

Zetland Transport Partnership

REPORT

To: Zetland Transport Partnership

22 September 2008

From: Lead Officer

LEAD OFFICER'S REPORT

1. Introduction

- 1.1. The Lead Officer's Report is a routine report to the Zetland Transport Partnership that gives an overview of current issues and events relating to the business of the Partnership.
- 1.2. This report covers,
 - Meeting of RTP Chairs 27 August 2008 – Verbal Update
 - Joint working with HITRANS
 - Launch of Ferries Review
 - Collaboration with Orkney Islands Council on procurement of Inter Island Air Services

2. Meeting of RTP Chairs 27 August 2008

- 2.1. The Chairs of the 7 Regional Transport Partnerships met in Aberdeen on the 27 August 2008.
- 2.2. The agenda for the meeting is attached as Appendix 1.
- 2.3. I will give a brief verbal account of the main issues at this meeting.

3. Joint Working with HITRANS

- 3.1. HITRANS invited the Chairman and me to attend their last meeting in Elgin on 5 September 2008.
- 3.2. HITRANS and ZetTrans have been discussing the principle of building closer working relationships between the two organisations and it was thought that a way to achieve this would be to attend meetings where agenda items had cross boundary significance.
- 3.3. At this meeting the issues of significance were: -

- Piers and Harbours Grants
 - Ferry Connections Study
 - Highlands and Islands Fuel Study
 - Aviation Consultation Group
- 3.4. Although ZetTrans has no formal membership role in HITRANS, attending the meeting was very worthwhile with the HITRANS Chairman inviting us to contribute on the above topics.
- 3.5. It was felt by the HITRANS membership that our contribution to the meeting was valuable and ensured that the full Highlands and Islands perspective was important if we are to grow as a region.
- 3.6. It was agreed at the end of the meeting that ZetTrans would be invited to attend future meetings and Councillor Wishart undertook to consult ZetTrans Members on the principle of inviting the Chairman and Director of HITRANS to future meetings of ZetTrans.
- 3.7. In this connection Members are invited to discuss the principle of joint working with HITRANS through attendance at appropriate meetings and decide whether to make this a feature of future ZetTrans meetings.

4. Launch of Ferries Review

- 4.1. On 28 August 2008 the Scottish Government issued a press release giving detail of its intent to carry out a review of Scottish Ferry Services. A copy of the News Release is attached in Appendix 2.
- 4.2. The scope and methodology for the review is contained in Appendix 3.
- 4.3. The important aspect to note in this is that the review will be overseen by a Steering Group and Ken Duerden will represent ZetTrans on that group. This ensures that Shetland is represented directly in the carrying out of the review.

5. Collaboration with Orkney Islands Council on the Procurement of Internal Air Services

- 5.1. Over the past few weeks discussion have taken place at officer level on the principle of Orkney Islands Council and Shetland Islands Council collaborating on the procurement of internal air services.
- 5.2. To maximise interest in the aviation market officers have agreed to carry out the two separate tendering exercises to the same timetable so that each tender is advertised, returned, evaluated and awarded at the same time. This does not alter the timetable which would have applied in any event to the contract for the Shetland service.
- 5.3. The theory is that the market may respond with greater interest if there are two contracts similar in nature to be won.

- 5.4. The original intention was to explore whether OIC and SIC could jointly tender one contract but the European Commission will not allow the extension of existing contracts to allow enough time to carry out the necessary work to establish whether this is feasible.
- 5.5. Therefore, the intention is to tender for the services under two separate contracts for this round of contracts and look more closely at the option of joint tendering for the next round of contracts in 2012 or 2013.

6. Financial Implications

- 6.1. There are no financial implications arising from this report that are not met within approved budgets

7. Recommendations

I recommend that the Partnership

- 7.1. Note the content of this report
- 7.2. Decide whether or not to support the principle of developing joint working with HITRANS through attendance and input to appropriate meetings where matters of mutual benefit and interest are included.

Report No: ZTP-29-08-F

Appendix 1

Regional Transport Partnerships

Chairs' Meeting 27 August 2008

Maryculter Country House Hotel, Aberdeen

Agenda

1. Welcome and Introductions
2. Minutes of Meeting in Inveraray on 20 June 2008
3. Matters Arising
4. Minutes of Meeting with CPT on 20 June 2008
5. Matters Arising
6. STPR and National Delivery Plan.....Eric Guthrie
7. National Transport Strategy Stakeholder Group....Rodney Mortimer
8. Funding Forum.....Bruce Kiloh/Alex MacAulay
9. Meeting with Minister.....Derick Murray
10. Audit Scotland Programme.....Alex MacAulay
11. Engagement with Other Organisations.....John Nelson
12. AOCB
13. Date of Next Meeting...possibly at CPT conference

Appendix 2 – Ferries Review News Release

News Release

August 28, 2008

FERRY REVIEW WILL ENHANCE FUTURE FERRY SERVICES - STEVENSON

The Scottish Government today confirmed details of a review intended to consider enhancements to ferry services across all Scottish routes.

The review will consider current provision of ferry services and what improvements should be made to meet future needs.

It meets the Government's commitment set out in the 2006 National Transport Strategy (NTS) to "develop a long-term strategy for lifeline services to 2025".

The NTS committed Government to carry out "a detailed appraisal of routes to determine whether a better configuration could be developed in response to calls for new and faster connections serving those isolated communities and a review of fares structures as part of the affordability of public transport"

Publishing information on the scope and methodology for the review Transport Minister Stewart Stevenson said:

"This Government is committed to improving and enhancing ferry services to our remote and island communities.

"The work we are beginning will give us a better understanding of how services meet current needs and how best to configure services to meet future needs.

"We are determined to improve transport links across Scotland so that communities and individuals can make the fullest possible contribution to our goal of increasing sustainable economic growth.

"It builds on work already underway to reduce the cost of ferry journeys to and from the Western Isles and the enhancements we have made to services to Orkney and Shetland."

The review will run until autumn 2009 and will inform a public consultation in summer 2009 on a strategy for lifeline ferry services.

Appendix 3

DETAIL OF THE PROPOSED HIGH LEVEL SCOPE AND METHODOLOGY FOR THE FERRIES REVIEW

Current policy

Enhancing Scotland's ferry services and related infrastructure are key to supporting business and employment opportunities in pursuit of a wealthier and fairer Scotland. Achieving change in travel patterns and mode is one of the greatest challenges in securing sustainable economic growth and is integral to securing a greener Scotland. Connectivity also plays a key role in building safer and stronger communities. Safer and stronger communities are fundamental to the attractiveness of Scotland as a place to live and work.

The current policy for delivering lifeline ferry services in Scotland is detailed in Delivering Lifeline Ferry Services: A consultation paper on meeting European Union requirements (2000). The policy objectives are to ensure “the maintenance of affordable sea links to Scotland’s island communities” and to improve “the level, quality and cost-effectiveness of services to remote island and rural communities.” The specific aims are to:

- “Ensure the provision of a suitable standard of transport connection in terms of quality, frequency and capacity, to island (or in some cases remote peninsula) communities which would otherwise suffer social and economic disadvantage;
- Ensure ferry fares and freight charges are not excessive;
- Ensure that ferry services are delivered efficiently; and
- Ensure that the necessary level of service is provided for the minimal amount of public subsidy.”

In the years since this policy statement, the policy has been re-confirmed and no significant changes have been made to this policy position. However, it is clearly essential that Scottish Government action to deliver these aims should comply with the relevant EU legislation on State aid for maritime transport services. The ferries review will therefore reflect the outcome of the current EC investigation into subsidies to CalMac and NorthLink for maritime transport services in Scotland. Accordingly, and within the constraints of the relevant EU legislation that we expect will be clarified by that investigation, the ferries review is a chance to provide a ferry service that will achieve more balanced growth across Scotland, to give the most remote areas of Scotland the chance to contribute to, and benefit from, sustainable economic growth and therefore give them the chance to succeed.

Reason for the review

In Scotland’s National Transport Strategy (2006) a commitment was made to

conduct a comprehensive review of lifeline ferry services, “to develop a long-term strategy for lifeline services to 2025. The review will include a detailed appraisal of routes to determine whether a better configuration could be developed in response to calls for new and faster connections serving those isolated communities and a review of fares structures as part of a broader review of the affordability of public transport.”

This commitment was reinforced in the Clyde & Hebrides Ferry Services: Draft Service Specification: Consultation Response (2006). The response stated that views offered during the consultation exercise would be considered in shaping the final remit of the review of lifeline ferry services. The issues identified for possible inclusion were timetables, services, fares, integrated transport, parking problems, enhancing tourism, economic impacts, overland routes and vessels. All of these issues have been considered for the proposed scope.

The Transport Infrastructure and Climate Change Committee (TICCC) during their inquiry into ferry services in Scotland made specific recommendations regarding the review and during his appearance before the TICCC on 3 June 2008 the Minister for Transport, Infrastructure and Climate Change made various commitments in relation to the review.

Purpose of the review

The purpose of the review is:

- To develop a shared vision and outcomes for lifeline ferry services in Scotland, in the context of the Government’s Purpose, Economic Strategy and National Transport Strategy.
- To analyse the current lifeline ferry services and network, identifying how well it meets the proposed outcomes and how it links to other modal networks.
- To inform the Scottish Government’s long term strategy for lifeline ferry services in Scotland in time to feed in to the next spending review, and influence the next round of procurement of ferry services and supporting infrastructure.
- To identify policies to be taken forward to deliver the long term strategy, including the planned investment framework.

Proposed high level scope

General requirements

The review will be conducted within the context of what is technically, financially and legally possible.

Although it has been stated that the ferries strategy will be written to 2025, the Strategic Transport Projects Review is written to 2022. We therefore propose to write

the ferries strategy to 2022 to keep the timing of the transport strategies aligned.

We propose to include all publically funded ferry services in the review. This includes those services funded by the Scottish Government and those funded by Local Authorities. We will engage with COSLA and with the appropriate Local Authorities. The review will also take cognisance of the commercial services provided.

The review will consider the current position as well as considering what changes need to be made to meet needs into the future. The needs of passengers, cars, commercial vehicles and freight will all be considered.

The review will define our objectives in providing support to ferry services and clarify the criteria under which Scottish Government may fund particular services.

Methods of Delivery and Operation

In light of the National Conversation, we will consider the structures and powers required to help us deliver ferry services more effectively. We will consider the correct split of responsibilities between Scottish Government, Local Authorities, operators and CMAL.

Economic impacts

The review will identify where changes and improvements to ferry services can enable the creation of dynamic and growing economies for our island and remote rural communities.

The long-term strategy for lifeline ferry services will seek to reduce the disparity between the regions of Scotland, providing choices, opportunities and prosperity for businesses and individuals within our island and remote rural communities.

Enhancing Scotland's ferry services and related infrastructure are key to supporting business and employment opportunities in pursuit of a wealthier and fairer Scotland. Achieving change in travel patterns and mode is one of the greatest challenges in securing sustainable economic growth and is integral to securing a greener Scotland. Connectivity also plays a key role in building safer and stronger communities. Safer and stronger communities are fundamental to the attractiveness of Scotland as a place to live and work.

The ferries review is a chance to provide a ferry service that will achieve more balanced growth across Scotland, to give the most remote areas of Scotland the chance to contribute to, and benefit from, economic growth and therefore give them the chance to succeed.

The review will make recommendations regarding where investment should be focussed to make connections for island and remote rural communities better, improving reliability and journey times, seeking to maximise the opportunities for employment, business, leisure and tourism, and promoting social inclusion.

Safety

Improve safety of journeys by reducing accidents and enhancing the personal safety of pedestrians, drivers, passengers and staff.

Funding, Cost and Affordability

The review will consider different funding mechanisms for ferries and will consider how affordable lifeline ferry services are to the Scottish Government and the public in the context of affordability of public transport more generally.

The review will consider the cost of ferries with the preliminary findings on high cost items such as ports and vessels being fed in to the spending review anticipated in Spring 2009. The detailed costing work will be carried out once the review has concluded and the strategy has been agreed.

Procurement

The review will include how lifeline ferry services should be procured. It will consider among other things; appropriate legislation and regulations, the use of PSOs and PSCs, how the routes should be bundled together, the need for a tendering system in future and flexibility in contracts.

