
RESPONSE

Item 1 Internal Transport Scotland email chain of 3 November 2022

Redacted

Sent: 03 November 2022 09:55

To: Redacted Higgins K (Kate)
<Kate.Higgins@gov.scot>; Minister for Transport <MinisterFT@gov.scot>

Cc: Redacted

Redacted

Subject: RE: Lines to clear: Community Ferry Company for Mull and Iona - Deadline 5pm

Kate Redacted

Would you be happy with the following for FMQs, based on press lines for the top line but adding some further detail from previous exchanges...

Redacted

We share the aims of the Mull and Iona Ferry Committee, and of the wider Mull and Iona communities, for sustainable and effective ferry services but we do not recognise some of the criticisms made in their recent press release. We look forward to continuing our constructive engagement with the committee on future services and vessel replacements.

- Scottish Ministers have been clear on multiple occasions, including the Transport Minister's recent update to parliament on Project Neptune, that we will not consider splitting up the CHFS network or privatisation of any of the Clyde and Hebrides Ferry Services routes.
- To offer the opportunity to operate a route to a community ferry company, Transport Scotland would be required to open that route to open competitive tender for all potential public and private sector bidders – there is no certainty that a community bidder would win.

- Where there is more than one ferry route to an island, such as Mull, we would also have to consider the impact on any secondary routes serving those locations to ensure there was no distortion of the market between operators – and it is possible that rather than a single route tender, all routes to Mull would need to be offered as a small bundle.
- Recent experience has shown that the year round resilience challenge is significant, with the current fleet being fully deployed, but if each route was operated separately, communities could at times be left with no ferry service at all.
- There is therefore no guarantee that providing the opportunity for a community company to bid for a single route contract would lead to the outcome they are seeking or that a community bid would be compliant. These are not insurmountable barriers, but I would note that it is likely to be challenging.
- The key considerations around the next CHFS contract are currently being considered including how best to use it to improve services and to improve the operator's engagement and communication with communities.

From: Redacted **On Behalf Of** Minister for Transport

Sent: 02 November 2022 14:29

To: Redacted Minister for Transport <MinisterFT@gov.scot>

Cc: Redacted

Subject: RE: Lines to clear: Community Ferry Company for Mull and Iona - Deadline 5pm

Hi Redacted

Ms Gilruth is content.

Many thanks

Redacted

Redacted Deputy Private Secretary to the Minister for Transport – Jenny Gilruth
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG
Email: MinisterFT@gov.scot

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From: **Redacted**
Sent: 02 November 2022 10:51
To: Minister for Transport <MinisterFT@gov.scot>
Cc: **Redacted**

Subject: Lines to clear: Community Ferry Company for Mull and Iona - Deadline 5pm

Hi **Redacted**

The Oban Times have asked for a response to the attached release from the Mull and Iona Ferry Committee.

The following has been agreed with policy and SpAds, I'd be grateful for clearance by 5pm please.

TS spokesperson **Redacted**

Redacted

Item 2 Internal TS Email

From: Redacted
Sent: 03 November 2022 08:43
To: Redacted

Subject: RE: ***Ferries Updated*** FMQ Brief Commission Request - Economy - Due 11 am Monday 31st October

Hi Redacted

Bit wordy but can you use this – from the August Ministerial briefing

COMMUNITY FERRY COMPANY

LINES TO TAKE

1. A proposal for a community ferry presents significant challenges. The principle one is the need for unbundling of routes from the main Clyde and Hebrides (CHFS) contract either at the time it is next procured or at a future date.
2. The First Minister has recently ruled out unbundling of the CHFS network. When this has been previously considered it has been rejected mainly on the basis of resilience and the economies of scale brought by the inclusion of routes in a larger network. Recent experience has shown that the resilience challenge is significant, and the response is imperfect, with the current fleet being fully deployed but if each route was operated separately, communities could at times be left with no ferry service at all.
3. To offer the opportunity to operate a route to a community ferry company, Transport Scotland would be required to open that route to open competitive tender for all potential public and private sector bidders – there is no certainty that a community bidder would win. Where there are more than one ferry route to an island, such as Mull, we would also have to consider the impact on any secondary routes serving those locations to ensure there was no distortion of the market between operators – and it is possible that rather than a single route tender, all routes to Mull would be offered as a small bundle.

