

If calling please ask for
Leisel Gair
Direct Dial: 01595 744599

Date: 22 June 2017

Dear Sir/Madam

You are invited to the following meeting:

Shetland External Transport Forum
Room 16, Islesburgh Community Centre, Lerwick
Wednesday 5 July at 2.15pm

Apologies for absence should be notified to Leisel Gair at the above number.

Yours faithfully

Secretary to ZetTrans

Chairperson: Vacant
Deputy Chairperson: Vacant

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Confirm note of meeting held on 2 March 2017, enclosed.
- 1. Matters arising.
- 2. Presentation by Serco NorthLink.
- 3. Presentation by Loganair.
- 4. Northern Isles Ferry Services Contract 2018.
- 5. Agenda items for future meetings.
- 6. AOCB.

7. Date of Next and Future Meeting 2017/18:

28 September 2017 at 2.15pm, Council Chamber, Town Hall, Lerwick

11 December 2017 at 2.15pm, Room 16, Islesburgh Community Centre, Lerwick

14 March 2018 at 2.15pm, Room 16, Islesburgh Community Centre, Lerwick

NOTE

Shetland External Transport Forum
Room 12, Islesburgh Community Centre, Lerwick
Thursday 2 March 2017 at 2.15 p.m.

Present:

M Stout
B Fox

In attendance (Officers):

M Craigie, Lead Officer
B Kerr, Communications Officer, SIC
L Gair, Committee Officer, SIC

Also In attendance:

J Hinkles, Loganair Limited
M Boyle, Loganair Limited
S Garrett, NorthLink Ferries
R Smith, NorthLink Ferries
G Laidlaw, Transport Scotland
D Ellis, Transport Scotland
L Carter, Audit Scotland
G Miller, Audit Scotland
J Tait, Shetland Tourism Association
R Henderson, Councillor
T Smith, Councillor
J Wills, Councillor
V Wishart, Councillor
I Pearson, Ferries Services, SIC
K Duerden, Infrastructure Services, SIC
S Mathieson, Visit Scotland
W Hand, Voluntary Action Shetland
L Still, HIAL
A Gower, HIAL
A Farquhar, HIAL
N Leslie, Northwards Ltd
G Crichton, Streamline Shipping Group
V Sandison, Lerwick Port Authority
D Neil, JBT Distribution Ltd
A Morrison, Andrews Adventures
R Nickerson, Dunrossness Community Council &
Sumburgh Airport Consultative Committee
A Leslie, Public
J Leslie, Public
I Hughson, Public

M Hughson, Public
L Pottinger, Public
A Johnson, Public
R Thomson, Public
B Adams, Public

Apologies:

S Coutts, Vice-Chairperson
R Hunter, HIE
J Smith, Chair, Sumburgh Airport Consultative Committee
C Laignel, Shetland Shellfish Management Organisation
K Bevan, NorthLink Ferries
A Duncan, Vice-Chair, Sumburgh Airport Consultative Committee
R Henderson, Seafood Shetland

Chairperson

Mr Stout, Chairperson presided.

Circular

The circular calling the meeting was held as read.

Minutes

The minutes of the meeting held on 12 December 2016 were confirmed.

01/17 **Matters Arising**

None.

02/17 **Presentation by Loganair**

Mr Hinkles, Managing Director, Loganair gave a slide presentation and reported on a number of matters including:

- Loganair Routes Update
- Improvements in Reliability
- Punctuality
- Royal Mail 5 year contract
- Air Departure Tax
- Removal of Unaccompanied Minors
- Introduction of a Child Drop Off fare
- Removal of Credit Card Surcharge
- Codeshare with BMI
- Codeshare with Flybe
- Customer Services

In response to questions Mr Hinkles advised that should a ticket need to be changed, there would be a charge if there is a difference between the fare originally paid and the new booking. He explained that in order to keep fares down, a number of cheaper fares are available on certain flights, he said that if there are no cheaper fares available then customers would face a higher charge when changing their booking.

Mr Hinkles also explained that the change in flights to Aberdeen would mean that the sale of seats would be spread across more flights therefore the SAAB 2000 will now be used as standby in Aberdeen and used across the network. He said that the SAAB2000 is fuel hungry so is best used as standby.

Mr Hinkles was asked when the code share would be in place with Flybe. Mr Hinkles advised that it was hoped that it would be in place by the end of March 2017 however there were challenges in terms of the computer systems being able to link together, but he would know more by the end of the month.

In terms of the Flybe credit card and Avios, Mr Hinkles said it was unlikely that Avios points could be redeemed on Loganair flights after September, but it can be used on other airlines. He explained that Loganair are looking into loyalty schemes but their priority is to keep fares low and to keep out unnecessary costs.

Reference was made to the unaccompanied minors policy ceasing and in response to a question, Mr Hinkles advised that the new drop off fare would only be available on the Loganair Network.

Mr Hinkles was thanked for his presentation.