Services and routes

Generally, the review will seek to improve reliability, journey times and connections. The review will consider the configuration of lifeline ferry routes that is needed in the future. This will include consideration of new routes and reconfiguration of existing routes. It will consider new and faster connections to serve the isolated communities.

The level of service required on the proposed routes will be considered. We will consider proposals such as extending sailing to the early morning and later evening, more frequent sailings and improved sailing times in winter. As part of this, we will consider the impact of alternative arrangements for crewing ferries.

Alternatives to ferry crossings such as tunnels, bridges and causeways will be identified. Detailed work to consider whether an alternative on any particular route is appropriate will be done after the initial review, once the overall strategy has been agreed.

Specific routes

As a general principle, no potential routes will be excluded from the review.

A shorter route from Jura to the mainland will be specifically considered as the Minister for Transport, Infrastructure and Climate Change committed the review to including this at his TICCC appearance on 3rd June 2008.

Competition

The review will consider opening routes up to competition from commercial providers. It will test whether the continued bundling of routes is the correct way forward.

Fares

The review will consider the scope for rationalisation of fares structures and whether through fares adjustments we could provide greater support for particularly vulnerable island communities. We will take into account the early information available from the RET pilot.

Vessels

The review will consider what vessels would be required to support the routes and services recommended by the review, what vessel replacement is required and future investment requirements more generally.

The review will consider the potential for introducing new vessels, including proposals such as:

- faster and more fuel-efficient vessels
- the use of catamarans
- replacing one large ferry with two or more smaller ferries
- leasing vessels rather than constructing them
- streamlining the process for procuring and constructing new vessels

Ports and Harbours

We will harness the opportunities that our geography provides through investment in our ports and harbours, enabling sustainable economic growth for our island and remote rural communities.

The review will consider what investment is required in port infrastructure to bring it up to the required standard. This will be in the context of supporting the routes and services recommended by the review and will include how ports and harbours should be funded and run.

Accessibility

We will involve the PTUC or MACS in our steering group, to provide the views of disabled users of ferry services. We will identify scope for bringing existing ferries and infrastructure up to modern standards wherever possible.

We will conduct an Equality Impact Assessment on the long-term strategy for lifeline ferry services in Scotland.

Environmental issues

Issues such as global carbon emissions, local emissions, global warming and fuel (availability, costs and alternative types) will be included in the review.

We will consider the need for a Strategic Environmental Assessment.

Integration

The principle of integration of routes with other modes of transport will be supported as part of the review.

Lifeline air routes

The interaction between lifeline ferry services and lifeline air services will be included as part of the review.

Freight

We will take account of the action in the Freight Action Plan 2006 which states that:

“In its review of lifeline ferry services in the Highlands and Islands, the Scottish Government - in partnership with Regional Transport Partnerships - will take full account of the freight requirements of businesses and communities. This will lead to targeted service enhancements and revised fare structures within the next tender period.”

The recently awarded Northern Isles lo-lo freight contract will be included as part of the review.

Exclusions

As well as detailing what we will include within the scope of the review, it is important to be clear about what will not be included. The issues to be excluded until the review has concluded and the strategy has been agreed are laid out below.

- The detailed work on timetabling.
- The detailed costing work.
- The detailed work to consider alternatives to ferry services.
- Detailed working on improving integration by making journey planning and ticketing easier and working to ensure smooth connection between different forms of transport.
- The Clyde & Hebrides Ferry Services: Draft Service Specification: Consultation Response (2006) identified parking problems for possible inclusion in the ferries

review. Issues such as parking problems will be picked up when the policies being taken forward as part of the long term strategy have been agreed.

- The issue of whether there should be a Ferry Regulator. As previously discussed with the Minister, we would like to consider this in the context of the agreed ferries strategy so will consider the need for a Ferry Regulator after the review has concluded.

Proposed Methodology

General Requirements

While the different aspects of the scope will initially be investigated separately, we appreciate that many of the issues are in fact interlinked. Therefore to ensure that a coherent overall strategy for ferry services is developed all aspects of the scope will be considered together before any conclusions are reached.

The review will be led by Scottish Government's, Ferries Division within the Transport Directorate. This includes setting up the required project management arrangements, commissioning the work required and overseeing the delivery of that work.

Consultation

We will liaise and consult with operators, users, local communities and local authorities. This will be done via:

- the groups set up as part of the project management structure
- on board surveys with passengers. These will be conducted during the Summer season in order to capture the tourist users.
- workshops with island and peninsular communities
- surveys of island residents

After the review is concluded and the proposed strategy has been agreed by Ministers, we will publish the proposal in the form of a public consultation document. It is envisaged that the public consultation will be web based and will be carried out between June and August 2009.

All recommendations made by the TICCC report will be included in the published document and it will clearly state what assessment was carried out, what conclusions were reached and why.

Review of existing material

We propose to undertake a comprehensive literature review. There are a number of existing and planned studies being undertaken which relate to lifeline ferry services in Scotland. In addition there are a large number of research papers that have already been published which give particular perspectives on aspects of lifeline ferry services.

We will take into account the substantial body of evidence that was received as part of the Transport, Infrastructure and Climate Change Committee's inquiry into Ferry Services in Scotland.

We are aware of studies currently being undertaken on the Mallaig – Lochboisdale route and through the Oban hub. We will ensure that any information available as a result of these studies is fed into the review.

Project Management

We propose to set up a Project Group, Project Board and Steering Group. The Project Group will be tasked with delivering the different pieces of work that make up the review. The Project Board will be made up of senior internal representatives and will oversee the project. The Steering Group will include internal and external representatives and will advise Ferries Division on key aspects of the review. The Stakeholder Group will consist of all those with an interest in the review. We will seek to build on the new ferry consultation arrangements led by Hitrans.

There will also be a stakeholder group, consisting of all those with an interest in the review, who will be kept informed of progress and be consulted as required.

There are a number of policy areas within the Scottish Government, which will have an interest in the ferry review. These include other transport policies, rural policy development, initiative on the edge, enterprise and industry policy, tourism policy and climate change. Engagement will need to be throughout the review to ensure consistency with Scottish Government's priorities and outcomes, to align policy levers and to ensure shared ownership of the outcomes of the review for when the review is discussed at Cabinet level.

We propose to engage consultants to carry out the data collection required for the review. This will include on-board surveys and consultation with island residents and businesses. The data will then be analysed and modelled to let us understand the possible implications of different proposed routes. Data collection is anticipated to start within the next couple of weeks.

Long term strategy

Following the public consultation and completion of the review, a document will be published clearly articulating the decision on the way forward for ferry services in Scotland. The document will contain full information on how any proposals will be funded, the timescale for implementing change and the body or bodies to be charged with delivering change. Finally, the document should state how its proposals will take account of any decision reached by the European Union following its investigation into subsidies to CalMac Ferries and NorthLink Ferries.

Timeline

A full project plan will need to be developed for the review. At this early stage however, it is possible to identify some potential dates to take the process forward.

| | |
|----------------------------|---|
| August 08 | Ministerial sign off of the high level scope and methodology for the review. |
| September 08 | Establishment of the project management arrangements for the review including setting up the required working groups. |
| October 08 | Agree detailed scope and methodology |
| August 08 to April 09 | Research undertaken |
| September 08 to April 09 | Other review tasks undertaken |
| April 09 | Feed preliminary feedback on large cost items such as ports and vessels into the spending review |
| April 09 - May 09 | Analyse reports, write draft strategy and public consultation paper |
| June 09 – August 09 | Public consultation |
| September 09 | Analyse results of public consultation, produce report and write final strategy |
| September 09 | Submission to Ministers for approval |
| October 09 | Review and Strategy for lifeline ferry services published |
| October 09 – February 2010 | Further detailed analysis of recommended strategy, including STAGs. |
| Autumn 09 | Commence tendering for new Northern Isles service(s) |
| Autumn 2010 | Commence tendering for new Clyde & Hebrides service(s) |

Zetland Transport Partnership

REPORT

To: Zetland Transport Partnership

22 September 2008

From: Lead Officer - ZetTrans

ZETLAND TRANSPORT PARTNERSHIP - AUDIT REPORT 2007/08

1. Introduction

- 1.1 The audit of the 2007/08 accounts has now been successfully completed and a copy of the audited accounts and the Auditor's Report form Appendices A and B to this report. The Transport Partnership's external auditors are Audit Scotland.

2. Financial Implications

- 2.1 There are no financial implications to this report.
- 2.2 All capital and revenue grant funding received from the Scottish Government was fully utilised in 2007/08.
- 2.3 The main variances were:

Capital

A £175k reduction in requirement against budget from the Shetland Islands Council capital programme due to capital expenditure transferred to revenue in line with changes to the Code of Practice for Local Authority Accounting (2007).

Revenue

A £43k increase on SIC match funding due to a budget error. The requirement under the terms of the grant for revenue match funding from the SIC was accurate and the budget was understated.

3. Recommendations

- 3.1 The Partnership is recommended to note the attached audited accounts and audit report for 2007/08.

Report Number: ZTP-27-08-F



ACCOUNTS– 2007/08 (Audited)

**ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS**

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ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2007/08 ANNUAL ACCOUNTS

INTRODUCTORY STATEMENT

This is the second Annual Accounts report of Zetland Transport Partnership. It is a statutory statement, the purpose of which is to present a public statement on the stewardship of funds for the benefit of both members of the Zetland Transport Partnership (ZetTrans) and the public.

The document includes the formal statements of accounts as required by statute and the relevant code of practice, and it is this document and its supporting material which is the subject of external audit. The Transport Partnership's external auditors are Audit Scotland.

Composition of the Zetland Transport Partnership

The Shetland Transport Partnership "STP" was established by, and exists in accordance with, the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005 made under the Transport (Scotland) Act 2005.

On 11 January 2007 the Shetland Transport Partnership considered a report with regard to the name of the Partnership and settled on the name Zetland Transport Partnership with the working name "ZetTrans". (ZetTrans Minute Ref 02/07). Confirmation of agreement to the change of name was received from the Scottish Executive on 20 September 2007.

The Zetland Transport Partnership Members for 2007/08 were as follows:

Members:

Mr J C Irvine (Chairperson - terminated 22 May 2007)
Mr J A Inkster (Vice-Chairperson - terminated 22 May 2007)
Capt G G Mitchell (terminated 22 May 2007)
Mr W A Ratter (terminated 22 May 2007)

Mr A S Wishart (Chairperson - commenced 23 May 2007)
Mrs I J Hawkins (Vice-Chairperson - commenced 23 May 2007)
Mr F A Robertson (commenced 23 May 2007)
Mrs C H J Miller (commenced 23 May 2007)

Other Members:

Dr S Taylor (NHS Shetland Board commenced 18 February 2008)
Dr A Black (HIE Shetland Nominee)

Substitute Members:

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2007/08 ANNUAL ACCOUNTS

Mrs I J Hawkins (terminated 22 May 2007)
Mr J H Henry (terminated 22 May 2007)
Mr A T Doull (commenced 23 May 2007)
Mr R S Henderson (commenced 23 May 2007)

Observer / Advisers:

Mr A Steven (Sumburgh Airport Consultative Committee - terminated 18 February 2008)
Mr J L B Smith (Sumburgh Airport Consultative Committee)
Mr. A Steven (VisitShetland)
Mr. J Dickson (SIC Ports and Harbours)
Mr A S Wishart (Lerwick Port Authority terminated 22 May 2007)
Ms S Laurenson (Lerwick Port Authority commenced 12 June 2007)
Mr J G Simpson (Shetland Development Trust commenced 12 June 2007)

Executive Officers:

Secretary & Proper Officer for Legal Proceedings – Head of Legal & Administration -Jan Riise
Proper Officer for Finance – Head of Finance - Graham Johnston

Lead Officers:

Head of Transport – Michael Craigie
Secondment – Kenneth Duerden Shetland Islands Council's Ferry Services Manager seconded to ZetTrans for a two year period from 1 July 2006 until 30 June 2008 as Transport Development Manager.

Implementation of Policies

In November 2006, responsibility for bus services was transferred to ZetTrans and inter-island air services was to follow in 2007 but this has been delayed until 2008/09 in line with the Scottish Government decision. Responsibility for the inter-island ferry service is due to transfer to ZetTrans in 2008/09.

