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Your ref:

Our ref:

Date:
20 November 2017

Ria Brannan
Committee Assistant
Finance and Constitution Committee and Public Audit and Post-legislative
Scrutiny Committee
Room T3.41
The Scottish Parliament
Edinburgh, EH99 1SP

Dear Ms Brannan

Thank you for your e-mail of 24 October regarding the Public Audit and Post-legislative Scrutiny Committee's consideration of the Auditor General report on Transport Scotland's ferry services.

You offered the opportunity for Transport Scotland to send in a briefing paper in advance of the Committee's meeting on Thursday 23 November, 2017. I am grateful for that opportunity and I attach Transport Scotland's response at Annex A.

I trust you find that response helpful.

Yours sincerely

Roy Brannen

Transport Scotland briefing paper on Auditor General report on Transport Scotland's ferry services.

We welcome this Audit Scotland report as it confirms that ferry services are performing well and it underlines the Scottish Government's commitment to Transport Scotland's ferry networks and the vital services they perform in supporting the sustainability of island communities. Our ferry services are iconic transport links that make a significant contribution to the social, cultural and economic well being of our islands and Scotland as a whole. Consequently, our priority is to ensure the continued provision of safe, efficient and reliable ferry services to the remote and island communities which rely on them, as well as delivering best value for taxpayers' money.

Since 2007, the Scottish Government, through Transport Scotland, have invested over £1 billion in these ferry services. That investment has brought the introduction of new routes, the procurement of new vessels and the roll out of cheaper fares for ferry users. In the first full year of RET (2016), passenger numbers across the Clyde and Hebrides services increased by 9% and cars by 16%. We expect further growth in coming years on CalMac services and also on services to Orkney and Shetland when lower fares are introduced on the services to the Northern Isles next year.

Over the past decade we have overseen the procurement of 7 new vessels, investing £117m in the CalMac fleet, and provided substantial support to a number of significant port infrastructure projects. In addition, two new 100 metre dual fuel ferries worth a further £97m are being built for the Clyde and Hebrides network. All of our investment is subject to financial control and management to ensure cost effective use of resources.

As the report points out, the operators providing our ferry services are performing well. In 2016, 5.7 million people and 1.4 million cars were carried on 158,000 sailings. Excluding weather delays, which are outwith the operators' control, 99.7% of those services operated and 99.6% were on time. The Staff and crew on the Clyde and Hebrides, Northern Isles and Gourock-Dunoon routes deserve a great deal of credit for their hard work. Overall, it is also very pleasing to see that ferry users are generally happy with their services.

We have clear forward plans for our ferry network and services and we are keeping those updated. We led the development of the first comprehensive review of our ferry services, culminating in the publication of *Scottish Ferry Services: Ferries Plan (2013-2022)*, which set out the way forward from 2013 until 2022. That document recognises the need to continually review our approach to providing these services and reassess the needs of ferry users. Audit Scotland recognise that significant progress has been made in the delivery of the Ferries Plan commitments. Since the Ferries Plan publication we have published plans for vessel replacement on the Clyde and Hebrides network. We have also undertaken an in-depth appraisal of the services to Orkney and Shetland. Projects will be taken forward when resources are available and funding will be prioritised according to need. These issues will be considered within a framework designed to maintain the exemplary safety record of Scotland's ferry services.

We intend to bring our existing work into a single document with a consistent over-arching, financially sustainable strategy for all the ferry services supported by the Scottish Government, to be rolled forward annually. In the longer term, and engaging with key stakeholders including

our remote and island communities, the next Ferries Plan will be a single long-term strategy that is produced in the context of the National Transport Strategy and the Strategic Transport Projects Review. These are two of our most important pieces of work, and will allow us to ensure effective co-ordination between ferries and other modes of transport. Details of the next Ferries Plan are currently being worked through, but it will be ready in time for the conclusion of the current Ferries Plan in 2022.

We note Audit Scotland's observations in respect of the Clyde & Hebrides procurement. As always, we will ensure lessons learned from this procurement will be taken into account in the future. The procurement of the Clyde and Hebrides contract, led to a winning bid from CalMac that contains 350 commitments to improve services. The process included the establishment of the first Independent Procurement Reference Panel to ensure it was fair, open and transparent. The procurement exercise has also been recognised through national awards. As Audit Scotland state in their report, we are taking a more strategic approach for future procurements which should help improve planning, the use of resources and knowledge transfer within Transport Scotland.

Ferry services contract management arrangements and resources have been strengthened within Transport Scotland and will be kept under review. Likewise, we will continue to ensure we have appropriate resources in place to develop, monitor and report against the Scottish Government's long-term strategy and ferries investment plans. Linked to that we will be reviewing our engagement with ferry users in relation to policy matters. To aid transparency, we will always try and ensure roles, responsibilities and accountabilities are clear to stakeholders and ferry users.

In summary, and as indicated earlier, we welcome Audit Scotland's report as it highlights the Scottish Government's commitment to our ferry services and ferry networks. Looking ahead, our continued priority is to ensure the ongoing provision of safe, efficient and reliable ferry services to the remote and island communities which rely on them, while delivering best value for money to the taxpayer.

Transport Scotland
20 November 2017