4. There is therefore no guarantee that providing the opportunity for a community company to bid for a single route contract would lead to the outcome you are seeking or that a community bid would be compliant. These are not insurmountable barriers, but I would note that it is likely to be challenging.
5. The key considerations around the next CHFS contract are currently being considered and I am content to reflect further on your thoughts and, more generally, how to use the next CHFS contract to improve services and to improve the operator's engagement and communication with communities.
6. I would add, however, that the position on unbundling would be the key hurdle and given previous commitments on this it may be unlikely that there would be a decision in favour of this option.

BACKGROUND

1. In line with procurement rules and procedures, any potential bidder considering submitting a tender would be required as a minimum to demonstrate that it:
 2. Would have the financial support in place from the outset in order to not pose any additional legal or financial burden upon the Scottish Government by providing Value for Money.
 3. Is able to demonstrate that the service it aims to provide would have the reliability, quality and resilience to deliver the lifeline service, including during times of technical difficulties, and able to continue to provide the contracted services when its vessel was due routine and legally required maintenance and updates.
 4. Has the technical knowledge and experience of conducting maritime operations.
5. The content above is largely taken from a previous written reply to **Redacted** MIFC. Other than Mull, we have had a similar approach from **Redacted**. In both cases, the community groups have been advised by **Redacted** and you may recall that he raised this idea with you at the meeting you had with him and **Redacted** before summer. The **Redacted** have pulled back from this idea because of the requirement for unbundling but MIFC still seem keen and indeed see unbundling **Redacted** as a positive in itself in terms of generating additional competition and opening up the CHFS market to a wider range of potential bidders.

Redacted
Ferries Strategy
Transport Scotland
Redacted

I normally work Monday to Friday, between 08.30 and 16.00

Item 3 [Redacted] emailed press release to TS

Wed 02/11/2022 00:37

[Redacted]

Press release - Community Ferry Company for Mull and Iona

Mull and Iona Ferry Committee

Press Release EMBARGOED UNTIL 12 NOON THURSDAY 3 rd NOVEMBER 2022.

[Redacted]

Item 4 [Redacted] letter to Minister 1 November

From: [Redacted]

Sent: 01 November 2022 23:32

To: Minister for Transport <MinisterFT@gov.scot>; Minto J (Jenni), MSP <Jenni.Minto.MSP@Parliament.scot>

Cc: Gilruth J (Jenny), MSP <Jenny.Gilruth.msp@parliament.scot>

Subject: Community Ferry Company for Mull and Iona?

Dear Jenny and Jenni

We've mentioned to you previously (but somewhat in passing), that we were considering whether a community owned ferry company could bring advantages to our ferry service and community. It's not an insignificant undertaking. So as a first step we are undertaking a feasibility study thanks to grant funding from HIE. This evening I have sent out a press release, and prepared an explanatory page on our website. Please see here to read in full:

<https://mullandionaferrycommittee.org/could-we-run-our-own-ferry-service/>

As you will immediately realise, a community ferry company is only possible if there is some form of unbundling or sub-contracting of the CHFS contract. I have to say that it is very frustrating and disappointing that unbundling has been discounted before island communities have had an opportunity to consider the pros and cons of all options. There are regular and profuse expressions of care for island communities and promises that our views and needs should have primacy in the ferry debate; but in the same breath we are told that we may not have a view on the fundamental issue of unbundling.

The government's position appears to be that a monopoly must be protected, regardless of whether that might be at the expense of island communities. If there is a benefit to island communities of a continued monopoly in ferry provision, the argument is yet to be made by government. All we have had is a promise that 'there will be no unbundling or privatisation' – an assertion that seems to demonstrate a misunderstanding of what unbundling actually is. It certainly falls far short of explaining **why** unbundling is discounted. 'Consultation' on Project Neptune with such key recommendations taken off the table is not a sincere attempt to consult. We can have any colour of ferry we like it seems, so long as it's black and white with a red funnel.

