are also too small leading to traffic queuing issues on either side of the Corran Narrows, particularly in high season, which is now approximately 9 months of the year.
- 4.2 The existing ferry vessels are also quarter loading which means the slipways cannot accommodate the more usual roll on/roll off Ferries. This also makes it difficult to secure a replacement vessel in the event of breakdown.
- 4.3 For all of the above reasons, the ferry vessels are at the end of their life and are in need of replacement. The Corran Ferry project has therefore for the last 12 months progressed work on developing an Outline Business Case (OBC), to determine future proposals for capital investment in vessels, slipway structures, and service delivery methods.
- 4.4 The OBC has taken forward the previous Corran Ferry Service Options Appraisal ([EDI Committee - 08/11/18](#)) and has focussed on the immediate problems with the ferry service and is planning for a larger replacement vessel and the supporting Infrastructure to ensure service sustainability until such time that a fixed link is built.
- 4.5 The Corran Ferry Project Outline Business Case is detailed in [Appendix 1](#)
- 4.6 The Project timelines for both the Corran Ferry replacement Vessel and the Fixed link crossing is provided in [Appendix 2](#)

### **5. Fixed Link Crossing**

- 5.1 A Corran Narrows: Fixed Link Outline Feasibility Study has been jointly funded by Highland Council, HITRANS, the regional transport partnership, and Highlands and Islands Enterprise. The report recently concluded that construction of a bridge or tunnel across the Corran Narrows is a viable proposition that deserves more detailed examination.
- 5.2 The Fixed Link Feasibility Study has been submitted to Transport Scotland for consideration within the Strategic Transport Projects Review. It is understood that the review is on hold due to Covid-19 situation.

- 5.3 It is important to stress that this is a separate complimentary piece of work that will have a degree of overlap with the Corran Ferry OBC in ensuring that the respective outcomes are successful. The 2 pieces of work should not be seen to be in competition with each other i.e. we require a new ferry now, to ensure that the ferry service continues reliably until a fixed link is built.
- 5.4 It is not a question of choosing between a replacement ferry versus a fixed link; we need a new ferry now, and a fixed link later, whenever that can be built. The timescales are:
- We require a new larger replacement ferry in the immediate/short term
  - Fixed link crossing is a longer-term solution, at earliest medium/long term.
- 5.5 The three local partners are planning to undertake further work to understand the business case including an assessment of the wider economic benefits which a fixed link may realise and hold a series of public engagement sessions. Due to the Covid situation no work has started on this activity.
- 5.6 An up-date regarding the Fixed Link Crossing is provided in [Appendix 3](#)

## **6. Corran Ferry Project - Engagement and Consultation**

- 6.1 Essential consultation has taken place with Council Members and Community Groups. Key contacts have been established and several discussions have taken place over the past 2 years between Highland Council and Transport Scotland along with Caledonian Maritime Assets Limited (CMAL). The Project Manager and Roads Operations Manager have also attended several Argyll, Lochaber, Skye and Small Isles Ferry Stakeholder Group meetings. Internal Stakeholder engagement with the Councils Finance, Legal, Procurement and Corporate Communications teams is ongoing.

## **7. Corran Ferry Project - Governance**

- 7.1 A 6 weekly steering group has been established in Fort William to ensure links between the Local Community and Officers are maintained. Everyone has been given the opportunity to engage in the project. Members act as a sounding board and provide support and guidance to the Project Team on any issues critical to project success and the development of the Outline Business Case (OBC).
- 7.2 Representatives from the following Community Councils - Acharacle, Ardgour, Nether Lochaber, Sunart, West Ardnamurchan and Morvern are invited to attend all Project Steering Group meetings.
- 7.3 The Head of Roads and Transport Services is Project sponsor and the Project Manager is working closely with the area Roads Operations Manager and the two Ferry Foreman. The Steering Group is part of a larger project governance structure. The Project Manager has reported to Lochaber Committee and Harbours Management Board. The decision-making powers are deferred to the Environment, and Infrastructure Committee.
- 7.4 The Corran Ferry Project Governance arrangements above will be broadened to include the Fixed Link work.

## **8. Way Forward for Corran Narrows Crossing (Ferry and Fixed Link)**

It is clear that the options for ongoing connections across the Corran Narrows require significant investment, whether it is for new and enhanced Ferry operation or a new Fixed Link. The Council is facing a significant budget pressure at this time and will essentially require funding support from the Scottish Government for the recovery beyond the Covid pandemic.

**9. Legal** - Relevant legal aspects will be explored appropriately.

**10. Community (Equality, Poverty and Rural)** - The Corran Ferry is a lifeline service with the associated socio-economic implications for the local Community.

**11. Climate Change / Carbon Clever** - Clean energy options will be considered in examining future operations.

### **12. Risk**

12.1 Increased service sustainability and resilience will reduce the risk to future service provision

12.2 The decision for STPR2 interventions has been delayed. Should the Fixed Link Option be sifted-out of STPR2 then a Fixed Link Option will be unaffordable for Highland Council.

