

MARINE OPERATIONS: COUNCIL FERRY SERVICE

1.0 INTRODUCTION

1.1 This report gives an overview and description of Argyll and Bute Council's Ferry Services.

It describes:

- the current situation regarding the vessels and the communities they serve;
- funding mechanism pressures and risks;
- Council ferry transfer Policy;
- Vessel and crew legislation;
- Vessel priority strategy;
- Crewing plan; and
- Supporting infrastructure.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Environment, Development and Infrastructure Committee:

- a) Approve the vessel priority strategy as illustrated in table 2 at 3.4.
- b) Approve the crewing plan described at 3.5.
- c) Approve in principle, extra sailings outwith the published timetables, which are required to meet demand until capacity can be increased;
- d) Agree that the Council continue to pursue the full funding of the service.

3.0 DETAIL

3.1 Current situation

3.1.1 Argyll and Bute Council is responsible for four ferry services to: Jura, Luing, Easdale and Lismore. Three of the four routes are operated using ageing vessels and none of them have any vessel redundancy, so that any breakdown cannot be covered by another Council vessel. The services currently operate at a significant deficit with Scottish Government settlement required to help bridge the funding gap.

3.1.2 The service had previously been run on behalf of the Council by a private company (ASP) as two 3rd party contracts until October 2018 (for the mainland routes) and March 2019 (for the Jura route), when they were taken over by Argyll and Bute Council. This was in part due to preparations being undertaken before a handover of the ferry service operations to Transport Scotland, which have technically been on hold since.

Scottish Government, through Transport Scotland, committed to funding the shortfall for ferry services but as noted later in this report, the shortfall is not fully funded.

3.1.3 Jura route:

This route is the only vehicle link to Jura and is serviced by the MV Eilean Dhiura. The vessel was built in 1998 and operates a daily timetable of 15 return sailings per day Monday to Saturday with an additional bookable sailing in the morning or evening. 7 return sailings per day are timetabled on Sundays. The vessel has an 'LSA capacity' of 50, which is the amount of Life Saving Apparatus required to be on board and is therefore the maximum number of persons permitted on board, both crew and passengers. The vessel can carry approximately 6 cars depending on size and type and up to 40t maximum deck load. The crew routinely facilitate extra sailings between the timetabled departures to clear any queues and this can equate to c.40% more runs per working day.

This route is operated by 2 crews of 3 persons, consisting of 2 licenced vessel masters and 1 deck crew who operate a 7 day on – 7 day off rota.

Figure 1:
MV Eilean
Dhiura
departing Dry
Dock.



3.1.4 Cuan route:

This route has a vehicular element and a passenger only element serviced by the MV Belnahua and the ML Torsa respectively. The Belnahua was built in 1972 and can accommodate 15.45T deck loading which roughly equates to 5 cars, or a small domestic fuel truck, or a small refuse truck. It was designed as a quarter loading deck system. There are no overnight berthing facilities for the vessel, which is moored each night to a buoy. This arrangement presents risks, especially in poor light and weather.

The ML Torsa is a small open work boat used to transfer the crew to the Belnahua and as the out of hours' passenger only service during the winter timetable.

The route is operated by 4 licenced vessel Masters in 2 crews of 2 but also requires 2 additional part-time crew members who assist with the Torsa sailings.

Figure 2:
MV Belnahua
showing the
quarter
loading
arrangement.



3.1.5 Lismore route:

This route is passenger only and is serviced by the MV Lady of Lismore which was purpose built in 2021 and carries 23 passengers.

The route is operated by 2 crews of 2, a licenced master and 1 deck crew.

Figure 3:
MV Lady of
Lismore.



3.1.6 Easdale route:

This route is passenger only and is serviced by 2 open work boats, the ML Fladda and the ML Easdale.

The route is staffed by 2 crews of 2, a licenced master and 1 deck crew.

3.2 **Funding Pressures and Risk**

3.2.1 The Ferries Plan 2013-2022 established that Scottish Government was willing to work with Local Authorities to explore how responsibility for, and therefore funding of, ferry services could be considered in a different model. It has been Scottish Government Policy, through Transport Scotland, to fund the shortfall in operating Local Authority ferry services since Scottish Government funding support for local authority ferry services became incorporated into the Local Government financial settlement process and distribution system in 1989 where it has remained since.

