

PROCUREMENT POLICY REVIEW: STAKEHOLDER EVENT

STORNOWAY - 23 MAY 2017: KEY SUMMARY POINTS

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

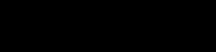


Comhairle nan Eilean Siar
Comhairle nan Eilean Siar
Comhairle nan Eilean Siar
Carloway Community Council
Point Community Council
Point Community Council
South Harris Community Council
Breasclete Community Council
Uig Community Council
Outer Hebrides Tourism
Visit Scotland
Highlands and Islands Enterprise Trust
Ullapool Harbour Board



Transport Scotland
Transport Scotland

Introduction

1.  thanked everyone for attending the event and explained that he would give a short presentation about the policy review into the provision of lifeline ferry services in Scotland. He welcomed input and discussion from those present.
2. Firstly, it was made clear that the policy review is into the provision of lifeline ferry services and not overseas ferry links. In addition, clarity was provided regarding the structure of David MacBrayne Ltd and the distinction between CalMac and CMal, all owned by Scottish Ministers.
3. 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 requirements of State aid. It was noted that on 22 September 2016, there was a shift in the guidance and advice provided by the EC, with Humza Yousaf MSP, Minister for Transport and the Islands announcing a policy procurement review on 2 February 2017.

Presentation from Transport Scotland

4. 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?
5. In considering these questions, discussion took place and the following was expressed:

Democratic Governance

- If a direct award, then there should be the ability to reconfigure how community and democratic control is exercised over the ferry service provider, with communities having a decision making role in how the company is run.

Decision Making

- The contract could be framed in a different way, with participatory budgeting and local authorities sitting on the DML board.
- The public sector should provide an agile, flexible, competitive service and that the benefits of tendering should not be lost.

- Discussion took place about who would be more responsive to public needs, (private company v. in-house), as this is a major concern for islanders. Opinion divided on this.

Performance Management

- Efficiencies/improvements could be gained by a direct award. In a direct award, the company would need to show that 'it is well run and adequately equipped'. The definition of 'efficiency' needs to be defined and it was noted that this will be considered as part of this review.

Costs and Savings

- A private company is put under pressure to improve performance management by being put through the tendering process, resulting in efficiencies being realised.
- The cost of tendering may be better spent on improving the service.
- Concerns over whether an in-house operator would make savings of £100m+
Noted that SG would have to meet Altmark 4.
- Concerns over what would happen to excess profit from an in-house company? Noted that this would go back to shareholders ie Scottish Ministers.

Staffing T & C

- Terms and Conditions of CalMac staff considered very favourable and not sustainable, 'Gravy Train' mentioned. Noted that staff are covered by TUPE regulations.

Employment Opportunities

- If an in-house award, then suggestion that CalMac headquarters could be relocated elsewhere, providing more employment opportunities for the communities which it serves and this could help to address rural depopulation.

Innovation

- A 'shadow bid' discussed should there be only one bidder for the contract. View expressed that 'not convinced an in-house operator would provide local community benefits, apprenticeships etc'.
- An in-house award should have a continuous improvement agenda.

Continuous improvement

- Concern raised that if in-house and there is no contract in place, then it is easier to cut services. An in-house company would be treated as just another

government department and would therefore be under the same pressures as other government departments, particularly as regards to finance.

In-house v contract

- View expressed that a contract provides a better structure and certainty of costs, sailings and timetables.
- SG might have better control over company if an in-house award

Community benefits

- Economic benefits for the local communities, in-house company considered more likely to use local producers, employees and provide some degree of economic certainty for these communities.

Management Information

- Discussion over whether to have more confidence in private operator/in-house operator regarding information gathering/management, particularly in relation to recording and meeting unmet demand.

Transparency in Public Sector

- Transparency of information mentioned and the view that the public sector is more open to transparency

Conclusion

6. It was noted that the communities were behind CalMac, as they thought 'in-house' provided a much stronger on-going voice for communities. Loyalty to the brand of 'CalMac' was evident.

7. Comhairle nan Eilean Siar could see both the pros and cons of the ferry service provider being exposed to competition. (Would it be fair to say that they seemed to favour the tender option?)

8. It was also noted that there should be a focus on strengthening communities by enhancing employment and business opportunities, linked to the ferry service provider.

**Ferries Unit
May 2017**