**13. Gaelic** - No implications.

**Designation:** Executive Chief Officer Infrastructure and Environment  
(Community Services)

**Date:** 11 June 2020

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<b>Background Papers:</b>			
<a href="#"><u>Report</u></a>	Hitrans Board item 9	Corran Narrows Fixed Link: Outline Feasibility Study	2020/04/24
<a href="#"><u>Study</u></a>		Feasibility Study	2020/04/24
<a href="#"><u>Video 1</u></a>		Fly Through Video – Bridge Option	2020/04/24
<a href="#"><u>Video 2</u></a>		Fly Through Video - Tunnel	2020/04/24
<a href="#"><u>Report</u></a>	Item 10 - LA/6/20	Corran Narrows Options Development Study - Interim Update	2020/02/19
<a href="#"><u>Report</u></a>	Item 7 - LA/31/19	Corran Ferry Service Update	2019/11/06
<a href="#"><u>Report</u></a>	Item 7 - LA/17/19	Corran Ferry Service Update	2019/08/29
<a href="#"><u>Report</u></a>	Item 4 - LA/7/19	Corran Ferry Service Update	2019/04/10
<a href="#"><u>Report</u></a>	Item 20 - EDI/80/18	Corran Ferry Service Options Appraisal	2018/11/08
<a href="#"><u>Report</u></a>	Item 11 - LA/19/18	Corran Ferry Service Options Appraisal	2018/08/30
<a href="#"><u>Report</u></a>	Item 8 - LA/23/17	Corran Ferry Update	2017/10/04
<a href="#"><u>Report</u></a>	Item 4 - LA/14/17	Corran Ferry Update	2017/08/22
<a href="#"><u>Report</u></a>	Item 12 - COM/47/16	Corran Ferry Update	2016/11/03
<a href="#"><u>Report</u></a>	Item 11 - COM/8/16	Corran Ferry Update	2016/02/04
<a href="#"><u>Report</u></a>	Item 14 - COM/11/15	Corran Ferry Update	2015/02/05
<a href="#"><u>Report</u></a>	Item 9 - COM/35/14	Corran Ferry - Socio Economic Study	2014/11/06
<a href="#"><u>Report</u></a>	Item 8 - LA/5/14	Corran Ferry - Socio Economic Study	2014/02/27
<a href="#"><u>Report</u></a>	Item 12 - TEC/72/13	Corran Ferry - Review of Ferry Fares	2013/09/19



**Corran Ferry Project  
Outline Business Case (OBC)  
(Appendix 1)**

# 1. Corran Ferry Service Overview

- 1.1 The Highland Council are responsible for operating the Corran Ferry service which is the busiest single vessel route in Scotland running 7 days a week and carrying over 250,000 cars each year. The ferry is a lifeline socio-economic dependant service linking the fragile communities of Fort William, Ardgour, Sunart, Ardnamurchan, Moidart, Morar, and Morvern. The service also connects with the ferry network via the Lochaline - Fishnish route meeting the island needs on the Isle of Mull.
- 1.2 The ferry serves a wide variety of purposes including providing access to employment and other key services for residents, acting as a gateway for tourists, visiting the peninsulas and meeting the supply chain needs of the above communities.



- 1.3 Against a recent backdrop of local authority funding reductions and ongoing pressure on the Councils budget, a significant number of operational, financial and other challenges has emerged.
- 1.4 Highland Council are now at a point where a critical decision will need to be made as a delay in making a strategic decision to invest and retain the service in house or transfer responsibilities to Transport Scotland could result in Service failure.
- 1.5 There is no committed capital programme to replace any of the major assets associated with the ferry service (i.e. the vessels or slipway infrastructure).
- 1.6 The under capacity of the main Vessel the MV Corran and the Infrastructure design is not built to take the increasing level of demand therefore large capital spending will be required for a new larger replacement Vessel and the supporting Infrastructure to future proof the sustainability and viability of the service.

- 1.7 A new larger Vessel and supporting infrastructure is required to mitigate the following -
- Under capacity of the main Vessel MV Corran (28 cars)
  - Backup relief vessel as MoG (14 cars - 44 years old) is no longer fit for purpose
  - Increasing risk of being out of service with further breakdowns and longer downtime periods
  - Shuttling constantly for 9 months of the year (departing from timetable)
  - Under capacity of the queueing marshalling areas
  - Safety issue of traffic backing-up onto the main roads during peak periods.
  - Lack of a berthing structure for mooring the Vessel overnight and for carrying out essential maintenance
  - Swing mooring safety issue where crew must transfer from a small flit boat to the main vessel (ship-to-ship) twice daily
  - Sustainability of staffing and the health and wellbeing of ferry crew
  - Ongoing necessity on the Council to be compliant with Maritime regulations
  - Operation of the route in isolation with quarter loaders - No Economies of scale benefits (e.g. CMAL / Calmac)
- 1.8 Responsibility for the ferry service sits within the Council's Roads and Transport Department, rather than a specific marine department or arms-length ferry operating company. The Officers that provide this support are not dedicated to the ferry service and have other responsibilities within the Council.
- 1.9 The above creates a challenge in terms of ensuring continued regulatory compliance, the availability of appropriate back office expertise / experience within the maritime sector and economies of scale in terms of spreading these costs over multiple routes.
- 2.0 The ferry is not a core service and Highland Council does not benefit from the economies of scale that is in line with other Caledonian Maritime Assets Limited (CMAL) Ferries. Operation of the route in isolation means overheads are disproportionately high for one route.
- 2.1 The recent breakdowns have highlighted the vulnerability of working the Service in isolation. As we do not benefit from the economies of scale associated with being nested within a larger ferry operation the possibility of more and longer downtime periods is at greater risk than ever before.
- 2.3 Significant capital spending will also be required on the existing vessel/s and infrastructure to maintain the current level of service.

