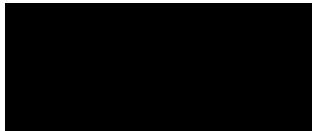


PROCUREMENT POLICY REVIEW: STAKEHOLDER EVENT

OBAN 30 MAY 2017: KEY SUMMARY POINTS

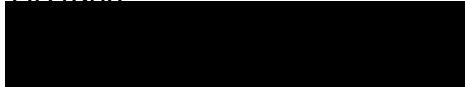
Introduction

1. Forty four key stakeholders, including representatives from local authorities, community, tourism and business groups were invited, to represent the local community. The following attended the meeting:

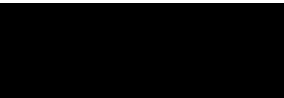
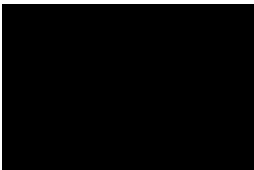


Oban Community Council

Islay and Jura Ferry Committee
Mull and Iona Ferry Committee
HiTrans

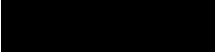



Lismore Community Council
Argyll & Bute Council
Argyll & Bute Council
Argyll & Bute Council



Transport Scotland
Transport Scotland

Introduction

2.  thanked everyone for attending the event and explained that he would  resentation about the policy review into the provision of lifeline ferry services in Scotland. He welcomed input and discussion from those present

3. During the presentation, the background to the procurement policy review was explained, including historic approaches to the European Commission (EC) regarding the procurement of Scottish ferries, the application of the Teckal exemption and the necessity of meeting MCA and State aid regulations. It was clarified that the EC guidance was that 'Teckal should be capable of being applied'. The view was noted that the RMT should not be 'leading the way'.

4. A distinction was drawn between State aid and State-run, in answer to a question, which also queried why the Minister is minded to provide services in-house.

Presentation from Transport Scotland

5. The presentation highlighted the following points:

- Provided background to the Scottish Government's decision to carry out the policy review, including details around how the Review will consider the legal, policy and financial implications relevant to the procurement of ferry services

in future, including the possible application of the Teckal exemption and the requirement to comply with State aid rules;

- Provided necessary detail in relation to the Teckal exemption and State Aid;
- How the outcome of the Policy Review cannot be pre-judged, noting though that the Minister had made clear in his announcement that should the Policy Review conclude that it would be possible to apply the Teckal exemption and meet State aid rules, Ministers would be minded to provide ferry services through an in-house operator, subject to the views of the communities served and relevant policy and financial implications;
- Noting the level of financial investment made by Scottish Ministers to lifeline ferry services in Scotland;
- Noting the current situation in relation to Scotland's lifeline ferry services and assets;
- Noting that we were looking for stakeholders to consider two main questions:
 1. the key considerations that would support in-house operation or competitive tendering of the ferry services in future from a local community perspective?; and
 2. If we can apply Teckal and comply with State aid rules, and subject to wider policy and value-for-money implications, should we a) provide services through an in-house operator, or b) continue to tender?

6. In considering these questions, discussion took place and the following views were expressed:

Efficiencies

- Discussion of the benefits to be derived from tendering, eg 350 commitments in the CHFS contract, improved transparency and statistical reports.
- Views that savings could be made if awarded in-house. The cost of the tender to the Government and the cost to the bidder could be better invested in the service- although drop in the ocean compared to the contract value.
- Built in mechanisms, for accountability and assurances required about continuous improvement, if an in-house award.
- Better engagement between CalMac and CMaI, if in-house, then this would stop the in-fighting that goes on between them. CMaI seen as not accountable by some communities.

Service Delivery

- View that the service should be run not for the benefit of the RMT, but for the public and communities. The decision to go in-house should not be political ie not for the benefit of the RMT and employees.
- A reason to go in-house is to save the Government money – but no details available. Does this mean that the level of investment in services would be affected, if in-house?
- Acknowledged that it is an unknown as to how service delivery would change if an in-house award. Although thought that the public would have a stronger voice on issues affecting communities and service delivery.
- Fear of change and uncertainty. An in-house award would be a long term plan.
- Longer term commercial contract eg 20 years v in-house award – discussion about how much the government is prepared to invest financially in the longer term.
- Either way service is procured, better demand management and pricing strategies required
- How do we ensure that an in-house service would address capital investment in infrastructure?
- How would tender develop local businesses and local economies? Short-term strategy required.
- Actual people who run the service are not involved in policy making. Decisions are made in silos – engagement needs to be improved.

Staffing

- CalMac terms and conditions very favourable. How deliverable is in-house award because of this difference? Noted that tupe would apply. However, there would need to be reforms if public sector rules apply, to align with public sector (teachers, police, nurses, civil servants etc). Pension deficit would also need to be addressed properly.
- Employment – there is a management gap.

Vessels

- Discussion about *The Vessel Replacement Plan*. There are lots of benefits to tendering, so there would need to be a very robust system in place, if tendering doesn't take place.
- Concerns about vessels and engagement with CMal seen to be an issue.

Conclusion

7. It was noted that the result of tendering brings benefits, eg making CalMac 'stand up' and more accountable. This was informative for local communities, who then knew what they could expect.

8. It was noted that if an in-house award, then structures would be required to allow the same benefits that a tender would bring. Considered that a contract would need to be put in place.

9. Also, noted that The Ferries Plan needs to be re-visited as it has become Stagnant.

10. In summary, Community Councils leant towards in-house, but with the proviso that there needs to be protection with regards to community engagement and reporting.

11. Businesses and Tourism noted that whichever way of procuring ferries that provided the best service would be preferred.

Ferries Unit
June 2017