I am not saying this in order to score political points. Jenni I think you will know that. I'm saying it genuinely out of real disappointment that the same government that introduced the Islands Act is also closing their ears to reform of ferry services without either a) having a coherent argument to support the position that a monopoly must be protected, and b) having refused to give islanders a voice on a policy directly impacting them. I think that perhaps the First Minister over-spoke when making the 'no unbundling' promise in the chamber, and unfortunately the government may find itself on the opposite side of the argument to islanders on this topic. We are not the only island investigating the merits of unbundling, and I think the idea will only grow.

There is also a clear requirement for the 'no unbundling' policy to be assessed and consulted upon under the terms of the Islands Act. I want to avoid going down that provocative line of argument publicly, so its not one we have made in the press release – but I think that the imposition of policy on the islands without meaningful consultation or an Island Communities Impact Assessment is clearly in breach of the Act.

We all are against privatisation, if that means the end to public service obligation, subsidy removal, market-set fares and a service free-for-all. But contracting a private company to perform a public function is NOT privatisation. If it were, then you would have to accept that the Northern Isles services are privatised because Serco has the contract; and that you have twice attempted to privatise CalMac by putting CHFS out to tender. It's an argument that logically concludes that any private involvement in a public service renders that service privatised. Is the NHS privatised because hospitals prescribe medicines bought from private pharmaceutical companies?

So I would please urge you to reconsider the 'no unbundling' line. There is political room for manoeuvre on it. I would suggest the potential embarrassment from not adjusting your position will be greater than doggedly sticking with it if there is a growing appetite for it in the islands. Sub-contracting CalMac branded services to a private or community company is NOT 'breaking up CalMac'. Tendering in small bundle parcels is NOT privatisation.

Can I please ask that we have a meeting just as soon as possible so that we can discuss this in more detail? A meeting with both of you would be ideal. We really would like our constituency MSP to be on board, and for government to be supportive. I look forward to hearing from you.

Best regards

Redacted



Mull & Iona Ferry Committee

www.mullandionaferrycommittee.org

Redacted

Item 5 – Note of Mull Ministerial Meeting

Tue 06/09/2022 10:07

Redacted

18 Aug - Mull Ministerial Meeting Note

To: Minister for Transport <MinisterFT@gov.scot>; Higgins K (Kate) <Kate.Higgins@gov.scot>

Cc: Redacted

PO,

Please find attached a note of the Ministerial meeting held on Mull on 18 August. Apologies for the delay in issuing. Any comments or amendments do let me know.

Kind regards,

Redacted

Graduate Civil Engineer

Ferries Unit

Aviation, Maritime, Freight and Canals

Transport Scotland

transport.gov.scot

Transport Scotland, Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF



Transport Scotland, the national transport agency
Còmhdaill Alba, buidheann nàiseanta na còmhdaill

Attached Note

**Mull and Iona Ferry Committee (MIFC) meeting Ms Gilruth
An Roth Community Enterprise Centre, Craignure, Isle Of Mull, PA65 6AY
09:45- 10:45hrs 18/08/2022.**

Attendees

In Person Attendees

- Minister for Transport, Jenny Gilruth
- Minister for Transport's Private Office - Redacted
- Scottish Government, Special Advisor – Kate Higgins
- Transport Scotland, Head of Ferries – Redacted
- Transport Scotland, Ferries Strategy Team, Redacted
- Transport Scotland, Ferries Strategy Team, Redacted
- Mull and Iona Ferry Committee Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted

Zoom Attendees

- Mull and Iona Ferry Committee, Vice Chair - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Mull and Iona Ferry Committee - Redacted
- Argyll and Bute Council - Cllr Redacted

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Agenda

2. Community ferry company
-

2. Community ferry company – points discussed

- MIFC were clear that unbundling of routes does not mean privatisation. It would involve spitting up the CHFS network into smaller packages for tender. In FM's decision that we would not consider unbundling, islanders were not consulted. Ms Gilruth noted however that the Government had previously stated that if communities did not want services to be operated under a direct award contract then it would look at alternatives.
- A community ferry company would employ a vessel operating company, so vessels would be CalMac branded, but locally operated.