## **2. Community Engagement**

- 2.1 Corran Ferry Community Project bulletins have been sent out to all Community Councils and printed copies have also been handed out on the ferry targeting local residents, businesses, ferry crew and ferry users.

- 2.2 A Project email address is available [Corranferryproject@highland.gov.uk](mailto:Corranferryproject@highland.gov.uk) to express any concerns or obtain further information on Project activity.
- 2.3 As part of a tour of Lochaber (September 2019) the Council's Chief Executive and Budget Leader travelled on the Corran Ferry and visited the operations office in Ardgour. They spent time listening to the views of staff hearing different perspectives on the localised challenges and opportunities for service delivery.
- 2.4 The Project Manager and the Area Roads Operations Manager joined them at Strontian where a questions and answers session were held with representatives from the Community Councils.
- 2.6 The last project steering group meeting was held in March at the Sunart Centre, Strontian. The meeting was well attended and there was strong representation from the community councils.
- 2.7 We were looking forward to holding a Corran Ferry Public Engagement event on the peninsula in May. Following national guidance in relation to the Coronavirus COVID-19 situation this event has been suspended while we consider other options for engagement.

### **3. Vessel and Infrastructure Options - Analysis**

- 3.1 The tidal race through the Corran Narrows and the absence of a berthing or aligning structure at the slipways necessitates the use of quarter point vessels. These bespoke quarter loaders are not compatible with other ferry routes and conversely their vessels are not suitable for our slipways. This infrastructure arrangement is unique for this scale of operation and is at odds with other ferry networks in Scotland and is not designed and built to take the current level of demand.
- 3.2 Using information provided in the Options Appraisal Report (Strategic Business Case) the Project analysed the Strengths, Weaknesses, Opportunities and Threats (SWOT) of each of the shortlisted Vessel and Infrastructure options. This essentially came down to a choice between continuing quarter point operation or a switch to straight through Roll on Roll Off (Ro-Ro) ferry.

### **4. Vessel and Infrastructure Options - Conclusion**

- 4.1 The conclusion was that retaining two vessels is an overly expensive model. This infrastructure arrangement would be unique for this scale of operation and would also be at odds with other ferry services in Scotland. A new larger straight through (Roll-on/roll-off) vessel, with refit / relief / second vessel secured from elsewhere would remove the constraints on the route once and for all. This option will deliver economies of scale benefits and is in line with CMAL Ferries operated by Calmac.
- 4.2 As with any of the options the main challenge is in affording capital expenditure to replace any of the major assets associated with the ferry service. The next step is to develop the preferred option with a view to reducing optimism bias and establishing greater cost certainty prior to any procurement.
- 4.3 Members are invited to **approve** the preferred vessel and infrastructure (summarised below) with a view to reducing optimism bias and establishing greater cost certainty prior to any procurement. (As agreed at HMB 2019/11/13)

#### 4.4 Vessel and Infrastructure Preferred Option

- Larger Replacement Ro Ro Vessel
- Aligning Structures / Slipways
- Overnight Berthing structure
- Refit/relief/second vessel secured elsewhere

#### 5. Visit to Caledonian Maritime Assets Limited (CMAL) HQ, Port Glasgow

5.1 The Project Manager, Area Roads Operations Manager and the 2 Ferry Foreman consulted with CMAL at their headquarters in Port Glasgow (Jan 10<sup>th</sup>). We had a lengthy discussion with their CEO and their Executive Team on the Vessel and Infrastructure Option and received expert advice on the following -

- MV Corran Vessel Survey
- Statement of Requirements for a new Vessel
- Vessel Size / Design
- Fuel Type (Hybrid - Green Energy)
- Aligning Structures / Slipways / Berthing Design
- Timescales for Vessel in Service
- Vessel and Infrastructure - Approx Tendering Costs

5.2 It was noted that a modern hybrid vessel will provide a 30% reduction in fuel consumption and the timescale for building a new vessel would be just over 3 years as shown in the table below.

#### 5.3 Timescales for a new replacement Vessel

Stages	Months to Complete
Receive basic Statement of Requirements (SoR) from THC	2
Contract Notice for Naval Architect Consultants	1
Tender Evaluation for Naval Architect Consultants	0.5
Discussions with Preferred Bidder (Naval Architect Consultants)	0.5
Contract Award to Naval Architect Consultants	0
Preparation of Tender Technical Specification and Tender Documentation	6
Shipyard Tendering Exercise - Tender issued and returned by shipyards	4
Tender Evaluation	2
Discussions with Preferred Bidder to Contract signing	1.5
Typical Design and Build Contract period (dependent on shipyard, order book at the time,)	20
Crew Familiarisation Period and Delivery Voyage	0.5
<b>TOTAL MONTHS</b>	<b>38</b>

