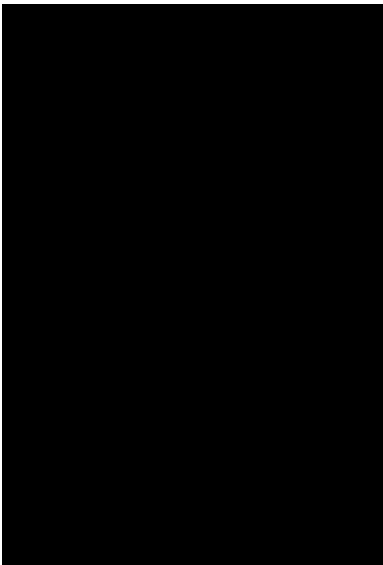


PROCUREMENT POLICY REVIEW: STAKEHOLDER EVENT

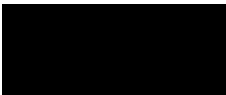
BENBECULA 6 JUNE 2017: KEY SUMMARY POINTS

Introduction

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



South Uist
South Uist and Barra
Benbecula and North Uist
Benbecula
South Uist, Eriskay, Barra & Vatersay
Comhairle nan Eilean Siar
OHTG and BCC
Lochboisdale Community Council
Benbecula Community Council
NUCC and Council of Voluntary Organisations
Bornish Community Council
Kallin Shellfish Ltd
North Uist Development Company
Storas Uibhist and Lochboisdale Development Ltd
Outer Hebrides Tourism



Transport Scotland
Transport Scotland

Introduction



2. [Redacted] 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, making clear that it was about subsidised mainland ferry services. 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'.

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 views were expressed:

Efficiencies

- Transport links need to be joined up, regardless of tender/in-house.
- Built in mechanisms and assurances required, if an in-house award.
- There needs to be a proper framework for engagement and decision making.

Service Delivery

- Concerns about there being no community representation on the DML board. If in-house, would the community get the opportunity to have more influence?
- Noted that the structure of an in-house company be re-examined.
- View that nothing would be gained by putting out to tender, as none of the routes are profitable.

- The view expressed that there needs to be an incentive to operate the service. A fixed profit removes the incentive for the operator to reduce the subsidy.
- Issue is the level of investment in ferries- CalMac being let down by the vessels made available and the over-specification of vessels being supplied.
- Noted that the STAG work underway will feed into the review.
- Actual people who run the service are not involved in policy making. Decisions are made in silos – engagement needs to be improved.

Staffing

- Employment – lack of experience of islands at Board/management level.
- CalMac seen as too top-heavy.
- Tendering causes uncertainty, as even if transferred over, Terms & Conditions may change. Staff would TUPE over
- Tender – staff would be local v In-house – staff would be centralised.
- A need to increase employment in the islands by de-centralising CalMac and continuity of employment whether in-house/tender.

Vessels

- Long term investment required in vessels, harbours and infrastructure to provide longer term sustainability, development and planning. In-house would allow this to be brought together.
- Concerns about vessels, but engagement with CMal has improved.

Conclusion

6. It was noted that if an in-house award, then assurance required that efficiency would be maintained, possibly by incentivising (bonus scheme) to ensure targets are met.

7. Consensus of views that the community was happy with CalMac and would prefer an in-house award, as long as this incorporated all the benefits of a tender.

8. In summary, agreement was for in-house. If tendered, then communication and engagement needs to be improved.