Operational funding for the Partnership is secured from Shetland Islands Council, with support provided by the Scottish Government. The majority of projects and actions arising from the Transport Strategy are likely to be funded either through Shetland Islands Council's capital and revenue funds or from the Scottish Government.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)

2007/08 ANNUAL ACCOUNTS

1. EXPLANATORY FOREWORD

1.1 Introduction

The Zetland Transport Partnership's accounts for the year ended 31 March 2008 have been prepared to comply with statutory requirements and also with reference to the Code of Practice on Local Authority Accounting in the United Kingdom 2007.

In 2008/09 Scottish Government match funding has been reduced for revenue from £447,000 in 2007/08 to £155,000 in 2008/09. Capital funding in 2008/09 has been rolled up into the Local Authority Settlement and is no longer ring-fenced funding. ZetTrans will have to bid alongside other Council service areas for funding for capital projects. There is no guarantee that they will be successful, the implication is that there may be a risk to projects and studies which are planned for 2008/09.

1.2 Explanation of statements which follow, their purpose and relationships

The following statements are contained in this Abstract of Accounts:

Statement of Accounting Policies

This statement explains the basis of the figures in the accounts, with particular reference to the treatment applied where more than one approach is possible.

Statement of Responsibilities for the Statements of Accounts

This statement sets out the respective responsibilities of the Zetland Transport Partnership and the Treasurer to the Partnership.

Income & Expenditure Account

This statement reports the net cost for the year of the functions for which the Zetland Transport Partnership is responsible and demonstrates how that cost has been financed.

Statement of Movement on Zetrans Balances

This statement shows the adjustments required to the Income and Expenditure account for the statutory and non-statutory proper practices taking into account when determining the Zetrans budget and the contribution by the Shetland Islands Council.

Statement of Total Recognised Gains and Losses

This statement shows the recognised gains and losses for the year.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)

2007/08 ANNUAL ACCOUNTS

Balance Sheet as at 31 March 2008

This statement shows the balances and reserves at the disposal of the Zetland Transport Partnership at the year end.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue purposes.

Notes to the Core Financial Statements

These include notes to the Income and Expenditure Account, Balance Sheet and Cash Flow Statement.

Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed.

1.3 Overall comparison of expenditure with budget

Overall for the year, the Zetland Transport Partnership was equal to budget in line with guidance that it is not possible for Regional Transport Partnerships to accumulate General Fund reserves. At the year-end there was a reduced contribution for the bus service of £62,528 and an increase in administration of £43,177 over budget from Shetland Islands Council. Expenditure and income in 2007/08 may be summarised as follows:

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

| <u>CAPITAL FUNDING</u> | BUDGET | ACTUAL | VARIANCE |
|-------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| EXPENDITURE: | | | |
| Operating Costs | 438,464 | 263,946 | 174,518 |
| Total Expenditure | 438,464 | 263,946 | 174,518 |
| <u>INCOME:</u> | | | |
| Scottish Government Grant c/f | (11,745) | (11,745) | 0 |
| Scottish Government Grant | (176,719) | (176,719) | 0 |
| SIC Funding | (250,000) | (75,482) | (174,518) |
| Total Income | (438,464) | (263,946) | (174,518) |
| TOTAL | 0 | 0 | 0 |

| <u>REVENUE FUNDING</u> | BUDGET | ACTUAL | VARIANCE |
|-------------------------------|--------------------|--------------------|-----------------|
| | £ | £ | £ |
| EXPENDITURE: | | | |
| Employee Costs | 125,480 | 105,344 | 20,136 |
| Operating Costs | 525,152 | 588,467 | (63,315) |
| Grant to SIC for Bus Services | 929,655 | 867,127 | 62,528 |
| Other Payments | 0 | 13,948 | (13,948) |
| Total Expenditure | 1,580,287 | 1,574,886 | 5,401 |
| <u>INCOME:</u> | | | |
| Scottish Government Grant | (447,000) | (447,000) | 0 |
| SIC Grant for Bus Services | (929,655) | (867,127) | (62,528) |
| SIC match funding | (203,632) | (246,811) | 43,179 |
| Bank Interest | 0 | (13,948) | 13,948 |
| Total Income | (1,580,287) | (1,574,886) | (5,401) |
| TOTAL | 0 | 0 | 0 |

| | | | |
|-----------------------|-------------|-------------|-----------|
| Total All Expenditure | 2,018,751 | 1,838,832 | 179,919 |
| Total All Income | (2,018,751) | (1,838,832) | (179,919) |
| OVERALL TOTAL | 0 | 0 | 0 |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

2. STATEMENT OF ACCOUNTING POLICIES

2.1 Introduction

The accounting policies presented below apply to all statements in this abstract.

2.2 Debtors and creditors

All known and determinable amounts due to the Zetland Transport Partnership have been brought into account. This is effected by taking into account all invoices raised by 2 April 2008, which relate to 2007/08, and accruing all other known material amounts not raised by that date which relate to 2007/08.

All known material amounts due by the Zetland Transport Partnership have been brought into account. This is effected by taking into account payments made by 15 April 2008, which relate to 2007/08, and accruing other known material amounts not paid by that date which relate to 2007/08.

2.3 Grants

Grants have been credited to the revenue account of the Transport Partnership at the date the Transport Partnership satisfies the conditions of entitlement to the grant. Where applicable, outstanding grants due/prepaid at 31 March 2008 have been accrued.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Zetland Transport Partnership's Responsibility

The Zetland Transport Partnership:

- is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For Zetland Transport Partnership, the Proper Officer for Finance is the Head of Finance of the Shetland Islands Council.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

3.2 The Proper Officer for Finance's Responsibilities

The Proper Officer for Finance to the Partnership is responsible for the preparation of the Zetland Transport Partnership's statement of accounts as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Proper Officer for Finance to the Partnership has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP, in so far as local circumstances and the overriding requirement to present fairly the financial position and transactions of the Zetland Transport Partnership permit.

The Proper Officer for Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents fairly the financial position of the Zetland Transport Partnership at the accounting date and its income and expenditure for the year ended 31 March 2008.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

17 June 2008

Graham Johnston B.Sc. (Hons) C.P.F.A

Proper Officer for Finance

4. INCOME AND EXPENDITURE ACCOUNT 2007/08

| 2006/07 TOTAL | ACCOUNT DESCRIPTION | 2007/08 TOTAL | | |
|--------------------------|---|--------------------------|------------------------------|--------------------|
| | | | Gross Expenditure | Income |
| £ | | | £ | £ |
| | SERVICES | | | |
| 617,466 | Roads and Transport | | 1,574,886 | (447,000) |
| 0 | Grants for Capital Expenditure | | 263,946 | (188,464) |
| <u>617,466</u> | NET COST OF SERVICES | | <u>1,838,832</u> | <u>(635,464)</u> |
| | | | | |
| (5,462) | Interest | | | |
| <u>612,004</u> | NET OPERATING EXPENDITURE | | | <u>1,189,420</u> |
| | | | | |
| (612,004) | Requisition from Shetland Islands Council | | | |
| <u>0</u> | SURPLUS FOR THE YEAR | | | <u>(1,189,420)</u> |
| | | | | <u>0</u> |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

5. STATEMENT OF MOVEMENT ON ZETRANS BALANCES

| 2006/07 TOTAL | ACCOUNT DESCRIPTION | 2007/08 TOTAL |
|--------------------------|--|--------------------------|
| £ | | £ |
| 0 | Deficit/(Surplus) for the year on the Income and Expenditure Account | 0 |
| 0 | Net additional amount required by statute and non-statutory proper practices to be (credited)/debited to the Zetrans balance for the year | 0 |
| <u>0</u> | CHANGE IN ZETRANS BALANCE FOR THE YEAR | <u>0</u> |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| 2006/07 | | 2007/08 | |
|----------------|---|----------------|--|
| £ | | £ | |
| 0 | (Surplus)/Deficit on Income and Expenditure Account | 0 | |
| 0 | Surplus arising on revaluation of fixed assets | 0 | |
| 0 | Actuarial (gains)/losses on pension fund assets and liabilities | 0 | |
| <u>0</u> | Total recognised gains for the year | <u>0</u> | |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

7. BALANCE SHEET AS AT 31 MARCH 2008

| 2006/07 | | 2007/08 | 2007/08 |
|----------------|--------------------------------------|------------------|----------------|
| £ | | £ | £ |
| | Current Assets | | |
| 651,029 | Debtors | 1,189,420 | |
| 155,157 | Bank | <u>837,107</u> | 2,026,527 |
| | Current Liabilities | | |
| (794,441) | Creditors | (1,686,038) | |
| (11,745) | Accruals | <u>(340,489)</u> | (2,026,527) |
| <u>0</u> | TOTAL ASSETS LESS LIABILITIES | | <u>0</u> |
| | Financed By: | | |
| <u>0</u> | TOTAL EQUITY | | <u>0</u> |

The unaudited accounts were issued on 17 June 2008 and the audited accounts were authorised for issue on 29 August 2008.

.....
 Graham Johnston B.Sc. (Hons) C.P.F.A
 Proper Officer for Finance

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

8. CASHFLOW STATEMENT

| 2006/07 TOTAL | | 2007/08 TOTAL |
|--------------------------|---|--------------------------|
| | | |
| £ | REVENUE ACTIVITIES | £ |
| | Cash Outflows | |
| 129,431 | Other Operating Cash Payments | 947,235 |
| <u>129,431</u> | | <u>947,235</u> |
| | Cash Inflows | |
| 10,848 | Requisition from Shetland Islands Council | (979,773) |
| (289,974) | Grants | (635,464) |
| <u>(279,126)</u> | | <u>(1,615,237)</u> |
| <u>(149,695)</u> | NET REVENUE CASH (INFLOW) / OUTFLOW | <u>(668,002)</u> |
| | | |
| | RETURNS ON INVESTMENT AND SERVICING OF FINANCE | |
| | Cash Inflows | |
| (5,462) | Interest Received | (13,948) |
| <u>(155,157)</u> | NET (INCREASE)/DECREASE IN CASH | <u>(681,950)</u> |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

9. NOTES TO THE CORE FINANCIAL STATEMENTS

9.1 Publicity expenditure

Expenditure on publicity must be recorded under Section 5 of the Local Government Act 1986. The table below summarises 2007/08 expenditure.

| 2006/07 £ | | 2007/08 £ |
|--------------|-------------------|--------------|
| <u>1,349</u> | Other Advertising | <u>1,500</u> |

9.2 Employees

Member Allowances / Officer Remuneration

The Zetland Transport Partnership has no employees. All employees working for the Partnership are Shetland Islands Council employees. The Zetland Transport Partnership Members do not receive an attendance allowance, however expenses incurred in the course of carrying out approved duties are reimbursed.

9.3 Audit Fee Costs

Audit Scotland is to carry out the audit of the Zetland Transport Partnership's accounts for the 2007/08 audit. The fees for audit services undertaken in accordance with the 'Code of Audit Practice' are paid to Audit Scotland and are as follows:-

| 2006/07 £ | | 2007/08 £ |
|---------------|--------------------------------|---------------|
| 8,910 | Local Auditors fee (max level) | 9,130 |
| 3,100 | Fixed Charge | 1,700 |
| <u>12,010</u> | Total Audit Fee | <u>10,830</u> |

9.4 Events after the Balance Sheet date

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

There are no events after the Balance Sheet date that require to be reflected in the Statement of Accounts.

9.5 Analysis of Debtors and Creditors

All creditors and all debtors relate to the Shetland Islands Council.

9.6 Date of Authorisation for Issue

The Statement of Accounts has been authorised for issue by Graham Johnston, B.Sc (Hons) C.P.F.A., Proper Officer for Finance on 17 June 2008.