## Vessel and Infrastructure

- 5.4 CMAL carried out a Vessel inspection on the M.V. Corran on behalf of Transport Scotland (Ferries division) and the Highland Council in order to ascertain its general condition. The report advised that *the M.V Corran is well maintained but requires major investment. The route is financially challenged with the possibility of long downtime periods at greater risk than ever before.*
- 5.5 It was felt shortly after the current main vessel the MV Corran (28 car) entered service (2001) that she was going to be too small to cope with future transport increases. CMAL advised that we would need to be thinking 30 years ahead regarding the vessel design.
- 5.6 CMAL have provided THC with a statement of requirements template. The template will be used to outline the high-level requirements for a new vessel. To help capture the statement of requirements regarding the size of a new Vessel monitoring equipment could be installed on the MV Corran. TS will also provide traffic projections to assist with this work.
- 5.7 Due to the nature of the service a larger replacement Vessel could continue to shuttle during peak periods. Therefore, a key consideration will be the size of a new vessel. (40 - 45 car) How big? Consultation with Naval Architects will be required to assist with this work.
- 5.8 Due to the tickets that the crew have the vessel will have to be under 500 ton. This shouldn't be a major issue as shipping companies are very experienced in making spec adjustments. Some of CMAL's loch class vessels are just under the 500-ton deadweight requirement.
- 5.9 CMAL advised that they would undertake a site visit at the Narrows to look at the possible options for Aligning Structures / Slipways and Overnight Berthing. Land and Pier ownership redline drawings have been established for Ardgour and Nether Lochaber along with Topographic and Bathymetric (land /sea level depths) survey information. This information will be shared with CMAL to help with their study.
- 6.0 A major challenge will be integrating the design, build and delivery of the new vessel and associated new marine civils installation as the vessels cannot be accepted until the berth has been completed nor can the berth contract reach Contract Handover until the new vessel alignment is confirmed.
- 6.1 Both the vessel build contract and the marine civils probably require separate but related design study contracts to ensure the necessary integration with a Naval Architect and Marine Civils Designer working in tandem. There will need to be a period of transition as the old slipways are likely to remain because the easiest way to build new slipway and berthing structure is off the existing line and leave the existing line in place while it is being built.

## 6.2 **Approx Tendering Costs for replacement Vessel and Infrastructure Design Work**

### Vessel

- Naval Architects / Marine Consultation (200K - 250K)
- Model Testing (80K)

### Infrastructure – 2 sites

- Project costs
  - Design development/modelling & Outline business case - £150k to £200k
    - Incl. land ownership/seabed/marine ownership
  - Detailed Design, Tendering & Final Business Case - £300k to £400k
    - Incl. Environmental Impact Assessment
  - Ground investigation - £250k
  - Contract administration and site supervision - £300k - £400k
- Legal (100K)
  - Licensing/Consenting
  - Harbour Empowerment Order

Summary Total £1.4 to £1.7 million

## 7. **5-year Ferry Sustainability plan (2020 - 2025)**

7.1 The time scales for having a new vessel fully operational including the construction of the required infrastructure and slipways will be over 5 years away.

7.2 Therefore, to sustain the current level of service there will need to be a 5-year Ferry sustainability plan. Significant capital spending will be required on both vessels and we will need to ensure that management / operational costs are all accounted for and adequately met. This will likely have a cost increase implication for our running costs, but we must be realistic about the true cost of running a safe modern service.

7.3 The 5 Year Ferry plan will consider the following –

- Replacing the current ticketing system
- Reviewing the current Fares Structure (e.g. should vehicle length be the key variable for Commercial vehicles as opposed to the number of axles)
- Upgrading the current Tender Vessel
- Reviewing the crewing model to ensure there is enough capacity to meet the frequency of shuttling and the increasing demand
- Explore the possibility of a temp berthing structure to address the swing mooring issue
- Postponing widening the Ardgour slipway (Capital Estimated Cost £1m) and aim to keep repairing the slipways for now. (The slipway widening effectively cancelled because it will be superseded by the future Larger Ro-Ro Vessel Slipway)

- Grandfather rights issues regarding - Safety of Life at Sea (SOLAS) regulations as notified by Maritime and Coastguard Agency (MCA)
- MV Maid of Glencoul - 5-year projection for Capital investment and refit costs.
- MV Corran - 5-year projection for Capital investment and refit costs.
- Projection for Capital charges for the depreciation of the MoG and MV Corran
- Management / operational costs are all accounted for and adequately met
- Projected Income & Expenditure for the next 5 years?
- Continue governance arrangements through Steering Group, HMB, LA / EDI

7.4 Members are invited to **Support** the concept of a 5-year Ferry plan to ensure that the current model is sustainable. Costed items will be brought back to EDI committee seeking approval.

## 8. Project Timeline

8.1 Members are asked to note the timeline ([Appendix 2](#)) showing the approximate stages for the following -

- Corran Ferry Project (Outline Business Case)
- New Vessel / Slipways / Berthing structure
- 5-year Ferry Sustainability plan (2020 - 2025)
- Fixed Link

8.2 A timely decision will be required to allow the necessary investment in the ferry service to be planned, and a start date determined, because the time-scale to completion of a new larger vessel and slipways is approximately 5 years away.

