

Agenda Item	20
Report No	EDI/80/18

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure Committee

Date: 8 November 2018

Report Title: Corran Ferry Options Appraisal

Report By: Director of Community Services

1 Purpose/Executive Summary

- 1.1 This report provides Members with an overview of the draft Corran Ferry Service Options Appraisal undertaken by consultants Peter Brett Associates Ltd. In presenting the Options Appraisal, the Committee is invited to consider and discuss the service and the shortlisted options that are presented.

2 Recommendations

2.1 Members are invited to:

- note the strategic business case options presented in the Corran Ferry Service Options Appraisal;
- approve the appointment of a Project Manager to undertake further exploration of options, in more detail in order to develop a preferred outline business case, including essential consultation with Members and appropriate stakeholders;
- approve discussion with Transport Scotland in order to explore options in more detail; and
- approve that the Governance arrangements for the project will be through the Harbours Board.

3 Background

- 3.1 Corran Ferry Service Options Appraisal - seeking to inform the key questions in operating the ferry: “What level of service should be provided?” and “How should the service be funded and delivered?”
- 3.2 At Lochaber Local Committee on 22 August 2017, Report No LA/14/17, Members **AGREED** that the Corran Ferry Service Options Appraisal should commence in 2017/18, as recommended by the Council Redesign Board Transport Services Review 14 February 2017, by appointment of a private consultant.
- 3.3 The scope of the appraisal was to ensure a sustainable and resilient Corran Ferry Service for the next twenty to thirty years, on the basis that any fixed link type crossing is highly unlikely to be completed within that timescale, and to include investment, efficiency, reliability of service delivery, and fares.
- 3.4 As a result of the tender process through the Public Contracts Scotland tender framework, a consultant firm, Peter Brett Associates Ltd, was appointed to carry out the Corran Ferry Service Options Appraisal, and commenced on 26 February 2018.
- 3.5 The required completion date for the Options Appraisal was in time for the August 2018 Lochaber Local Committee, and the subsequent EDI Committee in November 2018.
- 3.6 The Lochaber Local Committee considered the Options Appraisal at its meeting on 30 August 2018 and Members **AGREED** to the exploration of options in more detail in order to develop a preferred outline business case, including essential consultation with Members and appropriate stakeholders.
- 3.7 Members also agreed to a review of the current crewing model to ensure it remains sustainable, and that a further report be brought back to the Local Committee with proposals when this review has been concluded.

4 The Options Appraisal Report

- 4.1 Details of the Corran Ferry Service Options Appraisal, undertaken by Peter Brett Associates Ltd on behalf of The Highland Council, are contained in the Executive Summary which is attached as an **Appendix** to this report. A presentation of the Options Appraisal will be provided at Committee by Peter Brett Associates.
- 4.2 Due to the significant amount of Exempt Information, the main report which is currently in draft form cannot be made available at this time. However it has been shared with Local Councillors to help inform the discussion and debate going forward.

5 Next Steps

- 5.1 Summary taken from Page 16 of the Executive Summary, Corran Ferry Options Appraisal:
With respect to Transport Scotland’s Business Case Guidance (<https://www.transport.gov.scot/publication/guidance-on-the-development-of-business-cases/>), this STAG-based study also provides / is equivalent to the **Strategic Business Case** for the future of Corran Ferry service. As well as considering vessel and related infrastructure requirements, this analysis has set out the parameters to facilitate an informed debate within THC, as well as between THC and Transport Scotland as to the future delivery of the service.

5.2 As these debates progress, the logical step would be to proceed towards an **Outline Business Case** (OBC) in line with the Transport Scotland guidance. The key purpose of the OBC is to settle on, and develop a preferred option to facilitate subsequent procurement. This would involve:

- development of the dialogue between THC, Transport Scotland, and potentially CMAL & CalMac Ferries Ltd – informing the Commercial, Financial and Management cases in particular;
- development of the shortlisted infrastructure options with a view to reducing optimism bias, determining the preferred option and establishing greater cost certainty prior to any procurement – this issue essentially boils down to a choice between continuing quarter point operation or a switch to straight through ferries;
- detailed engagement with all relevant parties (including potential vessel providers (main and relief) and operators) to develop the vessel solution and associated operational & crewing models, in order to establish greater cost certainty with respect to the vessel and operating costs;
- analysis of the impact of any changes to fares structures on patronage and revenue; and
- public and stakeholder engagement – particularly with respect to vessel design and fares.

5.3 Taken together, these components would provide the basis for an OBC from which the preferred option can subsequently be taken through a Final Business Case to procurement.

5.4 In addition, it is stressed and confirmed the importance of Member involvement and Committee process in taking these matters forward.

6 Project Management and Governance Arrangements

6.1 In order to undertake the detailed further analysis of options, and engagement to develop the Outline Business Case, it is proposed that a dedicated Project Manager is appointed on a fixed term basis to undertake this work. This appointment will be funded through the Corran Ferry Trading Account.