- Transport Scotland's concern to this would be that if unsuccessful, government would be expected to bail out the community ferry company. Redacted Redacted
- MIFC consider that crewing per vessel could be reduced, but not at the expense of jobs overall with current, or higher, crew numbers spread across a larger number of vessels and/or sailings. Having stronger competition at procurement would also help ensure that there is incentive for improvements.
- Redacted MIFC consider that the current system is not working. Even if vessel operator and owner were combined, MIFC is still concerned that there wouldn't be commercial incentive to improve.
- Quality assurance of CMAL's work is unclear. Transport Scotland assured that it continues to challenge decision making.
- MIFC would prefer to have 3 smaller ships operating the Craignure-Oban route, rather than two larger ones. They are concerned that CMAL will make this decision but Ms Gilruth clarified that she will ensure that communities are consulted as required.

----- End of Meeting Note -----

Item 6 TS and Redacted Email

From: Redacted

Sent: 09 August 2022 14:11

To: Redacted

Subject: RE: Ministerial meeting with MIFC

Fin

Thanks Redacted

Some might be able to attend only by zoom anyway – probably will be one of those. So we will keep it to 7 + any zoomers. That OK?

As to Agenda ... how about this? Item 4 may well bleed over in to the second hour!

2. Community Ferry Company
 - This is a potential initiative that we are investigating, and have applied for some grant funding to look into feasibility. Dependent on the structure of the next CHFS contract... we want to introduce the Minister to the idea.

Best

Redacted

Redacted

Redacted

Item 7 Internal email

From: Redacted

Sent: 25 January 2022 16:24

To: Redacted

Subject: RE: email address for Redacted and the other chap!

Redacted

A copy of the reply that went out to Redacted cleared by Redacted

Redacted

Attachment of this email is (a word document which includes the context of the letter to Mr Dey and the response to MIFC)

From: Redacted

Sent: 09 December 2021 10:32

To: Minister for Transport <MinisterFT@gov.scot>

Cc: Minto J (Jenni), MSP <Jenni.Minto.MSP@Parliament.scot>

Subject: Options Assessment, Transforming Mull's Connections

Dear Mr Dey

We commissioned the respected ferry consultant Redacted to look at how our ferry service could be structurally reformed and improved. The resulting report is attached.

A central proposal of Roy's is that rather than having a single monopoly over the entire ferry network, our local service could instead be operated by a stand-alone, community owned ferry company.

There are many advantages to such an idea – as well as meeting the objectives of the Islands Plan in terms of community empowerment, such a company could deliver much enhanced services whilst at the same time requiring much less government financial support. It would be a significant undertaking, but we believe there are the skills, aptitude and enthusiasm for such a project on our islands.

The key enabler of such a plan however is the de-bundling of the CHFS contract, and allowing smaller operators such as a community ferry co to enter the market.

We would very much like to explore the options detailed in Redacted report, and discuss with you and you officials the opportunity they present. The end of the current CHFS contract is just three years away, so we need to begin work on this soon. Can we please ask for a meeting with you or your officials so that we can explore this idea?

Best regards

Redacted

Dear **Redacted**

Thank you for your email of 9 December 2021 to Graeme Dey MSP, Minister for Transport, requesting a meeting with Mr Dey or Transport Scotland officials to discuss the possibility of community operated ferry services for the Isle of Mull. As the Strategic Policy officer in the Ferries unit, I have been asked to reply on the Minister's behalf.

On this occasion Mr Dey is unable to meet with the committee. However, thank you for sharing with Transport Scotland the paper from **Redacted** which has now been reviewed and we can provide you with our initial considerations, as follows.