## 9. Market Testing Exercise - Prior Information Notice (PIN)

9.1 Following on from legal / procurement advice and the guidance from the Corran Ferry options appraisal report (EDI Committee - 08/11/18) Highland Council conducted a market testing exercise. We contacted prospective contractors to give market notice that a procurement for the Corran Ferry service may be coming forward. The Prior Information Notice (PIN) notice was sent for publication (6<sup>th</sup> Jan 2020) on the Official Journal of the European Union supplement (OJ/S) and was made available on the TED database. TED (Tenders Electronic Daily) is the European Unions' database for public procurement.

## 9.2 Intended Outcomes

The Prior Information Notice (PIN) was not a call for competition but intended to commence preliminary market engagement. The purpose of the exercise was to understand if the opportunity to provide the service would be of interest to a commercial service provider. We invited prospective contractors to return a questionnaire setting out the potential capabilities offered by their company, to allow us to evaluate their response against our requirements for the ferry service.

### 9.3 Conclusion

The market testing exercise demonstrated that no private operator would be willing to run the service (as specified by the THC) without a subsidy. There is no firm commitment regarding funding the capital expenditure and revenue requirements of the service. The ferry operates on a break-even basis with running costs of £1.5M (This does not factor in management costs or capital reinvestment). We could not afford to pay any operator any more than that. With the constant downward pressure on fares, it is becoming increasingly difficult to afford that amount.

9.4 Members are invited to **Approve** that a private operator running the service should be rejected for further consideration. (As agreed at HMB 2020/02/25)

### 10. Method of Delivery Options (Cost Modelling)

10.1 Following on from the Market testing exercise and having eliminated the possibility of a private operator running the service we now need to undertake cost modelling on the remaining method of delivery options below to compare what a Highland Council retention model or a transfer of responsibilities to Transport Scotland will look like over a 30-year period.

#### 10.2 Option 1:

Costs and responsibilities remain in house with **Highland Council** (2026 - 2055)  
New Larger Ro Ro Vessel / Aligning Structures / Slipways / Berthing (Capital cost 40M)

#### 10.3 Option 2:

Transfer costs and responsibilities to **Transport Scotland** (2026 - 2055)  
New Larger Ro Ro Vessel / Aligning Structures / Slipways / Berthing (Capital cost 40M)

### 11. THC Finance - Capital Investment

11.1 As with any of the options the main challenge is in affording capital expenditure to replace any of the major assets associated with the ferry service. Highland Council does not have a committed capital programme to replace any of the major assets associated with the ferry service (i.e. the vessels or slipway infrastructure).

11.2 The revenue collected by the ferry service is insufficient to ensure its long-term viability without external sources of funding (particularly for capital). Any funding provided would need to come through the annual Highland Council budgeting process or from reserves.

11.3 The ferry is a socio-economic dependant lifeline service of national strategic importance. If it costs significantly more to run a sustainable service then the Council must find a future proof solution and the capital funds from somewhere, rather than try to keep everything within the existing budgeting process or from reserves.

#### 11.4 Alternative Funding Source

Highland Council already borrows from the public works loan board (PWLb). Loans fund regulations specifically prohibit us from borrowing for specific projects. Rather our borrowing and treasury management activity happens separately from projects. As such the borrowing we undertake in the year that this project spend goes ahead will not specifically relate to that project but will just form part of our loans pool.

11.5 We also need to be aware that Governments, both UK and SG, are diverting resources to the cost of COVID19, therefore we cannot assume that the the PWLB and other sources of Capital funding e.g. the UK Shared Prosperity Fund (UKSPF) is still there.

## **12. Transport Scotland**

12.1 Over the past 5 years Highland Council have held several discussions with Transport Scotland on the delivery of the Corran Ferry Service. The discussions have now reached a critical stage where the Council needs to confirm their position with Transport Scotland in relation to the principles set out in the Scottish Ferries Plan.

12.2 We need to do this, so we can explore the option of a transfer of responsibility in more detail to make a cost comparison between a retention or transfer model (the possibility of other providers having been eliminated). This will allow Transport Scotland and Highland Council to fully consider the method of future delivery including the fares structure.

12.3 Therefore, we are seeking approval from members that a formal request to Transport Scotland can be submitted stating that Highland Council are “interested” in a transfer. This formal request will enable Highland Council to progress to the next level of dialogue with Transport Scotland to discuss and negotiate the options of a transfer based on the principles set out in the Scottish Ferries Plan.

12.4 The sustainability of the ferry service must be resilient for at least the next 12 to 30-year period or until such time that a fixed link is built. (As indicated in the Project timeline [Appendix 2](#)). Therefore, a timely decision will be necessary, to retain the service in-house or transfer to Transport Scotland to allow the necessary investment in the ferry service to be planned, and a start date determined, because the time-scale for completion of a new vessel and slipways is approximately 5 years away.

### **12.5 Key Decision**

The Corran Ferry service is now at a point where a critical decision will need to be made as a delay in making a strategic decision to invest or transfer the service could result in service failure.

### **12.6 Principal Issues**

The principal issues to be addressed in terms of the methods of delivery are as follows:

- Who will fund the capital and revenue requirements of the service?
- Who will own the landside infrastructure?
- Who will provide the vessel(s) and how is relief cover provided?
- Who will operate the service?
- How will the fares be set, what level should they be at?