In 1989-90, the Local Government Funding distribution arrangements changed, with the previous expenditure-based controls discontinued in favour of a system of Grant Aided Expenditure (GAE) assessments. The main difference was that Grant Aided Expenditure represented the aggregate amount of expenditure that Scottish Ministers considered appropriate to be taken into account in deciding the level of grant support to be distributed across Scottish local authorities. Grant Aided Expenditure was intended to be a means for allocating the pre-determined Spending Review funding totals equitably amongst local authorities.

The funding support has now changed again to a Specific Grant but this change from GAE to a Specific Grant has not provided the adjustment that was anticipated and you will see in Table 1 below that the Council has been required to top-up the shortfall.

Table 1: Ferry costs 2016 to 2024

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Cost £	1,827	1,694	1,691	1,602	1,501	1,892	1,798	1,695
Grant £	754	675	768	855	1,182	1,269	1,300	1,708
% Transport Scotland	41%	40%	45%	53%	79%	67%	72%	101%
% Argyll & Bute Council	59%	60%	55%	47%	21%	33%	28%	-1%

3.2.2 This year (2024–2025), an estimated funding of £2.316m was required to maintain the current service levels for the year and the request was submitted to Transport Scotland in September 2023.

The amount was comprised of the realistic funding required for 2024-2025 for Council run ferry services including the essential annual and preventative maintenance costs for the vessels.

The ferry service could expect an income of c. £674k and this was also accounted for in the calculation.

The Council will receive £1.708m* this year, which is the same amount as 2023-2024, leaving a significant shortfall to be accounted for by the Council, for which there is no budget.

*The funding provided by the Scottish Government as noted in the finance settlement was £1.821m, this included funding for Kerrera ferry route, Ulva and Craighouse to Tayvallich. £1.708m was for our internal ferry services.

3.2.3 Council Ferry Transfer Policy

As mentioned above, the Scottish Government through Transport Scotland expressed a willingness to take responsibility for all lifeline ferry services operated in Scotland.

The Draft Ferries plan published in 2011 stated:

“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.”

Appendix 5 to the Ferries Plan outlined the ‘Principles for Transferring Responsibility’ and contains the following points:

- 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 only fund services at a level considered necessary after applying the RSM (Routes and Services Methodology). 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;

In March 2013 Argyll and Bute Council agreed the proposal to undertake the Routes and Services Needs Assessment and subsequent Business Case Process that would allow the Council and Transport Scotland to consider the transfer of responsibilities for the four council operated ferry services.

(Ref: Report by the Executive Director of Development and Infrastructure dated 13 March 2013, submitted and extracts from three Area Committees, submitted, additional report by the Executive Director of Development and Infrastructure, tabled)

Further, in 2019 The Council considered a recommendation by the Policy and Resources Committee of 16 May 2019 regarding progress in relation to the potential transfer of council operated ferries to Transport Scotland. Its decision was that it -

1. Agreed that the Council continue to pursue the transfer of ferries to Transport Scotland.
2. Agreed that the transfer should be on the basis of 'no transfer of revenue funding'.

However, following primary discussions between Transport Scotland and Argyll and Bute Council no agreement was reached although Transport Scotland undertook that the lifeline ferry services operated by Argyll and Bute Council should in theory be fully revenue funded by Scottish Government.

As recognised in the Transport Scotland 'Principles for Transferring Responsibility' document it is generally agreed that the day-to-day operation and responsibility of services still best sits with the Local Authority as it is closer to and more accessible to the needs of the Communities. Therefore, the Council has continued to pursue the full funding of the service by Transport Scotland.

It is perhaps worth noting here that those discussions also included the desire from Transport Scotland to transfer some of the Council's harbours. To date the Council has not supported the selective transfer of some harbours because the income from the busier ports is required for prudential borrowing repayments which in turn facilitates the upkeep and upgrading of the marine infrastructure.

- 3.2.4 The 'Ferries Plan' mentioned above came to an end in 2022 to be replaced by the, as yet unfinished, Islands Connectivity Plan (ICP) being produced by Transport Scotland.

The ICP deals with the CalMac services and excludes Local Authority run services. To ensure our communities who rely on Council ferry services are considered in a similar analysis, the Council has recently undertaken a Ferry Study carried out by Caledonian Economics.

That 'Argyll & Bute Council Ferry Report' concentrates on the three mainland ferry routes and has now been completed to final draft. It will be presented to Members shortly. It also forms the first part of the associated Crown Estates funded Feasibility study and specification work for pier infrastructure at Ellenabeich and Easdale which would support the ongoing provision of the council ferry service.