Taking forward these proposals would present a number significant challenges. The principle one, which is identified in **Redacted** paper, is the need for unbundling of routes from the main Clyde and Hebrides (CHFS) contract either at the time it is next procured or at a future date. Ministers have ruled out unbundling of the CHFS network when previously considering this suggestion – mainly on the basis of resilience and the economies of scale brought by the inclusion of routes in a larger network.

Should Ministers be minded to revisit such a decision under the current procurement regulations, Transport Scotland would be required to open that route to open competitive tender for all potential public and private sector bidders. We may also have to consider the impact on any secondary routes serving those locations to ensure there was no distortion of the market between operators.

There is, therefore, no guarantee that providing the opportunity for a community company to bid for a single route contract would lead to the outcome you are seeking or that a community bid would be compliant.

In line with procurement rules and procedures, any potential bidder considering submitting a tender would be required as a minimum to demonstrate that it:

- 1) Would have the financial support in place from the outset in order to not pose any additional legal or financial burden upon the Scottish Government by providing Value for Money.
- 2) Is able to demonstrate that the service it aims to provide would have the reliability, quality and resilience to deliver the lifeline service, including during times of technical difficulties, and able to continue to provide the contracted services when its vessel was due routine and legally required maintenance and updates.
- 3) Has the technical knowledge and experience of conducting maritime operations.

These are not insurmountable barriers, but I would note that it is likely to be challenging and far less straightforward than the report initially suggests.

The key considerations around the next CHFS contract are currently being considered and we will draw this proposal to Ministers' attention as part of that process. I would add, however, that the position on unbundling would be the key hurdle and given previous consideration of this matter it may be unlikely that there would be a decision in favour of this option.

We do appreciate the Mull and Iona Ferry Committee's desire to see ferry services for Mull improved. As you know from the recent presentations to Ferry Stakeholder Groups, as part of our long term vessel replacement plan, Transport Scotland will use this to inform the future vessel project for Craignure-Oban.

I do understand that my reply is not the positive answer you might have been looking for in terms of meeting to discuss these proposals further, however I have passed the details of your proposals to the team that will be leading on the design and procurement of a new CHFS contract for their information.

Yours sincerely

Item 8 TS to MIFC email

From: Redacted
Sent: 20 January 2022 12:10
To: Redacted
Cc: Redacted
Subject: RE: email address for Redacted and the other chap!

Hi Redacted

Thanks for the response – that makes it clear. Unfortunately Redacted is off this week and I am trying to get hold of a copy of the letter – of course I did see it before it went out but with that being before my holiday and with my memory...

The future CHFS3 contract has been the subject of some initial work and unbundling has come up again in that context recently but at this stage work has not got into that specific aspect – which means that no decision has been made for CHFS3 but nor is there anything to report. So without wanting to sound like I am putting you off, this is not something we are actively working on just now, but it will be considered at an appropriate point and that would be the opportunity to discuss in more depth.

Best regards
Redacted

Redacted
 Ferries Strategy
 Transport Scotland
 Redacted

I normally work Monday to Friday, between 08.30 and 16.30

Item 9 TS email to MIFC chair

From: Redacted
Sent: 17 January 2022 09:53
To: Redacted
Subject: RE: email address for Redacted and the other chap!

Hi Redacted

Redacted works in my team so if you give me an indication of the areas you want to discussion I can see if the questions would be more for me or for another colleague.

Best regards
 Redacted

Redacted
 Ferries Strategy
 Transport Scotland
 Redacted

Item 10 MIFC email to TS

From: Redacted
Sent: 12 January 2022 22:59
To: Redacted
Subject: FW: email address for Redacted and the other chap!

Hi Redacted

Third thing – I've had a reply tonight from Redacted regarding Redacted community ferry proposal and de-bundling. Is she a colleague of yours? I would like to discuss some of the key points a little further, but don't have her email address. Would I be correct in guessing it as Redacted? And is CHFS contract review/renewal her specialism or does that lie with you?

Thanks and best wishes

Redacted

Redacted

[Redacted]