12.7 This is a complex area and is not easily summarised, although the key points and questions are set out above. Highland Council will have considerable discretion (but not unrestricted) in determining these requirements.

12.8 Members are therefore invited **to approve** that the Highland Council is content to “approach” Transport Scotland regarding a transfer of responsibility based on the principles set out in the Scottish Ferries Plan as follows.

### 12.9 **Principles for Transferring Responsibility** (Scottish Ferries Plan)

*"The Scottish Government is willing to be responsible for all 'lifeline' ferry services in Scotland." And, "The Scottish Government is also willing to work with the relevant Local Authorities to discuss the possibility of the Scottish Government taking over responsibility for services currently provided by them."*

The paper sets out the principles the Scottish Government will take into account when considering such a transfer of responsibility.

### 13.0 **Principles**

- The Scottish Government will only become involved if the Local Authority wishes us to do so.
- The Scottish Government will have to be satisfied that the routes in question are in fact 'lifeline' services.
- The Local Authority wishing to transfer responsibility for a lifeline ferry service to the Scottish Government must also be prepared (where necessary) to transfer ownership of the ports and harbour infrastructure used.
- The Scottish Government will need to be satisfied that the Routes and Services Methodology (RSM) has been applied to the routes in question. Where the Scottish Government have not already carried out the RSM on the route, they will be prepared to work with the LA to achieve this. It will however be for the LA to ensure that robust data is made available for this purpose.
- Linked to the previous principle, the Scottish Government will only fund services at a level considered necessary after applying the RSM. Any over provision in services would need to be addressed by the Local Authority ahead of a transfer or else continue to be funded by the Local Authority afterwards.
- Agreement will have to be reached about the levels of capital and revenue funding to be transferred to Scottish Government. In terms of capital funding, consideration of the current age and condition of the vessel(s) and harbours/piers will be required, and agreement reached on the correct level of funding to be transferred. Revenue funding to be transferred will represent the 'true' cost of providing the service. In other words, funding to be transferred will include funding for the particular ferry service(s) made available by the Scottish Government, via the local government block grant, and the additional contribution made by the Local Authority itself.
- Agreement must be reached about the correct split of responsibility. The Scottish Government is keen to discuss shared responsibility. Where the Local Authority retains a level of responsibility for defining services, the Scottish Government will be looking for them to also retain a degree of funding responsibility.

- Decisions on the way forward for RET on these routes has still to be taken, a transfer of responsibility does not alter this position - in other words transferring a service will not automatically mean that the Scottish Government will implement RET fares.

### 13.1 Grant Aided Expenditure (GAE)

Chapter 5 of the *Ferries Plan* noted that *the Scottish Government is willing to take responsibility for any 'lifeline' ferry service in circumstances where the current operator was unable to continue or where the operator otherwise considers it best if the Scottish Government assumes responsibility and agreement can be reached. Any transfer would be predicated on a position of no net detriment to the Scottish Government.*

13.2

<b>Support of Ferries THC GAE Funding</b>	
<b>2017/18</b>	<b>£726,000</b>
<b>2018/19</b>	<b>£695,000</b>
<b>2019/20</b>	<b>£867,000</b>

13.3 If the Corran Ferry service was to transfer, then THC would expect to see a % adjustment in our GAE allocated for supporting the Corran Ferry Service as part of the Council's block revenue grant allocation.(potentially over and above the ferries related GAE component) THC Finance have advised that if the Corran Ferry service was to transfer then they would no longer expect to receive the GAE allocated for supporting the Service.

## 14. The Successor Scottish Ferries Plan 2023

14.1 Transport Scotland's evaluation of RET (Road Equivalent Tariff) will look at how the formula works for short routes. Evaluation results will feed into a TS Review of RET which will conclude with a new fares policy that will become part of the next Scottish Ferries Plan (2023) which will include all ferry connectivity including all local authorities.

14.2 To prioritise vessel replacements the next Scottish Ferries Plan (2023) plan will consider projected traffic volumes, the age of the vessel and the reliability. They are also attaching an increasing priority to reducing/minimising carbon emissions when it comes to vessel design development.

14.3 How the Corran ferry fits into the Scottish Ferries Plan (2023) in the medium and long term is a vital conversation for The Highland Council. An in-house stand-alone service may miss-out on opportunity afforded by the new Plan (which could result in socio-economic disadvantage to the community we serve) Therefore, we require a clear strategy to inform our conversation with Transport Scotland going forward.

## 15. Corran Ferry Project - Proposed Next Steps

15.1 Highland Council will commence discussions and negotiations regarding a transfer of responsibilities with Transport Scotland based on the principles set out in the Scottish Ferries Plan.

15.2 A comparison will be made between investing and retaining the service in house or transferring responsibilities to Transport Scotland. The findings will conclude with an Outline Business Case from which the preferred option can subsequently be taken through a Final Business Case to procurement.

- 15.3 A final Outline Business Case paper will be brought back to EDI committee where Members will be invited make a critical decision to invest and retain the service in house or transfer responsibilities to Transport Scotland based on the principles set out in the Scottish Ferries Plan.
- 15.4 Once a critical decision has been made to invest or transfer the service the agreed owner and Service provider will need to commence the Design stage in 2021/22 by tendering to employ Naval Architects and Consultants (Cost £1.4 to £1.7M) to capture the statement of requirements for a new larger Vessel and new Slipways. The agreed owner and Service provider will then need to commence the construction and implementation stage between 2023 - 2026 (Cost 40M).