9.7 Reconciliation of Income and Expenditure Account to net cash flow to the revenue activities net cash flow shown in the Cash Flow Statement

| 2006/07 | | 2007/08 |
|-------------------------|-----------------------------|-------------------------|
| TOTAL | | TOTAL |
| £ | | £ |
| 0 | (Surplus)/Deficit for Year | 0 |
| | Items on an accruals basis: | |
| 651,029 | Movement in debtors | 538,391 |
| (806,186) | Movement in creditors | (1,206,393) |
| <u>(155,157)</u> | | <u>(668,002)</u> |

9.8 Reconciliation of the movement in cash to the movement in Net Debt

| 2006/07 | | 2007/08 |
|-------------------------|--|-------------------------|
| TOTAL | | TOTAL |
| £ | | £ |
| (155,157) | (Increase)/Decrease in Cash | (681,950) |
| <u>(155,157)</u> | | <u>(681,950)</u> |
| 0 | Opening Net Debt as at 01/04/07 | (155,157) |
| <u>(155,157)</u> | Closing Net Debt as at 31/03/08 | <u>(837,107)</u> |

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans)
2007/08 ANNUAL ACCOUNTS

9.9 Reconciliation of movement in cash and cash equivalents to relevant items in opening and closing balance sheets

| | Balance at 1/4/07 £ | Cashflow £ | Balance at 31/3/08 £ |
|---------------|---------------------------|----------------|----------------------------|
| Cash and Bank | 155,157 | 681,950 | 837,107 |
| TOTAL | 155,157 | 681,950 | 837,107 |

9.10 Analysis of Government Grants

| | £ |
|---|----------------|
| Scottish Executive Funding for:- | |
| Revenue Grant | 447,000 |
| Capital Grant | 188,464 |
| TOTAL | 635,464 |

..... 17 June 2008
 Graham Johnston B.Sc. (Hons) C.P.F.A.
 Proper Officer for Finance

10. STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Zetland Transport Partnership. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a reasonable period.

The system of internal financial control is based on a framework of guidance and management information. Key aspects include:

- comprehensive and up to date financial regulations;
- comprehensive budgeting systems;
- regular review of financial data;
- targeted reporting of budget against actual to managers;
- close management of capital expenditure.

The Proper Officer for Finance is responsible for Internal Audit within the Partnership. The Service Manager – Internal Audit is responsible to the Proper Officer for Finance for the day to day discharge of the internal audit function. It is the responsibility of Internal Audit to assist management in establishing an operating environment which is controlled, efficient and effective. Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, the Institute of Internal Auditors Standards and Guidelines for the Professional Practice of Internal Auditing and operates in accordance with the ISO 9001:2000 quality standard for systems based audit work.

The effectiveness of internal financial control is also informed by:

- the work of managers within the Transport Partnership;
- the work of internal audit, as mentioned above;
- the external auditors in their annual letter and other reports.

ZETLAND TRANSPORT PARTNERSHIP (ZetTrans) 2007/08 ANNUAL ACCOUNTS

The conclusion of Internal Audit was that the Partnership's system of internal control was adequate and effective.

..... 17 June 2008
Graham Johnston B.Sc. (Hons) C.P.F.A
Proper Officer for Finance

GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid. Accrual is the process by which income and expenditure is matched to the financial year to which it relates.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

EXPENDITURE

Employee Costs

Includes wages, salaries, bonus, overtime, employer's national insurance and pension contributions as well as staff training, travelling and subsistence expenses.

Operating Costs

Includes expenditure on property and plant, supplies and services, transport, administration and agency payments (i.e. payments to other bodies to carry out functions on the Zetland Transport Partnership's behalf).

Independent Auditor's Report

Independent auditor's report to the members of Zetland Transport Partnership and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Zetland Transport Partnership for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on Regional Transport Partnership Balances, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly the financial position of the Transport Partnership in accordance with applicable laws and regulations and the 2007 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Transport Partnership has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the Transport Partnership's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the Transport Partnership's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Introductory Statement, Explanatory Foreword and Glossary of Terms. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Transport Partnership's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- present fairly, in accordance with applicable laws and regulations and the 2007 SORP, the financial position of the Transport Partnership as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Fiona Mitchell-Knight BA (Hons) FCA
Assistant Director of Audit (Local Government)
Audit Scotland
7th Floor
Plaza Tower
East Kilbride
G74 1LW

29 August 2008

Zetland Transport Partnership

REPORT

To: Zetland Transport Partnership

22 September 2008

From: Lead Officer - ZetTrans

BLUEMULL STAG APPRAISAL – SUMMARY AND FINDINGS

1. Introduction

- 1.1 This report presents the final outcomes of the STAG appraisal for Bluemull Sound. The appraisal has been undertaken by Faber Maunsell on behalf of ZetTrans. The Executive Summary of the appraisal is attached to this report as Appendix 1.
- 1.2 The appraisal has considered a range of different options for continuing to link the islands of Yell, Unst and Fetlar, in the context of the requirement to replace existing ferries and terminals, and the potential opportunity afforded by a fixed link between Yell and Unst.
- 1.3 The final appraisal document will be made available to Members.

2. Background to the Study

- 2.1 The study has been undertaken following the guidance provided by the Scottish Government. Scottish Transport Appraisal Guidance (STAG) is the Government standard for appraisal of transport services and infrastructure projects and provides an evidence-based framework to use in the development and assessment of options against Government and local objectives. Since July 2003 it is a requirement of the Scottish Executive (now Scottish Government) that all projects for which it provides support or approval are appraised in this way. The Guidance was recently updated in May 2008.
- 2.2 Shetland's Regional Transport Strategy, approved by Scottish Ministers in July 2008, included a commitment to "*undertake a Bluemull Sound STAG appraisal examining the full range of options for this link, including fixed links, ferry terminal replacement, replacement ferries, berthing arrangements and alternative crewing and timetabling arrangements.*"
- 2.3 A second, and completed, piece of work was to explore the requirements for and practical implications of basing a ferry on Fetlar and the development of facilities to accommodate that. This study recommended the provision of funding towards the construction of a breakwater and small boat berthing facility in Fetlar, in recognition of the benefits to Fetlar

and the North Isles in terms of improved service delivery, and as a catalyst to Fetlar's social and economic development.

- 2.4 A third strand of work that has also influenced the study has been the outcomes of studies considering tunnel engineering, costs and issues, and associated risk assessment work.
- 2.5 A Bluemull Sound STAG Group has monitored and guided the study. Membership has included the North Isles Councillors, representatives of the North Isles Community Councils and representatives of the Bluemull Service ferry crew. The group was chaired by the Chair of ZetTrans, and was also attended by officers of ZetTrans, SIC Ferries, SIC Community Learning and Development, HIE Shetland and I@TE North Isles.
- 2.6 The wider community and ferry crews have been involved from an early stage, in developing the issues, problems and opportunities presented by the transport links across Bluemull Sound. Since this time, they have been kept informed with regular updates. This has included meetings informing the community of the emerging findings on 12th August 2008.

3. Key Issues to be Addressed

- 3.1 From a service delivery perspective, the most immediate issue arising from the study is the requirement to plan for the replacement of existing vessels and terminals, and the associated capital and revenue expenditure implications of this. Vessels being used on the route are nearing the end of their economic life, and face future regulatory compliance issues. Whilst overhauls can be undertaken to extend the operational life of the vessels, it is noted that does not guarantee continued operational reliability. Specific problems have also recently been experienced with the structural viability of the terminals at Gutcher and Belmont. These terminals were constructed for the original Ro-Ro services, introduced in the 1970s, and are now also reaching the end of their economic life.
- 3.2 From a users' perspective, the fundamental issues to be considered are how the different transport options will influence the economic and social viability of Unst and Fetlar. Seasonal capacity constraints getting to and from Unst were also frequently raised. Specific concerns were raised on Fetlar regarding the ability to access employment opportunities in the North Isles, and also on Shetland Mainland.
- 3.3 Other issues were also identified during the study including the delivery of a more easily understandable pattern of services, reducing the impact of being reliant on two ferry services to reach the main service centre of Shetland; affordability (including fares), and ensuring a coherent relationship with the wider transport network.
- 3.4 These issues are being considered within the context of revenue and capital budgetary constraints being experienced within Shetland, reduced funding for infrastructure schemes from the European Union, and likely constraints in funding from the Scottish Government.
- 3.5 Furthermore, the outcomes of the appraisal will require to be considered in the light of the outcomes from the recently completed Bressay and Whalsay Inter-Island link STAG Appraisals.

4. Options Under Consideration

4.1 Following an option development, sieving, and initial appraisal process, the options considered to be worthy of detailed appraisal were as follows:

- **Option 1 – Do Minimum – Replacement of Gutcher and Belmont terminals and *MV Bigga* and *MV Geira***

This option would involve providing two replacement ro-ro vessels, which are compliant with legislation and able to cope with forecast vehicle and passenger demand over the appraisal period. The Do Minimum acts as a viable option in its own right, and also as a benchmark for comparison against other options.

- **Option 2 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + development of Fetlar breakwater**

This option is similar to option 1, but also includes the development of a breakwater at Fetlar.

- **Option 4 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + introduction of an additional crew (1 x FT)**

This option is similar to option 1, but also includes the introduction of one additional full-time crew, providing a more frequent service.

- **Option 5 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + introduction of an additional crew (1 x PT)**

This option is similar to option 1, but also includes the introduction of one additional part-time crew, providing a more frequent service.

- **Option 8 – Unst-Yell Tunnel with 2 x Fetlar crew**

This option involves the development of a fixed link tunnel between Unst and Yell, in addition to the operation of a dedicated Fetlar ferry service, operated by two crews running from Fetlar to either an upgraded terminal at Belmont or Gutcher. This option also assumes the development of a breakwater at Fetlar.

- **Option 9 – Unst-Yell Tunnel with 3 x Fetlar crew**

This option involves the development of a fixed link tunnel between Unst and Yell, in addition to the operation of dedicated Fetlar ferry service, operated by three crews running from Fetlar to either an upgraded terminal at Belmont or Gutcher. This option also assumes the development of a breakwater at Fetlar.

4.2 Prior to detailed appraisal, the details of each option were refined by undertaking work on draft timetables, capital and operational costs, ferry terminal design options, identification of a possible tunnel alignment, consultation with the Fetlar community, and discussions with landowners who could be potentially affected by the proposals.

5. Appraisal

5.1 The detailed appraisal considered the performance of each of the options against the Government's transport appraisal criteria: Environment, Safety, Economy, Integration and Accessibility.

- 5.2 The Environmental appraisal did not exclude any of the proposed options, although highlighted potential adverse impacts arising from the disposal of tunnel spoil, impacts on established SSSI(s), and landscape impacts.
- 5.3 The appraisal of safety impacts did not identify specific issues with any of the options being considered. It is noted that a tunnel would be predicted to increase vehicular travel from Unst, and onward to Yell and Shetland Mainland, and this in turn could lead to an overall increase in road accidents. However, the construction of a tunnel would also remove some of the current hazard associated with drivers speeding to catch a specific ferry departure.
- 5.4 The Economic appraisal was found to be the most significant criterion. Two elements were considered: Transport Economic Efficiency (TEE) and Economic and Activity Location Impacts (EALI).
- 5.5 The TEE appraisal considers the overall monetised costs and benefits of the different options, relative to the Do Minimum, over a period of 60 years. It is primarily measured using Net Present Value (NPV), which is calculated as the Present Value of Benefits (PVB) minus the Present Value of Costs (PVC). It therefore calculates the net benefit to society. In an ideal world, any scheme with a positive NPV would be implemented, as society gains. However, as funds are scarce, another indicator is required. The Benefit to Cost Ratio (BCR) is the Present Value of Benefits divided by the Present Value of Costs multiplied by negative one. This therefore presents the amount of benefit society gets from each pound spent on the project.
- 5.6 The incremental benefits of the various options, relative to the Do Minimum are presented below. The main factors influencing the performance of the various options are the differences in capital investment, and the ongoing operational costs. Whilst various other benefits are associated with the different options (such as travel time savings) they were found not to significantly influence the appraisal outcome.

| | Net Present Value | Benefit to Cost Ratio |
|----------|--------------------------|------------------------------|
| Option 1 | £0 | 0.00 |
| Option 2 | -£2,315,270 | 0.15 |
| Option 4 | -£8,780,025 | -0.05 |
| Option 5 | -£6,577,446 | -0.06 |
| Option 8 | -£9,810,716 | 0.59 |
| Option 9 | -£18,839,713 | 0.42 |

- 5.7 The results of the TEE appraisal confirm that in economic terms, none of the alternative options out-perform the Do-Minimum, with all options having a negative Net Present Value. This is due to the very high capital and operating costs of all the options, relative to the levels of use of the proposed infrastructure. Although the tunnel proposals replace the requirement to service the link between Unst and Yell, a significant amount of infrastructure is still required to service the link to Fetlar.
- 5.8 An EALI appraisal was also undertaken. This considered wider impacts on the economies of the area. This appraisal revealed that there were no significant impacts related to any of the ferry options, although they would

secure ongoing employment of four ferry crews, equivalent to 21 full time posts.