03/17 **Presentation by Serco NorthLink Limited**

Mr Garrett, Managing Director, NorthLink Ferries, gave a slide presentation and reported on a number of matters including:

- Aberdeen – Lerwick volumes of passengers, cars and freight
- Operations update including sailings, delays and cancellations
- Cabin usage
- Pod usage
- Pre-booked reclining seat usage
- Magnus Lounge usage
- Public showers usage
- Promotions, including Kids go Free and Landbridge
- Forward bookings March – August there is cabin and car deck availability every day
- Sponsorship and Community Engagement
- Marketing
- Booking Questionnaire responses
- Drydocking update – Passenger and Freight
- Customer Services Questionnaire Statistics

Mr Garrett was asked what discussion NorthLink have had with NHS Shetland regarding patient travel as there are comments being made that patient travel is moving from air to sea travel. Mr Garret advised that NorthLink cannot offer discounted travel and any negotiations would be with the Scottish Government. Mr Laidlaw advised that he was not aware of any discussion happening but in general terms the Scottish Government is looking at the North Isles Ferry fares. He explained that fares are already subsidised but there was a commitment from Ministers to reduce fares. In response to a comment that the NHS and Transport funding all

comes from the same pot, Mr Laidlaw advised that each agency has to manage its own budget.

Mr Garret was thanked for his presentation.

04/17 **Northern Isles Ferry Services Contract 2018**

Mr Laidlaw, Transport Scotland provided a verbal update on the North Isles Ferry Service Contract (NIFS) 2018 and highlighted the following key issues:

- North Isles Ferry Service – Scottish Government has announced it intends to carry out a procurement review in relation to ferry services contracted by Transport Scotland. The current STAG Study continues but is paused until the review of fares is complete and the Minister for Transport and Islands has decided the way ahead on fares.
- Gourock-Dunoon Service – discussions are being held around extending the contract whilst the procurement review is undertaken. Updates will be given throughout the process and a published outcome report will be available on the Transport Scotland website in due course. Engagement with Regional Transport Partnership and user groups will be undertaken going forward.
- North Isles Freighters – The issue last year regarding the national minimum wage was addressed and the contract will end in April 2018. Transport Scotland has negotiated a bare boat charter arrangement with Seatruck to retain the freighters for a further five year period with the option of a further two years. This means that the pay and conditions of the crew is not tied to Seatruck's company terms and conditions.

Mr Laidlaw responded to a question and advised that discussions were being held regarding a possible extension to the North Isles Contract but that was not decided yet.

With regard to concerns that the commitment for lower fares was not going to be realised as soon as expected and possibly not at all, Mr Laidlaw advised that there will be discussion with the Minister for Transport and the Islands in the next two weeks. He said that the Minister made a commitment to reduce fares and the content and timing was currently being discussed. The timing is the Minister's call but it is going to happen.

The Chair said that ZetTrans welcomed the review of procurement and the aim of getting better value from the public pound but he sought further reassurance that the huge amount of work done would not be lost. Mr Laidlaw commented that there was a good relationship with the Chair, the Lead Officer and colleagues in HITRANS, which is valuable to Transport Scotland. The Chair added that the 2018 Contract must provide best value and the best service as well, and commented that the changes in Aberdeen and the use of alternative fuels all form part of that matrix. He said that part of the original contract was looking at ferry services across the whole of Scotland with a view to having equity of ferry services across Scotland and this will affect the next contract.

A further concern was expressed regarding the promise of reduced fares and the comment made that this was now a year on, with a possible extension of the current contract. Mr Laidlaw advised that there had been a couple of informal discussions with Serco Colleagues and he was waiting for feedback from the Scottish Government as drydocking would have an effect on any details of a contract extension. He said that once he had advised the Minister and clarity provided around the procurement regulations he would contact communities as soon as possible.

The Chair thanked Mr Laidlaw for his update.

05/17 **Audit Scotland – Audit of Ferry Services in Scotland**

Ms Carter and Ms Miller, Audit Scotland, provided a verbal presentation setting out their role and remit and the aims and objectives of the Audit. The Forum was advised that Audit Scotland is an independent public sector watchdog with 220 organisations that they audit. Audit Scotland's work is normally financial but this is a performance audit of which they carry out 10-15 per year. Audit Scotland look at themes and issues that are of high interest within public bodies. The Forum were also advised that the increased cost of ferries is of political interest but the work of Audit Scotland is entirely separate from the Review being carried out by Scottish Ministers and Audit Scotland would not get into the technicalities of the EU regulations.

The Forum was given an overview of the areas to be looked at, the methodology to be followed and the area that the review would cover. Stakeholders were advised that should there be anything further they wish to raise following the meeting contact should be made with ZetTrans who will pass on any views not captured today. Conclusions and recommendations will be produced in a report and it will be sent to the Scottish Parliament Audit Committee.

In response to Ms Carter and Ms Miller's introduction the Chair set out the current picture from an Island perspective and advised that there has been an increase in spend by the Scottish Government but there had been extensive work with Mr Laidlaw around the principle that there has been an increase in the West Coast funding that has not been seen in other areas. An important point of consideration is also the discussions currently being held around the principle that it should be the Scottish Government who has responsibility for inter island ferries. The Chair said that he appreciated that this was not part of the Audit but it was very relevant to all stakeholders present today.