## Project Timeline (Appendix 2)

		5 Year Ferry Sustainability Plan / Transition Period													
		2018/19	2019/20	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25	Year 6 2025/26	Year 7 2026/27	Year 8 2027/28	Year 9 2028/29	Year 10 2030/31	Year 11 2031/32	Year 12 2032/33
<b>SBC</b>	Options Appraisal - Strategic Business Case (SBC)														
	Next step - Outline Business Case (OBC) AGREED														
<b>Corran Ferry Outline Business Case (OBC) to ensure short -medium term Sustainability</b>	Project - Year 1														
	Outline														
	Business Case														
	Settle on and develop a preferred option														
	Vessel and Infrastructure Conclusion (Milestone)														
	Market Testing Conclusion (Milestone)														
	Option 1: Cost Modelling - Responsibilities remain with THC														
	Option 2: Cost Modelling - Transfer responsibilities to TS														
	AGREE to approach Transport Scotland regarding a possible transfer														
	Final Outline Business Case														
Final Decision on Opt 1 or Opt 2 Method of Delivery AGREED															
Negotiate deal with TS or Seek funds from within THC															
<b>New Larger Vessel / Slipways (Best Case Scenario 5 years)</b>	Design	Agreed owner tenders Naval Architects / Consultants (£1.6M)													
		Agreed owner provides requirements for New Vessel													
		Naval Architect - New Vessel Design / Technical Specification													
		Consultant design slipways / birthing structure													
	Build	Agreed owner Tender - Ship Builders / Engineering consultants													
		Build New Slipways / Birthing Structure (£23M)													
		Build New Hybrid Vessel (£14 - £17M)													
	Implementation	Vessel built - Delivery Voyage - Crew Familiarisation													
		Start - New Vessel in Service for 30 years (2026 - 2055)													
	<b>Transition</b>	Management													
<b>5 Year Ferry Sustainability Plan / Transition Period</b>	Cost Modelling														
	Vessel / Slipway Maintenance	MoG - New Steering - £250K													
		MV Corran - New ramps £160K													
		MCA - Grandfather rights SOLAS upgrades £175K													
		New Flit Boat (£100K)													
	Review Crew Staffing														
	Replace Ticketing	1: New Software + Contract (£80K)													
		2: New Smart Software + Contract (£60K)													
	Fares	Retain Existing Fare Structure NO major changes for LOCALS													
		Review the Existing Fare Structure													
Plan New Fares Structure															
Governance															
<b>Fixed Link - Best Case Scenario (12 years?)</b>	Decision														
	STPR2														
	Skye bridge example														
	(Feasibility to Completion)														
	Construction														

Best case scenario for building a Fixed Link - Corran Ferry Vessel will be redeployed within the CMAL fleet

## Appendix 3

### 1. Fixed Link - Corran Narrows Feasibility Study

- 1.1 In late 2019 Highland Council, HITRANS and Highlands and Islands Enterprise jointly funded the commission of transport consultants to undertake an Outline Feasibility of Fixed Links across the Corran Narrows with the objective of establishing clarity on the following aspects:
- 1.2
- whether a fixed link across the Corran Narrows can feasibly be delivered
  - potential alignments and structural forms
  - an envelope of capital and maintenance costs
  - how this cost envelope compares to a long-term ferry-based option
  - the scale of benefits associated with a fixed link Corran Narrows Fixed Link Outline
- 1.3 An interim report was presented to the Lochaber Committee 19 February 2020. The Committee agreed to delegate the Executive Chief Officer Infrastructure and Environment to submit the final report to Transport Scotland; prepare a future briefing for Ward 21 Members; and present follow up reports to the Lochaber Area Committee and Economy and Infrastructure Committee.
- 1.4 Subsequent to the Lochaber Area Committee meeting in February there have been a number of activities that are worth highlighting to the Committee.

09/03/20	Input to the Corran Ferry Steering Group Meeting
23/03/20	Covid-19 Lockdown announced
06/04/20	Final Report and supporting documents issued to Transport Scotland
24/04/20	Hitrans Board Meeting (virtual) – Corran Narrows Study Report

### 1.5 **Headline Findings from the Outline Feasibility Study**

The Study looks at an evaluation period over a 60-year horizon.

The scenario for the Reference Case (Ferry Option) is based on the previous Corran Ferry STAG Study and includes new ferries and associated upgraded infrastructure over the 60-year period. The tables below show the Present Value Cost (PVC) for the straight-through ferry options.

