



PUBLIC CONSULTATION ON THE NEXT CLYDE AND HEBRIDES FERRY SERVICES CONTRACT (CHFS3)

Report by Chief Executive

PURPOSE

- 1.1 The purpose of the report is to seek Comhairle approval for a draft response to the Public Consultation on the next Clyde and Hebrides Ferry Services Contract (CHFS3). The Public Consultation remains open for responses until 8 March 2024.

EXECUTIVE SUMMARY

- 2.1 The Consultation Statement invites “*views on potential ferry service improvements through the CHFS3 contract*”. The current Clyde and Hebrides Ferry Service contract (CHFS2) expires on 30 September 2024.
- 2.2 In a statement to the Scottish Parliament on 16 November 2023, the Minister for Transport set out Scottish Ministers’ [preferred procurement route for the next CHFS contract](#) (CHFS3), which is to explore a direct award through a ‘Teckal arrangement’ in accordance with the Public Contracts (Scotland) Regulations 2015. A due diligence process will establish the feasibility of direct award from a financial, operational, and legal perspective.
- 2.3 Subject to a satisfactory outcome from due diligence, the Scottish Government will commence the necessary steps to facilitate a direct award with a final decision on this approach expected in Summer 2024. Should the due diligence exercise result in a decision not to proceed with direct award, then the procurement route would revert to a conventional competitive tendering process.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle approve the draft response to the public consultation for the next Clyde and Hebrides Ferry Services Contract (CHFS3), as set out at Appendix 1 to this report.**

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Appendix: Public Consultation for the next Clyde and Hebrides Ferry Services Contract (CHFS3).

Background Papers: [Public Consultation for the next Clyde & Hebrides Ferry Services Contract \(CHFS3\)](#)
[Project Neptune: Communities Report on Future Management of Ferries](#)
[Inquiry into a Modern and Sustainable Ferry Service for Scotland](#)
[Contract for Provision of Ferry Services - 2016-2024 - Clyde and Hebrides](#)
[Transport Scotland Freight Fares Review](#)

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	None
Legal	None
Staffing	None
Assets and Property	None
Strategic Implications	Implications/None
Risk	None
Equalities	Planning and infrastructure meet the needs of our communities
Corporate Strategy	Support resilient communities and quality of life
Environmental Impact	None
Consultation	Public Consultation on the next Clyde & Hebrides Ferry Services Contract (CHFS3) is open for 12 weeks from 15 December 2023 to 8 March 2024.

BACKGROUND

- 5.1 The current policy position regarding unbundling of the CHFS network was clearly expressed by the Minister for Transport in her statement to Parliament on 16 November 2023, and there are no plans to split up the network.
- 5.2 In relation to ferry priorities and governance structures under consideration through ‘Project Neptune’, the Minister for Transport has been clear that no immediate decision will be taken on the merger of bodies or governance at this time. Work is ongoing with the relevant organisations, Trades Unions and other stakeholders to identify the optimum final governance arrangements.
- 5.3 The new CHFS3 contract will take into account the wider ferries policy work being developed under the Islands Connectivity Plan (ICP) which will, itself, be subject to consultation in the coming months. Further information on how to engage with this consultation will be provided in the coming weeks.

CHFS3 PUBLIC CONSULTATION

- 6.1 The Clyde and Hebrides Ferry Services (CHFS) play a crucial role in our transport system, providing vital links for residents, businesses, and visitors across the West coast of Scotland.
- 6.2 Following on from the Minister for Transport’s Parliamentary statement on 16 November 2023, Transport Scotland officials carried out the first in a series of CHFS3 ‘drop-in’ events in Arran, Mull, Islay, Skye and Lewis, commencing on 20 November 2023.
- 6.3 Further public engagement ‘drop-in’ sessions are being planned across the CHFS network for early in 2024 to give communities an opportunity to continue sharing their views.
- 6.4 Community feedback will be instrumental in shaping the new contract and, in addition to the ‘drop-in’ sessions, there is the opportunity for views to be submitted through the ongoing Public Consultation.

‘PROJECT NEPTUNE’

- 7.1 Chair of the Ferries Communities Board, Mr Angus Campbell, was asked by the Transport Minister to consult with communities on the findings of the ‘Project Neptune’ report which focuses on governance and delivery structures. The Minister has stated that these governance and delivery structure issues do not form part of the CHFS3 Public Consultation and that Mr Campbell’s findings will be taken into account as governance and delivery structure arrangements are finalised at a future date.
- 7.2 However, governance and delivery structure arrangements are intrinsically linked to the effectiveness of ferry services so some of Mr Campbell’s findings have been reflected in the appended draft response to the CHFS3 Public Consultation. The Comhairle’s position remains that local authorities and, by extension, the elected representatives of communities served by this contract, should play a full and formal part in the decision-making bodies and processes for the design, commissioning and monitoring of ferry services serving the Western Isles. In particular, commentary is offered on the merits of relocating management positions into the communities affected by their actions, the advantages of competitive tendering, the need for definition of a ‘lifeline service’, improved and reliable performance metrics, the requirement for reinvestment of landing dues in shoreside facilities, the benefits of a review of asset life and the need for greater community influence over the application of service failure penalties. The appended consultation response calls for services to be designed from the baseline of what a community needs with systems built around a service that suits the community rather than a timetable that suits the operator.

CONCLUSION

- 8.1 The current CHFS2 service has experienced a severe failure in meeting the economic and social needs of the islands and their communities to the extent that frequent service disruptions have become a normal part of life, which in turn jeopardizes the future of these communities already suffering from the highest level of Transport Poverty in Scotland.
- 8.2 The Comhairle is concerned about the lack of a clear plan for improving future services, especially considering that the operator, who has performed poorly under the current contract, is subject to due diligence being directly awarded a future contract without a clear framework for performance improvement and accountability, rather than competitive tendering to test the market, achieve best value and encourage innovation and best practice.
- 8.3 There is a persistent belief that community engagement is not given the importance it deserves, project management is consistently poor across all areas, and a prevailing sense that no one is effectively managing the situation. In the last 20 years the management structure has grown exponentially, and with that growth there has been a clear loss of effective decision making. In its consultation response, the Comhairle calls for a higher proportion of ferry management and decision makers to be drawn from the communities affected by their actions. It is felt that this would lead to better informed decision making and a greater understanding of the impact of ferry management decisions on island communities.
- 8.4 The current CHFS2 contract states that funding and fares revenue should ensure the continued application of Road Equivalent Tariff (RET) to CHFS routes, bringing significantly reduced fares and helping to support the tourist industry on the islands. In the discussion around CHFS3, there has been the suggestion that the RET should be restricted to island residents, aligning with the Air Discount Scheme. While removal of RET for non-resident travellers could return considerable revenue to the operator, the impact on the islands’ visitor economy has to be considered.

- 8.5 In addition to this CHFS3 consultation, Transport Scotland will shortly consult on the draft Islands Connectivity Plan (ICP) Strategic Paper which will set out a vision and priorities for the delivery of ferry services in Scotland along with a Long-Term Plan for Vessels and Ports containing a programme of investments in the CHFS and NIFS networks until 2045. The Comhairle will have the opportunity to comment on this ICP consultation in due course.
- 8.6 Finally, the appended draft consultation response makes the point that Island Communities Impact Assessment (ICIA) should be carried out community-by-community and not on a West Coast Communities wide scale. This focus on the distinct challenges facing each island community will highlight differential impacts of the CHFS3 contract from community to community, enabling bespoke interventions to address island-specific problems.