Among other things the report looks at the longer-term cost analysis of fixed links versus ferries with some mixed results from the community engagements. Fixed links must be considered however in the long-term planning of our ferry services, with a comparison against the increasing costs of building and maintaining vessels over a comparable lifespan.

3.3 Vessel and Crew Legislation

When looking at shipping operations and particularly passenger carrying vessels it is perhaps helpful if there is an understanding of the rules governing our ferry services.

The summary below gives an idea of the vast field of UK and Local Regulations, Directives, Guidance and Safety Notes which cover everything from vessel construction, surveys, repairs, modifications, stability, crewing and operations. It may go some way to explain why it is not always a simple task to amend timetables or modify vessels.

3.3.1 Service Certification

Our ferry operations are permitted through a system of checks and audits carried out by the UK Maritime and Coastguard Authority (MCA). Every year we undergo a rigorous audit resulting in the revalidation of our Document of Compliance (DOC).

These checks ensure that the administration and certification comply with legislation and are correct.

3.3.2 Waterways and Vessel Categorisation

The Merchant Shipping (Passenger Ships on Domestic Voyages) Regulations 2000 implements Council Directive 98/18/EC on "Safety Rules and Standards for Domestic Passenger Ships".

These regulations identify four domestic passenger ship classifications, the waters where they permitted to operate and whether that permission is summer only or year-round.

Three of the four ferry routes serviced by Argyll and Bute Council are categorised as 'not sea' which means they are in some way sheltered enough that they can operate under relaxed rules and codes like the 'Inland Waters Small Passenger Boat Code'.

For our ferries the most significant consequence of these rules is that the Jura ferry is considered to operate at 'sea' with the full significance of that definition.

3.3.3 Crew Certification

All Officers and crew serving on UK Merchant vessels are required to have a minimum level of certification which is regulated by the MCA and must be re-validated at a cost on a regular basis.

Alongside this is the 'Minimum Safe Manning' level, which states the legal minimum crew and their certification required for each vessel.

Depending on the water category and the size of the vessel there are therefore restrictions on which Officers can move from route to route and can effectively curtail career advancement and resilience.

3.3.4 Vessel Certification

Every commercial vessel is required to be certified by both a Flag State (e.g. United Kingdom, USA, Panama etc.) and a Classification Society (e.g. Lloyds, DNV, Bureau Veritas etc.). The rules by which the vessel is constructed, modified, run commercially, maintained and eventually disposed of are determined by these authorities. If any vessel does not at any time comply with the 'rules' it will not be certified and cannot be insured or 'work'.

Passenger ships operating in the UK domestic areas must also adhere to specific codes of practice and standards (e.g. Merchant Shipping (Passenger Ships on Domestic Voyages) Regulations 2000). These regulations ensure the safe operation and navigation of passenger ships which include our ferries and includes a mandatory annual 'Out of Water' survey with MCA.

A further important point to understand is what is commonly known as the "Grandfather Rights" Regulations. The current 'Rules' evolve and change over time, leaving existing vessels following out of date regulations until a cut off point is reached. For our older vessels The Merchant Shipping (Safety Standards for Passenger Ships on Domestic Voyages) (Miscellaneous Amendments) Regulations 2022 apply to domestic passenger vessels operating as Classes III to VI (A) vessels. These regulations came into force on December 29, 2022, and meant that even the oldest vessels must now comply with the modern standards and in our case, modifications must be completed by April 2025.

Equality Act (EA) compliance is a matter that affects our plans with the 'mainland' ferry routes.

Any changes to these services will require new vessels with accessible ramps or walkways, representing a step change in the cost and provision of the services.

Figure 4:
ML Easdale.
The other
open work
boats are of
the same
design.



3.4 Vessel Strategy

3.4.1 The Road Equivalent Tariff (RET) is a distance based fares structure for passengers, cars (including small commercial vehicles) and coaches. It was introduced in a series of steps from 2008 to 2015 as part of the 'Ferries Plan'. Generally, RET has been a huge success in stimulating demand for travel to those islands where the cost significantly reduced as a result of the intervention, but the lag in increasing ferry capacity through new vessels is still limiting the benefit and impeding mainland travel to islands.

New vessels and the associated marine infrastructure to accommodate them at our ports are both expensive and have lengthy lead times.

It is therefore important for us to not only have a long-term strategy for vessel replacement but also to look at the longer term needs of the island communities served by our ferries.

Table 2 below illustrates a vessel strategy, which represents a realistic and Best Value approach to gain the most benefit from resources as they become available.