- 5.9 The Tunnel options meant the loss of between 6 and 11 ferry jobs (dependent on the service configuration adopted for Fetlar). However, these options facilitated a step change in access between Yell and Unst. This would encourage an upturn in visitors – many may stay longer during the day, but they might not necessarily stay overnight. The appraisal demonstrated the potential for a fixed link to provide between 12 to 35 additional tourist related jobs, as well as create additional gross turnover of between £0.8m to £2.3m per annum. It should be highlighted that this additional activity on Unst may be to the partial detriment of tourist activity/ expenditure elsewhere.
- 5.10 A tunnel would provide a more secure basis for Unst families, however there is also the potential for increased leakage of expenditure from Unst. Overall, the provision of a fixed link would provide a positive impact for many Unst enterprises.
- 5.11 The appraisal of accessibility and social inclusion impacts was an appraisal criterion, which was found to have a significant bearing on the outcome of the appraisal. For public transport users, there would be no significant impacts unless public transport provision was developed to complement an enhanced frequency of ferry departures. However, benefits would be delivered with a fixed link, with the introduction of more “through” services linking Yell and Unst. All ferry options would have no impact on cyclists and pedestrians, although the introduction of a tunnel would effectively sever the existing link for users of these modes. Mitigation would include a revised public transport service, potentially with the ability for bikes to be transported through a tunnel either on a bus, van or trailer.
- 5.12 For motorists on Unst, the fixed link would significantly improve accessibility between Unst and Yell, and enable a step change in levels of accessibility on and off the island, and onto Shetland Mainland. It would be far more convenient to catch the full range of flight departures from Sumburgh, for example, as well as attend events on Shetland Mainland without the need for overnight accommodation.
- 5.13 For Fetlar residents, the provision of a Fetlar Breakwater (assumed in Option 2, 8 and 9) opens up opportunities for year round overnight berthing of the Day Vessel. Dependent upon issues such as crewing, and the resumption of fares on Bluemull, this facilitates additional services from and to Fetlar in the morning and evening. It also holds out the prospect (subject to wider considerations) of the introduction of an earlier morning departure from Fetlar, enabling reliable access to employment on Yell or Shetland Mainland.
- 5.14 The appraisal of integration impacts did not specifically highlight any significant impacts.

6. Risks and Deliverability

- 6.1 The STAG appraisal has also considered issues of risk and deliverability. It is apparent, that for the communities of Unst and Fetlar, the biggest risk is the risk of continuing to adopt a “Do Nothing” approach. This risks a

significant reduction in service levels, and decrease in service reliability, and the possibility of a need for temporary arrangements to overcome vessel or terminal failure.

6.2 Of the options being considered, the principal risks are as follows:

- Option 1 – No significant operational risks. Some construction related risk related to terminals.
- Option 2 – Some operational risk related to sustaining a Fetlar based crew. Some construction risk related to terminals.
- Option 4 - No significant operational risks. Some construction related risk related to terminals.
- Option 5 - No significant operational risks. Some construction related risk related to terminals.
- Option 8 - Some operational risk related to sustaining a Fetlar based crew, and split shift timetable. Higher levels of construction risk related to fixed link.
- Option 9 – Some operational risk related to sustaining a Fetlar based crew, and split shift timetable. Higher levels of construction risk related to fixed link.

6.3 In line with HM Treasury, and Scottish Government Guidance, account has been taken of the varying levels of risk associated with each option through the application of “Optimism Bias” uplifts, applied to the capital cost elements of each option. They range from 66% uplift for tunnelling work, through to 44% for access roads and terminal construction.

6.4 In respect of deliverability, the key constraints are related to affordability. Given that the tunnel options perform less well than the Do Minimum (in relation to Net Present Value), it will be particularly difficult to gain funding support from the Scottish Government for these options based on that measure of value alone.

7. Sensitivity Testing of the Appraisal Outcomes

7.1 Transport appraisal is, by its nature, a process that is based on assumptions and professional judgement, as well as more clinical analysis that attempts to predict future conditions. Therefore, it is important that we test how sensitive the results are to variations in the assumptions and judgements made. The following paragraphs explore the effects on the appraisal outcomes if we change some of the main parameters used in the appraisal.

7.2 The robustness of the outcomes of the appraisal have been firstly tested through the application of higher fuel costs, the re-introduction of fares, and also fares and higher fuel costs in combination. These tests did not alter the outcomes of the appraisal therefore the process is not sensitive to changes in there areas.

7.3 Further sensitivity testing was also undertaken with respect to varying the alternative assumptions made with respect to the application of optimism

bias, and contingency allowances. Whilst these changes did impact upon the relative magnitudes of the Net Present Values of each of the options, they did not alter the ranking of the options.

- 7.4 In recognition of the public and local political interest related to the provision of fixed link between Yell and Unst, a further sensitivity was undertaken to test the performance (in relation to the cost benefit analysis) of a conceptual single bore, single lane tunnel. This has been named option 8b. This would provide 24hr access between Yell and Unst, although would be subject to directional controls. It was found that in this instance, that lower capital costs associated with such a proposal had the potential to significantly outperform other options included within the appraisal. However, it is noted that this sensitivity option has not been subject to community consultation, operational risk assessment, or specific engineering feasibility review.

8. Key Findings

8.1 The outcomes of the appraisal are:

- a. At present, there is a significant risk of severe and costly disruption on the route should either the terminals or the ferries fail to be able to operate for legislative reasons or deterioration in condition. This would have particularly detrimental consequences for the communities of Unst and Fetlar.
- b. Taking into account the outcomes of the appraisal, and issues such as risk and deliverability, Option 2 (replacement of Gutcher and Belmont terminals and *MV Bigga* and *MV Geira*, plus the development of a Fetlar breakwater) has emerged as the most favourable of the options considered within the appraisal.
- c. In combination with proposals for a small berth facility, the provision of a breakwater at Fetlar provides an opportunity to deliver a more reliable, and more island centred service to this island, as well as to Unst, with associated socio-economic benefits. In particular, this could secure significant additional accessibility benefits to both islands, subject to issues of crewing / operational sustainability being addressed.
- d. There is the potential for the development of a single bore, single lane tunnel to be constructed. Sensitivity testing has confirmed that this has the potential to outperform the range of options that have been included within the appraisal. However, this option has not been subject to community consultation, risk assessment, or engineering feasibility work.

9. Financial Implications

- 9.1 Costs associated with the work detailed in this report have been met from existing budgets (GCY7552).

10. Conclusions and Implementation

- 10.1 The option that performs best in the Bluemull Sound STAG process is Option 2. In effect this means replacing the current infrastructure and

ferries to meet the needs of the islands for the foreseeable future, and developing a breakwater on Fetlar.

- 10.2 However, it is recognised that this option does not entirely meet the expectations of the communities and this prompted consideration of a single bore, single lane tunnel option (controlled by traffic lights) which, if technically and operationally feasible, out performs all other options due to significantly lower capital costs than the single bore two lane tunnel option.
- 10.3 Since it is not operationally imperative that the planning and design of terminals and ferries on Bluemull Sound starts immediately, there is an opportunity to explore a single bore, single lane tunnel further and report back to Members before the end of this financial year whether or not this is a viable alternative to the ferry.
- 10.4 Once this is done the final decision will be included in an implementation plan that covers Bluemull Sound, Whalsay and Bressay to provide the Council with the information it needs to prioritise these projects against other projects in the Council's Capital Programme.
- 10.5 The Fetlar breakwater should be progressed independently of a decision regarding a fixed link between Yell and Unst.

11. Recommendations

I recommended that: -

- 11.1 The Partnership notes the findings of the Bluemull STAG 2 appraisal, recognising that the outcome of the work supports the continuation of a two-ferry service on Bluemull Sound, linking Yell, Unst and Fetlar.
- 11.2 The Partnership supports the provision of a breakwater for Fetlar, opening up the prospect of year-round overnight berthing in Fetlar.
- 11.3 On the basis that there is not urgent need to begin design of ferries and terminals for Bluemull Sound, the Partnership decides whether to support a proposal to carry out a limited amount of further community consultation, risk assessment, and engineering feasibility work, to enable a robust comparison to be made between the Do Minimum option (Replacement of Gutcher and Belmont terminals and *MV Bigga* and *MV Geira*) and Option 8b (single lane, single bore tunnel).
- 11.4 The Partnership notes that once this is complete the final decision will be included in an overall implementation plan that will include Bressay and Whalsay also.

Report Number: ZTP-26-08-F

Executive Summary

1 Introduction

- 1.1 Zetland Transport Partnership (ZetTrans) commissioned Faber Maunsell to undertake a Scottish Transport Appraisal Guidance (STAG) assessment to examine options for the future of the transport links across Bluemull Sound, connecting the North Isles of Unst, Fetlar and Yell. A STAG Part 1 appraisal report was completed in June 2008, outlining the objectives that the study should address and the results from an initial appraisal of the long list of options that were identified to improve the transport link. Those options that performed best against the study objectives were taken forward to more detailed appraisal as part of the STAG Part 2 appraisal process. This Executive Summary summarises the STAG Part 2 appraisal process, and presents the recommendations for improving the transport link across Bluemull Sound.

2 Key Findings

- 2.1 The results from the appraisal suggest that doing nothing is not feasible due to the impacts and costs of continuing to operate ageing ferry and terminal infrastructure beyond its lifespan. This represents a significant risk to service delivery, not only for the transport link, but also for the viability of the communities of Fetlar and Unst.
- 2.2 While there are pros and cons with each of the options considered, overall, the outcome from the study is that Option 2 should be the preferred option. This option involves the replacement of the Gutcher and Belmont terminals and the provision of two replacement Ro-Ro vessels which are compliant with legislation and able to cope with forecast vehicle and passenger demand over the appraisal period. In addition to this, this option includes the development of the Fetlar breakwater.
- 2.3 However, within the context of strong political will for the development of fixed links in Shetland and the consultation findings that support this, it is also recommended that prior to fully implementing the above recommendation, an investigation is undertaken to examine the potential for developing a single lane, single bore tunnel between Unst and Yell. Outcomes from initial sensitivity testing confirm that this option has the potential to offer clear economic advantages relative to the other options considered. However, it is necessary to undertake additional work to assess the viability of this option in terms of risk assessment, community consultation, and engineering feasibility. This investigation should not, however, delay the commencement of work on the Fetlar breakwater.

3 Background to the Study

- 3.1 The study has been undertaken following the STAG guidance provided by the Scottish Government. STAG is the Government standard for appraisal of transport services and infrastructure projects and provides an evidence-based framework to use in the development and assessment of options against Government and local objectives. Since July 2003 it is a requirement of the Scottish Executive (now Scottish Government) that all projects for which it provides support or approval are appraised in this way. The guidance was recently updated in May 2008.

- 3.2 The Bluemull STAG study has emerged following the development of Shetland's Regional Transport Strategy (RTS), initially developed in April 2007 and finally approved by Scottish Ministers in July 2008. In the context of examining options for improving inter-island connections across the Bluemull Sound, the RTS outlined ZetTrans' intention to *"undertake a Bluemull Sound STAG appraisal examining the full range of options for this link, including fixed links, ferry terminal replacement, replacement ferries, berthing arrangements and alternative crewing and timetabling arrangements."*
- 3.3 Further to this, two other (now completed) studies committed to within the RTS have informed the preparation of the Bluemull STAG appraisal. The first piece of work involved a study exploring the requirements for and practical implications of basing a ferry on Fetlar and the development of facilities to accommodate this. This study recommended the provision of funding towards the construction of a breakwater and small boat berthing facility in Fetlar, in recognition that infrastructure could help to deliver an improved ferry service and act as a catalyst to Fetlar's social and economic development. The second strand of work that has influenced the study has been the outcomes of studies considering the feasibility of developing tunnels in Shetland, in terms of engineering costs and issues, and associated risk assessment work. The results from these studies have been taken on board in finalising the Bluemull STAG study.
- 3.4 At the outset of the STAG process, in December 2007, a joint working group involving representatives from ZetTrans, local Councillors, local Community Councillors and ferry crews was set up, adopting the title 'The Bluemull Sound STAG Group'. This group agreed the overall study objective *'To identify means of providing sustainable efficient transport links across Bluemull Sound for the long-term and identify the most appropriate actions to carry forward to implementation for the benefit of Shetland as a whole'*. This group has been consulted throughout the STAG process, providing guidance at each of its main stages.
- 3.5 Throughout the STAG study, the importance of ongoing consultation has been recognised. In addition to consultation with the STAG Group, the local community, including North Isles residents and other local stakeholders, have been involved at key stages of the process. This has included the completion of questionnaires in February 2008 to understand problems and issues with the current service, right through to public meetings to update on the findings of the STAG Part 1 study in July 2008 and meetings informing of the emerging findings from the Final STAG study, as held in August 2008.

