

Report to Partnership Meeting 4th September 2015

RESEARCH AND STRATEGY DELIVERY

Clyde & Hebridean and Northern Isles Ferry Services (CHFS and NIFS) Contract Updates

Purpose of Report

To provide Members with an update on the ongoing tendering process for the Clyde & Hebridean Ferry Services contract (CHFS) and recent work in advance of the Northern Isles Ferry Services (NIFS) contract which is due to go to retender in 2018.

Clyde and Hebridean Ferry Service Contract

CalMac Ferries Ltd currently provide the Clyde and Hebrides ferry services under tendered contract with Scottish Ministers. This contract will expire in September 2016 and Transport Scotland on behalf of the Scottish Government has begun the selection process for the next CHFS contract.

Two operators, CalMac Ferries Limited and Serco Caledonian Ferries Limited, have both passed the pre-qualification stage of the process and have been invited to submit tenders for the next CHFS contract, which will run from 1st October 2016 for a duration of up to eight years. The initial invitation to tender (ITT) was issued on the 31st July 2015 with the invitation for both operators to submit a final tender scheduled for December 2015, with a view to awarding the contract in May 2016. The Scottish Government are to provide up to £1bn of funding to support the enhancement and development of the services within the contract, in addition to fares revenue.

As part of their consultation on the tendering process for the new contract, Transport Scotland officials presented to a recent meeting of HITRANS Partnership Advisors and earlier in the year provided updates to the Ferry User Groups. Transport Scotland have also created an Economy, Business and Tourism Working Group which had an initial meeting in May.

The Transport Minister has also requested that an independent Procurement Reference Panel be appointed, which will review both the Initial ITT and Interim ITT. Representatives from both HITRANS and Local Authorities have been invited to participate on the panel. The first meeting is scheduled to take place on Friday 11th September 2015.

HITRANS propose to hold a round of the four Ferry User Groups covering the CHFS network in late September which will offer all key stakeholders the opportunity to hear from both Transport Scotland on the tendering process and, subject to their acceptance of our invitation, separately from each of the two competing companies.

Northern Isles Ferry Services (NIFS) Contract

The next contract for the Northern Isles Ferry services contract is scheduled to commence on 1st April 2018.

In late 2014, the Scottish Government (Transport Scotland), Shetland Islands Council (SIC), ZetTrans, Orkney Islands Council (OIC) and HITRANS agreed a set of principles and objectives for working together to explore options for the Northern Isles Ferry Service to inform the tender process.

Subsequently consultants Natural Capital Ltd were then commissioned to host an initial pre-appraisal workshop looking at the NIFS contract on behalf of the Partners which adopted a STAG (Scottish Transport Appraisal Guidance) methodology.

Following on from this collaborative work the Minister for Transport and Islands, Derek Mackay, has announced that a comprehensive study of the Northern Isles Ferry Services (NIFS) will be carried out to inform the tender process for the next contract.

This study, in line with STAG, will be overseen by a Working Group, led by Transport Scotland and including representatives of Shetland Islands Council, Orkney Islands Council, ZetTrans, HITRANS and Highlands and Islands Enterprise.

The process will also involve detailed engagement with key stakeholders, such as the haulage industry and the relevant harbour authorities. The work is expected to get underway later this summer and be completed in time to inform the early stages of the procurement for the next NIFS contract.

This work will compliment and run in parallel to the STAG 2 study considering future transport links to the outlying islands of Orkney which has been commissioned by Orkney Islands Council on behalf of the funding partners for the work, Transport Scotland, HITRANS, HIE and OIC.

Recommendation

Members are invited to note the update and consider any recommendations to officers involved on the ongoing tendering process for the Clyde & Hebridean Ferry Services contract (CHFS) and recent work in advance of the Northern Isles Ferry Services (NIFS) contract.

| Risk | Impact | Comment |
|---------------------|--------|--|
| RTS delivery | √ | This work supports several strategic objectives of the RTS. |
| Policy | √ | This work supports the development of the RTS Delivery Plan and these ferry service contracts are of critical importance to our island and peninsular communities. |
| Financial | - | Funding is identified in the 2015/16 Business Plan to support the Orkney Internal STAG and the Natural Capital work. |
| Equality | - | The ferry service contracts offer Equalities opportunities in a number of ways including improved inclusiveness and accessibility. |

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