1.6

Scenario 2d.L: Straight Through Ferry Low		
Option	Main Vessel	Relief Vessel
2027 - 2053	New Vessel 1 (Conventional £8m)	From CMAL Fleet (assumed @ £100k p.a.)
2054 - 2083	New Vessel 2 (Conventional £8m)	From CMAL Fleet ( assumed @ £100k p.a.)
<b>Costs in 2019 prices are:</b> £23m for Infrastructure works (overnight berth and aligning structures at slipways) £16m for two conventional vessels at £8m £100k p.a. for 60 years for lease of support vessel		

Table 6 7: Scenario 2a.L – Straight Through Ferry Low

Scenario 2d.H: Straight Through Ferry High		
Option	Main Vessel	Relief Vessel
2027 - 2053	New Vessel 1 (Hybrid £17m)	From CMAL Fleet (assumed @ £100k p.a.)
2054 - 2083	New Vessel 2 (Hybrid £17m)	From CMAL Fleet (assumed @ £100k p.a.)
<b>Costs in 2019 prices are:</b> £23m for Infrastructure works (overnight berth and aligning structures at slipways) £34m for two Hybrid vessels at £17m £100k p.a. for 60 years for lease of support vessel		

Table 6 8: Scenario 2a.H – Straight Through Ferry High

1.7 A range of options for a crossing were developed. The options included high-level and low-level bridge options and a tunnel option. A causeway, bascule bridge and swing bridge have been ruled out for a range of reasons, including cost, deliverability and the impact on the shipping channel. The shortlist of fixed link option types include: Cable-stayed bridge; Suspension bridge; Tied-arch bridge; Vertical lift-bridge; Cantilever bridge; Truss bridge; and Tunnel.

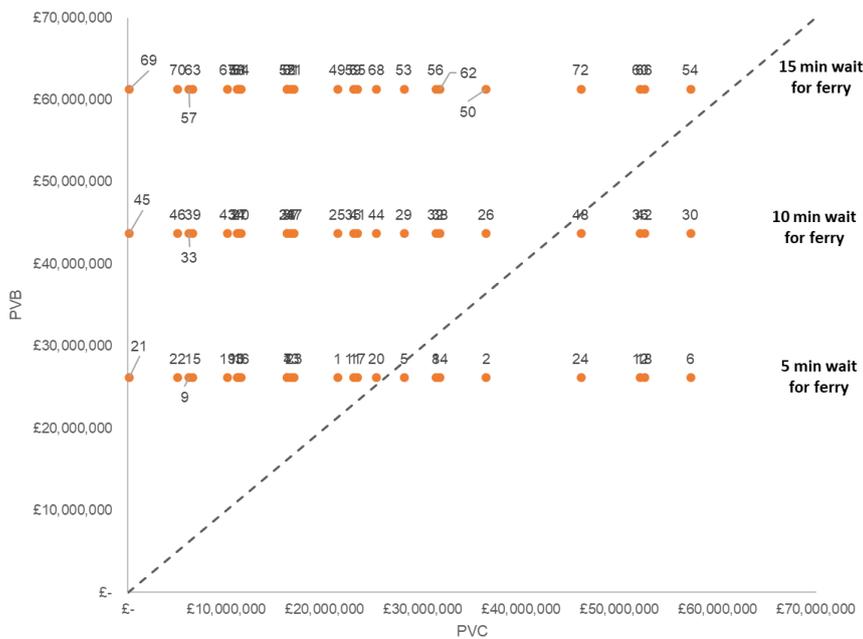
1.8 An attempt to reduce the complexity of crossing options resulted in a series of 6 options: Cable Stayed Bridge Low; Cable Stayed Bridge High; Vertical Lift Bridge Low; Vertical Lift Bridge High; Tunnel Low; and Tunnel High. The table below shows the Present Value Cost for each of the six crossing options.

1.9

		PVCs (60 Year Appraisal Period) (£, Millions)			
		1a.L	1a.H	2d.L	2d.H
ID	Link Option	Quarter Point Ferry Low	Quarter Point Ferry High	Straight Through Ferry Low	Straight Through Ferry High
1	Cable Stayed Bridge Low	£18.5m	£13.5m	£18.6m	£16.9m
2	Cable Stayed Bridge High	£32.2m	£27.1m	£32.3m	£30.6m
3	Vertical Lift Bridge Low	£9.5m	£4.5m	£9.6m	£7.9m
4	Vertical Lift Bridge High	£13.9m	£8.9m	£14.0m	£12.4m
5	Tunnel Low	£24.6m	£19.5m	£24.8m	£23.0m
6	Tunnel High	£50.9m	£45.9m	£51.0m	£49.4m

Table 6 11: Do Something v Reference Case PVC

- 2.0 Under the lower-cost Reference Case Scenarios, all Do-Something Scenarios prove to have higher costs, ranging between £11m to £57m above the Reference Case. When compared against the higher cost Reference Case Scenarios, the Do-Something Scenarios (with exception of the 'Tunnel High') become more viable
- 2.1 Do-Something Scenario 6, 'Tunnel High' cost, is significantly costlier against all Reference Case Scenarios
- 2.2 The development of 4 x Ferry scenarios, with 6 x Crossing type scenarios and 3 x Delay scenarios means there are 72 PVB/PVC combinations and hence 72 Benefit-Cost Ratios (BCR).
- 2.3 The figure below summarises these results by plotting the PVB on the vertical axis and the PVC on the horizontal axis. It is worth noting that any point above the diagonal (left-side) indicates a BCR of greater than 1. 83% of the options exceed a BCR value of 1. 8 scenarios exceed a BCR of 5. In the main it is the tunnel options that have a BCR less than 1.



2.4 The consultant identified 5 route corridors for a crossing as shown on the plan below. RC3 and RC5 have been further developed.