4 Key Issues to be Addressed

- 4.1 This study has emerged from the requirement to address a number of key issues.
- 4.2 From a service delivery perspective, the most immediate issue arising from the study is the requirement to plan for the replacement of existing vessels and terminals, and the associated capital and revenue expenditure implications of this. Of the vessels used on the route, the *MV Bigga* and *MV Geira* will shortly reach or pass their nominal economic life expectancy of 20 years, while the *MV Fivla* and *MV Hendra* have passed this milestone. The *MV Thora*, which is deployed on this route as a relief vessel, is currently significantly beyond this age.
- 4.3 The ferry terminals at Gutcher and Belmont were designed for the first generation of ferries and were constructed in the 1970s. They are now at the limits of their operation due to the increased size of vessels utilising them and consequential increased berthing pressures. While the Fetlar ferry terminal at Hamars Ness is relatively new, opening in 2004, the terminal lacks a breakwater which exposes it to swell, posing difficulties when vessels try to berth during

periods of adverse weather, and also limiting the viability of overnight berthing in inclement weather. As the vessel cannot be berthed overnight at Fetlar during the winter, this reduces opportunities for the introduction of a more island centred service for Fetlar.

- 4.4 From a user perspective, a key focus of this study has been on how the different transport options will influence the economic and social viability of Unst and Fetlar. Economically, it is known that frequent and accessible ferry services can bring benefits to local producers, retailers, local hauliers and transport providers. A good ferry service is also a prerequisite for any growth in tourism activity. However, there are wider social benefits. This can include community confidence, increased levels of social interaction between groups on and off the island, improved access to services including health and training, as well as changes in perception of inclusion. This is particularly significant for Fetlar.
- 4.5 With concern over the future vitality and viability of Unst, Fetlar and Yell due to the continuing depopulation of the islands, and ageing profile of residents, this study has also considered the potential impact of the different transport options on releasing wider positive impacts in terms of economic development and social integration, by improving access to jobs on and off the islands.
- 4.6 Other issues have also been identified during the study including timetabling issues; access to employment opportunities; reducing the impact of being reliant on two ferry services to reach the main service centre of Shetland; affordability; and ensuring a coherent relationship with the wider transport network.
- 4.7 The issues have been considered within the context of revenue and capital budgetary constraints being experienced within Shetland, reduced funding for infrastructure schemes from Europe, and likely constraints in funding from the Scottish Government.

5 Options Appraised

5.1 Following the option development, sieving, and initial appraisal undertaken within the STAG Part 1 framework, the options considered to be worthy of more detailed appraisal as part of this STAG Part 2 study were as follows:

- Option 1 – Do Minimum – Replacement of Gutcher and Belmont terminals and *MV Bigga* and *MV Geira*

This option would involve providing two replacement Ro-Ro vessels which are compliant with legislation and able to cope with forecast vehicle and passenger demand over the appraisal period. The Do Minimum acts as a viable option in its own right, and also as a benchmark for comparison against other options.

- Option 2 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + development of Fetlar breakwater

This option is similar to option 1, but also includes the development of a breakwater at Fetlar.

- Option 4 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + introduction of an additional crew (1 x FT)

This option is similar to option 1, but also includes the introduction of one additional full-time crew, providing a more frequent service.

- Option 5 – Replacement of Gutcher and Belmont terminals, *MV Bigga* and *MV Geira* + introduction of an additional crew (1 x PT)

This option is similar to option 1, but also includes the introduction of one additional part-time crew, providing a more frequent service.

- Option 8 – Unst-Yell Tunnel with 2 x Fetlar crew

This option involves the development of a fixed link tunnel between Unst and Yell, in addition to the operation of a dedicated Fetlar ferry service, operated by two crews running from Fetlar to either an upgraded terminal at Belmont or Gutcher. This option also assumes the development of a breakwater at Fetlar.

- Option 9 – Unst-Yell Tunnel with 3 x Fetlar crew

This option involves the development of a fixed link tunnel between Unst and Yell, in addition to the operation of dedicated Fetlar ferry service, operated by three crews running from Fetlar to either an upgraded terminal at Belmont or Gutcher. This option also assumes the development of a breakwater at Fetlar.

- 5.2 Prior to detailed appraisal, the details of each option were refined by undertaking work on sample timetables, capital and operational costs, ferry terminal design options, identification of a possible tunnel alignment, community consultation, and discussions with landowners who could be potentially affected by the proposals.

6 STAG Part 2 Appraisal

- 6.1 The detailed appraisal considered the performance of each of the options against the Government's transport appraisal criteria: Environment, Safety, Economy, Accessibility and Social Inclusion, and Integration.
- 6.2 The **environmental** appraisal did not exclude any of the proposed options, although highlighted potential adverse impacts arising from the disposal of tunnel spoil, impacts on established SSSIs, and landscape impacts.
- 6.3 The appraisal of **safety** impacts did not identify specific issues with any of the options being considered. It was noted however that the development of a tunnel would be predicted to significantly increase vehicular travel from Unst, and onward to Yell and Shetland Mainland, which in turn would lead to an overall increase in road accidents. However, the construction of a tunnel would also remove some of the current hazard associated with drivers speeding to catch a specific ferry departure.
- 6.4 Two elements were considered as part of the **economic** appraisal: Transport Economic Efficiency (TEE) and Economic and Activity Location Impacts (EALI).
- 6.5 The TEE appraisal considers the overall monetised costs and benefits of the different options, relative to the Do Minimum. It is primarily measured using Net Present Value (NPV), which is calculated as the Present Value of Benefits (PVB) minus the Present Value of Costs (PVC). It therefore calculates the net benefit to society. In an ideal world, any scheme with a positive NPV would be implemented, as society gains. However, as funds are scarce, another indicator is required. The Benefit to Cost Ratio (BCR) is the Present Value of Benefits divided by the Present Value of Costs multiplied by negative one. This therefore presents the amount of benefit society gets from each pound spent on the project.
- 6.6 The incremental benefits of the various options, relative to the Do Minimum are presented in the table below. The main factors influencing the performance of the various options are the differences in capital investment, and the ongoing operational costs. Whilst various other benefits are associated with the different options (such as travel time savings) they were found not to significantly influence the appraisal outcome.

| 60 year appraisal period | Net Present Value | Benefit to Cost Ratio |
|---|--------------------------|------------------------------|
| Option 1 – Do Minimum | £0 | - |
| Option 2 – Replacement of Gutcher and Belmont terminals, <i>MV Bigga</i> and <i>MV Geira</i> + development of Fetlar breakwater | £-2,315,270 | 0.15 |

| | | |
|--|--------------|-------|
| Option 4 – Replacement of Gutcher and Belmont terminals, <i>MV Bigga</i> and <i>MV Geira</i> + introduction of an additional crew (1 x FT) | -£8,780,025 | -0.05 |
| Option 5 – Replacement of Gutcher and Belmont terminals, <i>MV Bigga</i> and <i>MV Geira</i> + introduction of an additional crew (1 x PT) | -£6,577,446 | -0.06 |
| Option 8 – Unst-Yell Tunnel with 2 x Fetlar crew | -£9,810,716 | 0.59 |
| Option 9 – Unst-Yell Tunnel with 3 x Fetlar crew | -£18,839,713 | 0.42 |

- 6.7 The Net Present Value demonstrates that over 60 years, all options appraised perform less well than the Do Minimum option. Taking into account all capital and operational costs over 60 years, offset by benefits such as the value of journey time savings, all options are more costly than the Do Minimum option. The Benefit to Cost ratio indicates that for *all options*, each additional pound invested over and above the Do Minimum, returns a fractional amount of benefit, or merely increases costs.
- 6.8 The EALI appraisal considered the economic impacts that may accrue from the various transport options in both employment and GDP terms. For residents, it is considered that the ferry options could help to improve access to jobs in the North Isles through the provision of more reliable infrastructure and, under some of the options, a more accessible service. The tunnel options would increase access to employment for North Isles residents, making commuting to jobs on other North Isles and Shetland Mainland easier. For residents of Fetlar, the development of a breakwater and dedicated ferry service could allow the timetable to be arranged so that commuting from Fetlar to Yell and Unst is more viable. In combination with a small berth facility, this option could secure wider socio-economic benefits for Fetlar.
- 6.9 Businesses could also benefit from the provision of a more reliable and accessible link facilitated by improved ferry services or a tunnel. Potential impacts identified include new business start-ups, increased staff productivity and reduced freight costs. The main negative impact relates to the loss of ferry jobs associated with construction of a fixed link – although this option is also the most accessible and therefore offers the greatest potential economic benefits.
- 6.10 The potential impacts of the various options on the development of tourism in the North Isles have also been considered with results from appraisal suggesting that while each of the options could support increases in tourist numbers, a tunnel would deliver the greatest economic benefits in terms of gross effects on the economy and number of jobs safeguarded. It is important to highlight however that while Unst would be significantly positively affected by increases in tourism on the back of the development of a tunnel, this option could have negative impacts elsewhere in terms of a loss of ferry jobs and transferral of tourist activity from elsewhere in Shetland.
- 6.11 Appraisal has also considered the impacts of the different options on levels of **accessibility and social inclusion**. The provision of a Fetlar breakwater opens up accessibility to Unst, Yell and Lerwick by enabling an earlier morning ferry sailing from Hamars Ness. Under those options which would regularise the timetable, public transport access would only be enhanced with matching enhancements to the existing public transport services.
- 6.12 While the utility and convenience of public transport could be enhanced between Unst and Yell through the development of a tunnel, these options do not necessarily facilitate any improvement in public transport accessibility without timetable improvements. However, for those with access to a car, the tunnel options would provide 24 hour access to and from Unst. However a tunnel connecting Unst and Yell would prohibit pedestrian and cyclist access for safety

reasons. Access for these user groups would require more detailed consideration as part of the design process, should tunnelling options be pursued in the future.

- 6.13 Other groups, such as visitors to the North Isles, would benefit from improved accessibility through a regularised ferry timetable, or a tunnel between Unst and Yell.
- 6.14 The appraisal of **integration** impacts did not specifically highlight significant impacts. In terms of transport integration, the appraisal identified that the main positive impacts would result from the provision of a tunnel which could deliver "seamless" journeys between Unst and Yell.

7 Risks and Deliverability

7.1 The STAG appraisal has also considered issues of risk and deliverability. It is apparent, that for the communities of Unst and Fetlar, the biggest risk is the risk of continuing to adopt a "Do Nothing" approach. This risks a significant reduction in service levels, and increase in service unreliability, and the possibility of temporary arrangements to overcome vessel or terminal failure.

7.2 Of the options being considered, the principal risks are as follows:

- Option 1 – No significant operational risks. Some construction risk related to terminals.
- Option 2 – Some operational risk related to sustaining a Fetlar based crew. Some construction risk related to terminals.
- Option 4 – No significant operational risks. Some construction risk related to terminals.
- Option 5 – No significant operational risks. Some construction risk related to terminals.
- Option 8 – Some operational risk related to sustaining a Fetlar based crew, and split shift timetable. Higher levels of construction risk related to fixed link.
- Option 9 – Some operational risk related to sustaining a Fetlar based crew, and split shift timetable. Higher levels of construction risk related to fixed link.

7.3 In line with HM Treasury, and Scottish Government Guidance, account has been taken of the varying levels of risk associated with each option through the application of "Optimism Bias" uplifts, applied to the capital cost elements of each option. They range from 66% uplift for tunnelling work, through to 44% for access roads and terminal construction.