Table 2: Ferry Service Priorities

Priority	Description	Benefits
1	On-site accommodation at Port Askaig. Present situation requires Officers and crew to be residents of Islay as well as suitably qualified.	Along with the market supplement and the 7-day rota, this will allow the recruitment of suitably certified Officers required for resilience and new vessel minimum manning levels.
2	Funding for concept design to 'Keel Ready' for the new Jura vessel.	To identify capacity levels; fuel type; crew size and infrastructure upgrade requirements. Also allows for a more accurate assessment / estimate of build & certification costs.

3	Jura New Build (and associated infrastructure at Feolin & Port Askaig).	Fit for purpose and the future vessel to support the Jura community for the next 20 – 30 years.
4	Eilean Dhiura is re-deployed to the Cuan / Luing route (and associated slipway upgrades on the route).	A marked upgrade for the island capable of refuse collection, HGV and capacity increase from c.15t to c.40t. Due to life extension on Belnahua (2024) and Eilean Dhiura (2022) service expects to make savings by utilising Belnahua as relief vessel (for Dry dock) etc.
5	Easdale work boat replacement with landing craft type vessel.	TBD

3.4.2 The Jura route has been identified as the priority for a replacement vessel and therefore funding, based on this cascade of vessels plan.

The vessel plan uses the available resources and maximises the return from investments on vessel life extension works. It gives a service improvement in terms of redundancy and resilience while minimising the new build timescales. This will also allow time to assess future needs and fixed link opportunities for each community.

It is imperative given the timescales involved that step 1 above is progressed with some urgency as duration estimates could well be in terms of years before a new vessel is on service at Jura.

3.4.3 Age and lifespan of vessels

When comparing services and comparable costs it may be helpful to explain why there is routine repair and maintenance and there is also 'Life Extension' works.

The life of a vessel will depend greatly on how that vessel is worked and the location of that work. The lifespan will also depend on how conscientiously the routine maintenance, surveys and inspections are carried out.

Generally, we should consider 15 years as the benchmark however with care it is occasionally possible to have a vessel like Belnahua reaching over 50 years and still working. This, however, should be recognised as an extreme exception.

3.4.4 Issues with this include:

- The 'Grandfather' regulations will eventually result in the modifications required outweighing the costs of a new build or younger second-hand tonnage that already comply;
- The capacity and performance of the vessel decreases over time as the analysis of the stability is re-determined;

- Engine emissions and fuel consumption are outstripped by new technology and regulations;
- It is much more expensive to repair or replace obsolete parts and replace worn steel; and
- The risk and consequences of breakdown greatly increase.

There have been recent examples of the results and consequences to island and remote communities of older fleet breakdowns including the Corran Ferries and the well-publicised CalMac issues.

3.4.5 In the Council's fleet, life extension works including new engines have been completed on Eilean Dhiura (2022) and Belnahua (2024). The result of this work is that fuel efficiency, emissions and performance have all improved along with confidence in reliability. This is particularly important because for Luing and Jura, our ferries are the only transport link on and off the islands and there is currently no redundancy with these services.

Figure 4:

MV Belnahua during Life Extension works showing the old and the replacement engines.



3.4.6 Cost benefit from the plan

A further benefit from the life extension work and cascade plan will follow the new build Jura vessel entering service.

Currently, a significant part of the docking and maintenance costs are for relief vessels.

The service must find a vessel that:

- Physically fits with the existing port infrastructure;
 - Is suitable for the island traffic needs, HGV etc.
 - Can operate in the conditions to the timetable;
 - Is available at the same time as the dock is available for our own vessel;
- and

- Is legally permitted and certified to operate in our waters.

Recent figures for relief vessels show just how expensive meeting those conditions are, with costs in the region of £2,250 per day for the Cuan route and €4,500 per day for the Jura route. The suitable replacement vessel for Jura had to deploy from Ireland and agree to additional certification surveys before being awarded a contract, which takes time and presents uncertainty and risk during the planning phase.

Following the arrival of a new Jura vessel however, the plan to redeploy Eilean Dhiura on the Cuan route means it will be available to take over at Jura during any breakdown or dry-docking period for the new vessel. Keeping the Belnahua at Cuan means that route is also covered while the Eilean Dhiura was redeployed at Jura or during a dry dock period.

The plan also, therefore, gives some much needed reassurance, redundancy and savings as well as maintenance planning flexibility.

3.4.7 Term Contracts

As described above the service has a mid to long term plan for the vessels, improving value for money and improved maintenance planning.