Comment was made that ZetTrans has a wealth of information and feedback from stakeholders and clear views on the future of the North Isles Ferry Services. It was suggested that the Audit Scotland Officers should spend time with the Chair and Lead Officer of ZetTrans to gain a full understanding of the issues.

The issue of fair fares was raised and the commitment given a year ago to reduce fares which had still not been implemented. The Chair advised that fair fares were by far not the biggest issue and that it was a complicated picture. He said that this was a life line service and understanding the costs for families. The Chair added that he had assured this Forum that there is now a relationship with Transport Scotland and the Scottish Government and that Shetland's views were being heard.

When asked by Audit Scotland if stakeholders were happy with the service provided and whether it was just the cost of travel, the Forum agreed that there are no complaints about the Service provider, the onboard facilities, customer service and sponsorship and other incentives, but this was only one part of the overall contract. It was noted that the current provider was an improvement on the previous provider. It was also acknowledged however that the vessels are not ideal and do not perform well in bad weather.

The Lead Officer advised that if travelling from Stornoway to the Mainland with a family and a car there is a cost of about £150, but from Shetland this would cost in excess of £600. He said that there needs to be a move from the traditional thinking around cost being related to distance towards a view of what is fair and equitable. He commented that for users of the service it is a question of whether they can afford to travel and this influences inclusion/exclusion and how individuals develop socially. The Chair added that this is also relevant to the development of the ferry services around Scotland and this is an opportunity to address the type and level of services provided for hauliers, tourism, families, visitors, and to attract people to live and work in Shetland. The Forum noted that it was cheaper to travel to a foreign country than to travel to Shetland. The Chair said that information available demonstrates that transport costs have an impact on people considering moving to Shetland. The frustration for this Forum is that the positive contribution to the West Coast is paying off socio-economically and it struggles to see why an equitable provision is not applied to the North Isles.

During further discussion, examples of families constrained by the cost of travelling to Shetland were given, and constraints felt by individuals competing in sports as well as their families who cannot afford to travel as spectators. It was noted that a Tourism Survey in 2015 had been undertaken by tourism businesses and it was agreed that this feedback would be shared with Audit Scotland.

The Lead Officer commented that the services to Shetland were the same as the previous contract but there needs to be capacity in the next contract to plan ahead. The Chair added that the quality of the relationship with Serco and the Scottish Government was much improved. He said that there had been a learning process and future specification development should benefit from what has been learned.

The Forum noted that Serco had listened to customers and communicated well with its customers reacting to any issues brought up. It was noted that Serco arranged for the airport bus to link with the ferry terminal in Aberdeen which improved the transport services for the travelling public. This was seen as a small but important matter. Further comment was made in regard to Serco's good communication and continued focus on customer services. The Chair said however that the continued misconception that it is the provider that is constraining the service needs to be stopped and a better understanding that it is the detail of the contract that has to be addressed is an area that would need more focus. The Chair advised on the need to have the right level and cost attributed to the service and a provider that is sensitive to that issue but also the contract wording has to be done right.

Reference was made to the cost of the North Isles Ferry Contract and it was suggested that the accounts of the provider be made public to understand where

costs are attributed. Mr Laidlaw explained that that information was commercially confidential but details of the contract are received on an annual basis.

Ms Miller advised that Audit Scotland would receive information on the spend incurred on the vessels and harbours but not on staff costs as this is commercial information. She said that how Serco run their business is their own concern. She said that she would categorise the three contracts and see how they have changed over time.

Ms Miller said that there would be evidence gathered until May with the draft report initially being passed to the operator in July for checking and recommendations and conclusions would be presented in October.

Main points from the discussions were:

- Increase in investment in West Coast ferry services not seen elsewhere.
- The principle that the Scottish Government should have responsibility for inter island ferry services should be a consideration for Audit Scotland.
- Fair fares commitment has not been delivered yet.
- Cost of travel compared to other island areas is very disproportionate.
- The planning and development of ferry services around Scotland is done in an ad hoc way.
- Their needs to be fair funding across Scotland's ferry network to provide equal opportunities to all Island communities.
- People are excluded/constrained from opportunities outside the Islands.
- Individuals competing in sports at regional and national level are constrained by Transport.
- The vessels are not ideal and do not perform well in bad weather.
- Continued misconception that it is the provider that is constraining the service needs to be stopped and a better understanding that it is the detail of the contract that has to be addressed is an area that would need more focus.

06/17 **Agenda Items for Future Meetings**

Items for future meetings can be sent to the Lead Officer or the Committee Officer.

07/16 **AOCB**

None

08/16 **Date of Next Meeting**

The date of the next meeting is 2.15pm on 5 July 2017, Room 16, Islesburgh Community Centre, Lerwick.

The meeting concluded at 4.20 p.m.

Chairperson