7.4 In respect of deliverability, the key constraints are related to affordability. Given that the tunnel options perform less well than the Do Minimum (in relation to Net Present Value), it will be particularly difficult to gain funding support from the Scottish Government for these options.

8 Sensitivity Testing

8.1 The robustness of the outcomes of the appraisal have been firstly tested through the application of higher fuel costs, the re-introduction of fares, and also fares and higher fuel costs in combination. These tests did not alter the outcomes of the appraisal.

8.2 Further sensitivity testing was also undertaken with respect to varying the alternative assumptions made with respect to the application of optimism bias, and contingency allowances. Whilst these changes did impact upon the relative magnitudes of the Net Present Values of each of the options, they did not alter the ranking of the options.

- 8.3 In recognition of the public and local political interest related to the provision of a fixed link between Yell and Unst, a further sensitivity test was undertaken to test the performance (in relation to the cost benefit analysis) of a conceptual single bore, single lane tunnel. This would provide 24hr access between Yell and Unst, although would be subject to directional controls. It was found that in this instance, the lower capital costs that would be associated with such a proposal had the potential to significantly outperform other options included within the appraisal. However, it is noted that this sensitivity option has not been subject to community consultation, operational risk assessment, or specific engineering feasibility review.

9 Summary and Conclusions

- 9.1 The STAG appraisal study has examined the cost, benefits and risks associated with each of the option packages. Through careful appraisal as part of the STAG Part 2 appraisal framework, the following conclusions emerge:
- a) At present, there is a significant risk of severe and costly disruption on the route should either the terminals or the ferries fail to be able to operate for legislative reasons or deterioration in condition. This would have particularly detrimental consequences for the communities of Unst and Fetlar.
 - b) Taking into account the outcomes of the appraisal, and issues such as risk and deliverability, Option 2 (replacement of Gutcher and Belmont terminals and *MV Bigga* and *MV Geira*, plus the development of a Fetlar breakwater) has emerged as the most favourable of the options considered within the appraisal.
 - c) In combination with proposals for a small berth facility, the provision of a breakwater at Fetlar provides an opportunity to deliver a more reliable, and more island centred service to this island, as well as to Unst, with associated socio-economic benefits. In particular, this could secure significant additional accessibility benefits to both islands, subject to issues of crewing / operational sustainability being addressed.
- 9.2 Whilst Option 2 emerges as the preferred recommendation based on the results of the STAG Part 2 appraisal, it is recommended that further work is undertaken to investigate the potential of a single lane, single bore tunnel between Unst and Yell. Outcomes from initial sensitivity testing confirmed that this option has the potential to offer clear economic advantages relative to the recommended option. However, prior to confirming the viability of a single bore tunnel, additional work assessing the operational risks associated with this option, and discussions with community representatives will be required. This work should not however delay the commencement of work on the Fetlar breakwater development, and also the provision of a replacement terminal at Belmont, which will both be required irrespective of the development of a tunnel.
- 9.3 The results of this study will require to be considered within the context of the emerging findings from the recent STAG studies for Whalsay and Bressay.

10 Recommendations Going Forward

- 10.1 In light of the above, the conclusions and options for recommended implementation that will be going forward to ZetTrans on 22nd September and Infrastructure Committee on 7th October will be:
- The option that performs best in the Bluemull Sound STAG process is Option 2. In effect this means replacing the current infrastructure and ferries to meet the needs of the islands for the foreseeable future, and developing a breakwater on Fetlar.

- However, this does not meet the expectations of the community and this prompted consideration of a single bore, single lane tunnel option (controlled by traffic lights) which, if technically and operationally feasible, out performs all other options due to significantly lower capital costs than the single bore two lane tunnel option.
- Since it is not operationally imperative that the planning and design of terminals and ferries on Bluemull Sound starts immediately, there is an opportunity to explore a single bore, single lane tunnel further and report back to Members before the end of this financial year whether or not this is a viable alternative to the ferry.
- Once this is done the final decision will be included in an implementation plan that covers Bluemull Sound, Whalsay and Bressay to provide the Council with the information it needs to prioritise these projects against other projects in the Council's Capital Programme.
- The Fetlar breakwater should be progressed independently of a decision regarding a fixed link between Yell and Unst.

For further information, please contact ZetTrans on (01595) 744868.

Zetland Transport Partnership

REPORT

To: Zetland Transport Partnership

22 September 2008

From: Transport Development Manager

IMPLEMENTATION OF SHETLAND TRANSPORT STRATEGY

1. Introduction

- 1.1 This report is to update Members on the progress of the implementation of the interventions contained in the Shetland Transport Strategy, which has been approved by the Scottish Government Minister for Transport, Infrastructure and Climate Change.
- 1.2 The report contains a short summary on a number of the interventions relating to the Strategy and includes those being progressed by both ZetTrans and external personnel.
- 1.3 The report also contains information on other activities relating to ZetTrans which may be of interest to Members but which may not be totally concerned with the Strategy.

2. Shetland Transport Strategy Interventions

- 2.1 Origin & Destination study – Surveys are ongoing including a joint project with VisitShetland and the Economic Development Unit to capture the views of non-travellers. The study will report by October 2008.
- 2.2 Fetlar breakwater and small craft berthing – officers of ZetTrans, Capital Programme Service and Economic Development Unit are meeting on a regular basis to ensure funding is secured for this. This includes submission to the ERDF of a first stage application for funding towards the small berth facility.
- 2.3 Skerries South Mouth - in the prioritisation process of the Council's Capital Programme.
- 2.4 Bressay – the two recent workshops held have enabled a risk register for the project to be developed. These risks are wide ranging, including technical, political and community risks. A detailed project plan covering all areas of the project, including communication and consultation, will be available through October 2008.

A public exhibition of the proposals for the tunnel will be held in Bressay on the 28th October 2008 and in Lerwick on the 29th October 2008. The purpose will be to inform people about how the project is progressing, including a timeline to completion, as well as providing information on how to address issues raised in the short term. Members of the project team will be available to explain the proposals and answer any questions.

- 2.5 Fares Study and Increasing Utilisation of Inter Island services – The Fares Study report was presented to the Inter Island Ferries Board (IIFB) on 4 June 2008 and to the Infrastructure Committee on 10 June 2008. It was decided that it would be inappropriate to implement changes to the fares structure without addressing the budgetary consequences of the increase in fuel price. A wider report is being prepared for presentation in October 2008.
- 2.6 Travel Plan – Annual monitoring of progress in delivering the Council's travel plan is currently taking place. A verbal update can be provided at the meeting.
- 2.7 Tunnels Study – this is now complete and the next stages are to engage with various stakeholders in the process of developing support for the principle of two-way single bore tunnels. This is related to the Bressay Tunnel project and will be built into the project plan.
- 2.8 Whalsay Ferries and Terminals project – The mathematical modelling of performance of the proposal in North Voe is complete and the results were received on 8 September 2008. At the time of writing this report the Council's engineers were reviewing the report to determine what the next steps should be.
- 2.9 Bluemull STAG – A separate report is for consideration at this meeting
- 2.10 Scandinavian Ferry –The bid for EU Marco Polo funding has been unsuccessful on this occasion due to a technicality. The EU has encouraged resubmission in the next round (Expected January 2009) the opportunity to start the service in late 2009 with more efficient vessels.
- 2.11 External Transport Forum – The External Transport Forum met on Tuesday 2 September 2008. Representatives of Loganair gave a comprehensive report on the implications of the change of franchise to Flybe.

The next meeting of the ETF will be on 12 November 2008. Representatives of Northlink will be at this meeting. Representatives of Loganair also plan to attend to address any points following the change of franchise.

- 2.12 Tier 2 Ferry Consultation – The next Tier 2 meeting is provisionally arranged for Thursday 27 November 2008 in Orkney.

2.13 Area Transport Forums – the information gathered is being used alongside bus usage figures and real-time mapped information of current services to look at ways of improving Shetland’s internal public transport. One of the key next steps will be to involve operators and other service providers. The service will then have a future blueprint for internal transport that can be worked towards when the opportunity arises through renewing contracts etc.

2.14 Road Equivalent Tariff (RET) – There is a meeting planned for stakeholders in Inverness on 13 October 2008. The Chairman and Transport Development Manager will represent Shetland.

2.15 Officers responsible for the above projects will be present at the meeting and will answer any queries.

3. Financial Implications

3.1 There are no financial implications arising from this report, which cannot be met from existing budgets.

4. Recommendation

4.1 I recommend that the Members of ZetTrans note the content of this report.

Report Number: ZTP-28-08-F

NOTE

Shetland External Transport Forum
Room 12, Islesburgh Community Centre, Lerwick
Tuesday 2 September 2008 at 2.15pm

Present:

A S Wishart A Black
I J Hawkins R S Henderson
C H J Miller

Apologies:

A Black (for lateness)
I J Hawkins (for lateness)
F A Robertson
J G Simpson, Councillor (for lateness)
A Cooper, Councillor (for lateness)
J Dickson, General Manager, Ports and Harbours Operations
D Paul, JBT
R Henderson, Seafood Shetland
D Sandison, Shetland Aquaculture
V Sandison, Lerwick Port Authority
C Hughson, Shetland Council of Social Services

In attendance (Officers):

K Duerden, Transport Development Manager
L Gair, Committee Officer

Also:

D Harrison, Acting Chief Executive, Loganair Ltd
S Blacklaw, Sales and Marketing Manager, Loganair Ltd
R C Nickerson, Councillor
J G Simpson, Councillor
A Cooper, Councillor
M Johnson, Disability Shetland Access Panel
R Bray, Sumburgh Airport Consultative Committee
B Gunn, Shetland Retailers Association
N Flaws, Highlands and Islands Airports Authority
J L B Smith, Sumburgh Airport Consultative Committee
A Steven, Visit Shetland
A Eunson, Sumburgh Airport Consultative Committee
D Robertson, Sumburgh Airport Consultative Committee
C Laignel, Sumburgh Airport Consultative Committee

Chairman

Mr A S Wishart, Chairperson of Forum, presided.

The Chairperson welcomed Mr Harrison and Ms Blacklaw, Loganair representatives, to their first meeting of the Shetland External Transport Forum.

Circular

The circular calling the meeting was held as read.

Minutes

The Forum approved the minutes of the Shetland External Transport Forum meeting held on 21 May 2008.

- 15/08 **Loganair Ltd: Update from David Harrison, Acting Chief Executive**
Mr D Harrison, Acting Chief Executive, Loganair Ltd gave a brief presentation and provided a general overview of the current climate within Civil Aviation. He also provided an update on how Loganair were performing within the current climate. Presentation Slides, attached as Annex 1.
- 16/08 **The Change to Flybe – Presentation from Susan Blacklaw, Sales and Market Manager**
Ms S Blacklaw, Sales and Marketing Manager, Loganair Ltd gave a detailed presentation on the change over of the franchise to Flybe. Presentation Slides, attached as Annex 2.

Member were reminded that the change over to the Flybe franchise would take place on 26 October 2008, and that new Flybe computer equipment and software would be implemented overnight and this new system would alleviate problems such as providing compatible boarding passes for through check-ins.

Members were invited to ask questions, and sought clarification on specific matters such as baggage limits and excess charges on Loganair, Flybe and BA flights; executive lounges, rewards for all, ticket types and permitted changes to tickets; duty of care for passengers; customer services; patient travel; pre-booked seat charges; code share with BA.

Mrs I J Hawkins said she had a specific query from a constituent who had problems booking flights on line. In response Mr Harrison and Ms Blacklaw advised that Loganair was now a franchise of Flybe and therefore during negotiations had to take on the pricing policies and conditions, although they had been allowed to retain the first item of baggage as complimentary on Sumburgh to Aberdeen flights. With regard to charging for the use of credit or debit cards, Members acknowledged that customers were currently charged for this. Mrs Hawkins advised that the use of a particular card had been refused and asked if they could establish whether there were certain cards not accepted. Mrs Hawkins agreed to provide more information directly to Ms Blacklaw for this to be checked.

With regard to queries relating to BA flights, Members were advised to contact BA directly. It was explained that once BA had purchased the flight from Loganair, Loganair was no longer involved in that transaction and the passenger would travel under BA whose terms and conditions would apply.