For the shorter term we are currently working towards awarding term contracts with vessels and dry-docking facilities to cover a three to five year period.

This will allow us to charter a suitable vessel at a more competitive rate and programme in dry docking plans, spare part ordering, timetables, surveys etc. in advance.

Figure 5:
MV Eilean
Dhiura.



3.5 Crewing Plan

- 3.5.1 Along with the vessel plans there have been recruitment and retention issues particularly on our Jura route that have required addressing to maintain the ferry service.

In contrast to the 3 'mainland' routes the Jura service is island to island so requires that the crew live on Islay to ensure the vessel can be sailed on the first sailing.

In recent times the council has seen the movement of qualified staff from its services to CalMac services and the skills shortage in remote rural and island locations means that the two organisations are often in direct competition when recruiting for staff.

A new shift rota has been introduced with a 7 day on – 7 day off duty cycle that mirrors similar conditions with CalMac. This allows our crew to have an improved work / life balance, pursue other opportunities during their time off and eventually will be able to live elsewhere when accommodation is available at or near the port.

There is a need to progress accommodation at or near Port Askaig as shown in the 'Table 2: Ferry Service Priorities' above. This would be a sea change for this service as we would be able to employ qualified seafarers living out with Islay, utilising the new duty rota.

- 3.5.2 When we have successful recruitment and with existing crew we have issues concerning training, career advancement & retention.

It is our ambition to recruit into positions where we can commit to training and having qualified Officers able to move better between the routes if possible.

- 3.5.3 Part of the solution to our crewing issues is in addressing the pay and conditions, particularly for those staff operating in competition with CalMac and distillery employment on Islay.

There have been potential solutions presented including contracts with arm's length companies and continued 'Market Premium' (sometimes referred to as Market Supplement or Plussage).

The service currently supplements vessel Masters on Eilean Dhiura to ensure a closer parity with similar contracts offered by CalMac, but all and any retention ideas will be need to be assessed to find solutions.

3.6 Supporting Infrastructure

- 3.6.1 It is important to remember that with the vessels and the crews there is also a requirement to ensure shore side infrastructure is upgraded and maintained fit for purpose and the vessels that use them.

Slipways at Port Askaig and Feolin will be required to be upgraded for the design of the new vessel.

Slipways will also need to be modified on the Cuan route to accommodate the Eilean Dhiura when it is redeployed there following delivery of a new vessel at Jura.

Argyll and Bute Council's Marine Asset Management Plan will be updated at the appropriate time to facilitate these changes.

In addition to these points it might be helpful here to note that we still have the intention to consolidate the Council's Harbour Orders (with the exception of Oban) into one combined Order. It is incumbent on a Harbour Authority to review and update its legislation and this exercise will modernise ours to ensure it remains effective and fit for purpose.

It is intended that this will commence on completion of the Oban HRO work.

4.0 CONCLUSION

4.1 This report gives an overview and description of Argyll and Bute Council's Ferry Services.

4.2 It describes:

- The current set up regarding the vessels and the communities they serve;
- Funding mechanism pressures and risks;
- Council ferry transfer Policy;
- Vessel and crew legislation;
- Vessel strategy;
- Crewing plan; and
- Supporting infrastructure.

5.0 IMPLICATIONS

5.1 Policy - Agreed consensus on transfer of ferry services to Scottish Government / Transport Scotland.

5.2 Financial - Risk that subsidy will reduce or be removed

5.3 Legal - All associated crew and vessel legislation.

5.4 HR - Crew contracts and pay.

5.5 Fairer Scotland Duty:

5.5.1 Equalities - protected characteristics, Easdale vessels accessibility.

5.5.2 Socio-economic Duty - Lifeline ferries with no other means to travel to / from islands.

5.5.3 Islands - True Lifeline services, school, health and business, Islands Connectivity Plan.

- 5.6 Climate Change - Rising water levels on infrastructure, more extreme weather events.
- 5.7 Risk - Insufficient subsidy and infrastructure decline.
- 5.8 Customer Service - Complaints about current service levels will increase as vessels age.
- 5.9 The Rights of the Child (UNCRC) - Education and social access to mainland facilities and services.

Executive Director with responsibility for Roads and Infrastructure: Kirsty Flanagan

Policy Lead for Roads, Transport and Amenity Services: Councillor John Armour

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For further information contact:

Jim Smith, Head of Road and Infrastructure Services

Jim.Smith@argyll-bute.gov.uk

Scott Reid, Marine Operations Manager

Scott.Reid@argyll-bute.gov.uk