Ms Blacklaw agreed to check and confirm whether the awards for all points had a time limit or not.

Members were advised of the benefits of having access to cheaper flights through Flybe within Britain and beyond. In response to a query, Ms Blacklaw advised that existing Loganair staff had been provided with a presentation and extensive

training on Flybe products and services, and that Flybe reservations staff had also been trained on the new franchise with Loganair and the remoteness of the new routes. She added that the training was supplemented with in-house communications to staff through newsletters, with route maps and posters also being provided, as well as updates on the intranet site and internal forum site.

Ms Blacklaw confirmed that a guide/leaflet would be provided, distributed with the Shetland Times, giving as much information about the products, services and routes available from Flybe and Loganair.

In response to a query regarding the increase in passenger numbers, Mr Harrison confirmed that there were no planned changes to the schedule. With regard to future flights to Bergen and other routes, Mr Harrison said that there had been no decisions made, but there was a statement of intent to do more, but nothing could be confirmed.

Ms S Blacklaw added that from 26 October 2008 it would be mandatory to provide photo ID. She said that this had been stipulated on all adverts. She advised that photo ID could be obtained in the form of a Citizens Card which was a not for profit scheme and for a fee of £5 it was a most economic alternative to a passport or driving license.

17/08 **Agenda Items for Future meetings**

Taxi/Bus Station Arrangements

Mr R C Nickerson advised that there was nowhere in the Aberdeen bus station for taxis to drop off passengers. He said that passengers travelling from the boat to the bus station by taxi had to walk from the train station across to the bus station, which was difficult for older people who had to carry their luggage across. The Transport Development Manager advised that he would write to NESTRANS on the matter.

18/08 **AOCB**

E Petitions for Ferry Fares

The Transport Development Manager advised that an e-petition had been prepared calling on the Scottish Parliament to urge the Scottish Government to commence a review of ferry services to develop a long-term strategy for lifeline services to 2025 and provide an immediate minimum discount of 40% on ferry fares. He said that he would arrange for the link to the e-petition to be circulated to everyone who had attended.

19/08 **Dates of Next Meeting**

Wednesday 12 November 2008 at 2.15pm, Room 16, Islesburgh Community Centre, King Harald Street, Lerwick – Northlink will attend.

The Chairman thanked everyone for attending the meeting.

The meeting ended at 3.35pm.

A S Wishart
CHAIRPERSON

NOTE

Shetland External Transport Forum
Room 16, Islesburgh Community Centre, Lerwick
Tuesday 21 May 2008 at 2.15pm

Present:

A S Wishart I J Hawkins
F A Robertson C H J Miller

Apologies:

J Dickson, General Manager, Ports and Harbours Operations
A Leask, Scottish Crofting Foundation
N Flaws, HIAL
F Sinclair, Shetland Taxi Owners Association
K Massie, Association of Shetland Community Councils
D Sandison, Shetland Aquaculture
G Spall, Executive Director – Infrastructure
R Nicolson,

In attendance (Officers):

K Duerden, Transport Development Manager
L Gair, Committee Officer

Also:

R S Henderson, Councillor
J G Simpson, Councillor
J H Henry, Councillor
J Budge, Councillor
A Cooper, Councillor
B Davidson, Chief Executive, Northlink Ferries
C Spencer, Commercial Director, Northlink Ferries
R Leslie, Northwards Ltd
C Hughson, Shetland Council of Social Services
V Sandison, Lerwick Port Authority
A Black, Highland and Islands Enterprise
R Henderson, Seafood Shetland Islands Council
M Johnson, Disability Shetland Access Panel
N Leask, Scottish Crofting Foundation
H MacKenzie, National Farmers Union, Shetland
A Sinclair, Shetland Livestock Marketing Group
H Black, Shetland Fishermen's Association

Chairman

Mr A S Wishart, Chairperson of Forum, presided.

Circular

The circular calling the meeting was held as read.

Minutes

The Forum approved the minutes of the Shetland External Transport Forum meeting held on 15 January 2008.

06/08 Northlink Ferries: Update from Bill Davidson, Chief Executive

Mr B Davidson, Chief Executive, Northlink Ferries gave a presentation, and the Forum noted the information provided as follows:

Delays - reliability of the ferry service was high and that there were two types of delays, relief and non-relief events. It was explained that a relief event was due to weather or safety issues and non-relief event which was due to breakdowns, of which there had been none.

Passengers - at the end of P&O's service to Shetland, it was reported that there were 60,000 passengers between Aberdeen and Lerwick and 0% growth predicted. However the Forum were advised that in 2002 that had increased to 100,000 passengers. It was explained that there were fluctuations due to factors such as the Air Discount Scheme and increases to the concession scheme.

Tour Groups – there were more coach group bookings following the Expo exhibition and it was noted that Poland and India were increasing their group tours. Mr Davidson reported that there was potential for more organised groups travelling to the Islands, however groups preferred to stay in the same hotel, and the lack of available hotel accommodation meant that group travel was restricted.

Availability of Cabins - a breakdown of data was provided regarding the availability of cabins and on when cabins should not be expected to be available and these included flight disruptions, school holidays and the height of the season. This excluded dates when cabins could be expected to be sold out and there had been only 30 other occasions out of 656 sailings when all cabins had been sold.

In response to a query from Mr R S Henderson, Mr Davidson advised that there was no way of recording how many passengers would have travelled if cabins had been available. The Chairperson said that it would be useful if there was some way of measuring unmet demand. The Forum discussed the issues around cabin availability, which included bed utilisation –v- cabins eg shared cabins and single occupancy of 2 and 4 berth cabins.

Mr Davidson said that passengers were often of the view that there were no cabins available as some travellers chose not to use the cabin facility and sleep on the floors, however available cabins were advertised once the boat set sail. The Forum discussed the need for dormitory accommodation. Mr Davidson said that this had been considered before the vessel refit, however there were issues including the provision of shared shower facilities and the need for additional cabins was deemed greater.

Livestock – The Forum were advised that 12 double deck units had been delivered and they were being completed faster than expected, and there was no

anticipated reason why 24 units would not be in place in time for the peak season. Mr Davidson advised that there was work to be done on ramping and penning at Holmsgarth and the contractor was confident this would be done by August.

Mr Davidson said that there would be limited space for routine freight on "Hascosay" and "Clare" during the livestock movements and there would be early loading of the upper deck. He said this would be an issue for hauliers, but advised that 20 trailers for freight had been booked out on "Hjaltland" and "Hrossey". He added that there would be a limit of 40 cars/sailing however last year's figures showed that this was only exceeded on a small number of sailings at the end of the livestock season.

General - Mr Davidson took questions and in response, confirmed that he had not received a response from Mr Stevenson MSP or Mr Scott MSP on the state aid issue, that the rebate scheme had been quashed and that passenger ferries would be available to ship livestock.

With regard to the Photo ID scheme he advised that there was no legal requirement for this to be implemented, however Northlink introduced the scheme for the purpose of their Security and Manifest regulations, which was based on the class of the ship and not the risk. He added that Northlink had reason to believe that the Islander discount was being abused and photo ID would help resolve that problem. He advised that, in the first week of operation, 94% of passengers had accepted the scheme and provided photo ID and that 6% had produced alternative forms of ID.

07/08 **Update from Tier 2 Ferry Consultation meeting held in Orkney on 6 March 2008**

The Transport Development Manager provided a brief update on the Tier 2 Meeting held in Orkney in March. . He advised that the items discussed included dry dock arrangements for 2008, RET Pilot, shipping livestock, age of freight ships and timescales for the 2012 contract.

The Transport Development Manager also provided a brief update on the Origin and Destination Study and advised that a survey was underway and was run over a year to September 2008 and that a report would follow shortly after that.

The Chairperson advised that the lead in on the contract for 2012 would involve extensive consultation and that it would be an exhaustive process.

The next Tier 2 meeting would be held in Shetland on 18 June 2008

08/08 **RET – update**

The Transport Development Manager advised that the pilot had been extended to 30 months and said that there were concerns with regard to the length of the pilot. He added that anyone traveling on the pilot routes would pay no more than the existing cheapest fare. Mr Davidson said that there could be advantages and disadvantages to the RET system. He noted that there had been a reduction on the Ullapool to Stornoway Service from £200 to £120 and advised that the level of reduction should be advantageous to visitors to the Islands but that some current fares on the Northlink services may be cheaper than the RET proposals.

09/08 **2009 Dry Dock Proposals**

The Forum discussed the dry docking arrangements for 2009 and noted that Hrossey would be out of service for 2 weeks in February 2009 and Hjaltland for 2 weeks in Feb/March. Mr Davidson said that the actual dates depended on when the shipyard could accommodate the vessels, but where possible the holiday periods and the folk festival would be considered when setting a date. The Forum were advised that Northlink were not contractually obliged to provide a replacement vessel and there would therefore be an every other day service during that time. Mr R S Henderson asked that the reduced service be reconsidered and that a charter be brought in and suggested approaching a particular operator. Mr Davidson responded and highlighted that there would be difficulties with that.

10/08 **Scottish Parliamentary Ferry Inquiry – update**

The Transport Development Manager provided an update on the 2 Panel meetings held in Lerwick. Mr Davidson said that 5 MSP's, 4 Committee Clerks, 3 security staff and reporters visited Shetland, and that they felt it had been a worthwhile visit. He added that they were keen to make a change with a report going forward. He said that the Parliamentary Ferry Inquiry would consider the evidence following the visit and publish its report by the end of June.

Mr Davidson added that the Scottish Government planned to formulate a 20 year vision for ferry services both inter island and longer distances.

11/08 **Agenda Items for Future meetings**

The Transport Development Manager advised that an investigation had been launched against the UK government on subsidies to Northlink and Calmac. He provided an update on the current situation and said that there was a desire that there would be no impact to delivery of services.

Mr A T J Cooper asked that Northlink give consideration to including a service from Shetland to Bergen on a separate contract. During further discussions, Mr Davidson said that he had been asked for this in the past. He said that this would involve a change in timetable, require consultation, incur an increase in fuel and staff resources and would be complicated by the fact that it would be added to a currently subsidised lifeline service to Shetland.

Mr Leask queried whether the parking issue could be addressed at Aberdeen Ferry Terminal. Mr Davidson advised that Northlink were restricted to what they could do with security regulations and the lack of space. He suggested an approach to the Harbour Authority. The Transport Development Manager advised that a shuttle bus between the railway and ferry was being discussed, and Mr J L B Smith advised that a shuttle bus between the airport and ferry was also being considered. It was agreed that ZetTrans and the Sumburgh Airport Consultative Committee write to the Harbour Authority and include the issue of parking.

In response to a query from Mrs I J Hawkins, Mr Davidson advised that Northlink had upgraded the reservation system and that gave the ability to relaunch the Friends and Family initiative online. He said that the initiative would be brought back in the autumn.

Mrs C. Miller asked that consideration be given to not increasing the fares at the Christmas and New Year period. It was pointed out that the fares seasons were specified in the contract.

12/08 **Items to be raised at Tier 2 meeting on 18 June 2008**

The Transport Development Manager said that following earlier discussion the items to be raised included dry dock arrangements for 2009, RET Pilot, shipping livestock, age of freight ships and fares at Christmas.

13/08 **Agenda Items/AOCB**

Mr A Sinclair asked whether it was policy to give priority to livestock over freight if capacity was compromised. Mr Davidson advised that an early warning procedure would be put in place to ensure that livestock did not leave the farm if it was not going to be possible to load them. He said that there were competing demands with shellfish, and that if they had been harvested they would be prioritised over livestock that had not yet left the farm. He said that animal welfare was a high priority, and that it was important to keep communication at a high level to keep everyone informed.

National Concession Travel Scheme. Mr Davidson advised that there had been a delay on vouchers and explained the measures put in place to alleviate any problems.

14/08 **Dates of Next Meeting**

Tuesday 2 September 2.15pm, in Room 12, Islesburgh Community Centre, Lerwick. Loganair representatives will attend.

The Transport Development Manager reminded the Forum that another date had been set at Wednesday 12 November 2008 at 2.15pm – Northlink to attend

The Chairman thanked everyone for attending the meeting.

The meeting ended at 4.10pm.

A S Wishart
CHAIRPERSON