6.2 In order to ensure that Members are fully engaged in the process, it is proposed that the project will be overseen by the Harbours Board. Further reports will be brought back to the Lochaber Local Committee and Environment, Development and Infrastructure Committees at appropriate intervals.

7 Implications

7.1 Legal – relevant legal aspects will be explored appropriately.

7.2 Community (Equality, Poverty and Rural) – the Corran Ferry is a lifeline service with the associated socio-economic implications for the local community.

7.3 Climate Change / Carbon Clever – clean energy options will be considered in

examining future operations.

7.4 Risk – increased service sustainability and future resilience will reduce the risk to future service provision.

7.5 Gaelic – There are no Gaelic implications.

Designation: Director of Community Services

Date: 16 October 2018

Author: Tracey Urry, head of Roads & Transport
Richard Porteous, Roads Operations Manager

Background Papers: [LO Area Committee 30 August 2018 Report No LA/19/18](#)
[LO Area Committee 04 October 2017 Report No LA/23/17](#)
[LO Area Committee 22 August 2017 Report No LA/14/17](#)
[Council Redesign Board Transport Services Review 14 Feb 17](#)

Corran Ferry Services Options Appraisal

Draft STAG Report

DRAFT

On behalf of **Highland Council**



Project Ref: 43238 | Rev: SC | Date: August 2018



Document Control Sheet

Project Name: Corran Ferry Services Options Appraisal

Project Ref: 43238

Report Title: Draft STAG Report

Date: 3rd August 2018

	Name	Position	Signature	Date
Prepared by:	Stephen Canning & Laura Anderson	Associate – Transport Planner / Maritime Civil Engineer	SC/LA	01/08/2018
Reviewed by:	Scott Leitham, Mathew Ross & Bill Davidson	Director, Transport Planning / Head of Maritime (Scotland) / WSMD Associates	SL/MR/WMD	02/08/2018
Approved by:	Scott Leitham	Director, Transport Planning	SL	03/08/2018
For and on behalf of Peter Brett Associates LLP				

Revision	Date	Description	Prepared	Reviewed	Approved

This report has been prepared by Peter Brett Associates LLP ('PBA') on behalf of its client to whom this report is addressed ('Client') in connection with the project described in this report and takes into account the Client's particular instructions and requirements. This report was prepared in accordance with the professional services appointment under which PBA was appointed by its Client. This report is not intended for and should not be relied on by any third party (i.e. parties other than the Client). PBA accepts no duty or responsibility (including in negligence) to any party other than the Client and disclaims all liability of any nature whatsoever to any such party in respect of this report.

Executive Summary

The Corran Ferry service operates the short passenger & vehicle crossing of the Corran Narrows between Nether Lochaber and Ardgour. The service provides a lifeline connection linking the communities of Fort William, Ardgour, Sunart, Ardnamurchan, Moidart, Morar, Morvern and the Isle of Mull. The ferry serves a wide variety of purposes including providing access to employment and other key services for residents, acting as a gateway for tourists visiting the peninsula and meeting the supply chain needs of the above communities.

In recent years, a number of operational, financial and other challenges have emerged which present both short and long-term threats to the future sustainability and viability of the service. Recognising this, the Highland Council (THC) commissioned Peter Brett Associates LLP (PBA), Mott MacDonald Ltd (MML) and WSMD Associates to undertake a Scottish Transport Appraisal Guidance (STAG) appraisal of future options for the Corran Ferry services.

There are two discrete questions which this appraisal seeks to inform:

- What level of service should be provided in the future? (the 'what'); and
- How should the service be funded and delivered? (the 'how').

The outcome of the study is a set of appraised and costed options in relation to the future service specification, and consideration of the different ways in which this could be delivered.

It should be noted at the outset that there is an aspiration for a fixed link across the Corran Narrows. In the context of how projects of this nature are identified, prioritised and funded in Scotland, this is a longer-term proposition. This study is therefore focussed on the immediate transport problems associated with the ferry service, recognising that actions are required to ensure its sustainability in the short to medium term. Consideration of any future fixed link will be a matter for Transport Scotland's Strategic Transport Projects Review 2 (STPR2) and thus does not form part of this appraisal. It should be noted that, even if a fixed link was prioritised in STPR2, this is a very long-term proposition which does not negate the much more immediate need to put the ferry service on a sustainable footing.

Problems & Opportunities

A robust and evidence-based identification of transport problems & opportunities is the starting point for any STAG appraisal. The main issues identified here are:

- The tidal race through the Corran Narrows and the absence of a berthing or aligning structure at the slipways necessitates the use of quarterpoint vessels. This is a unique infrastructure arrangement for this scale of operation in Scotland. Whilst safe and operationally effective, it requires THC to retain two vessels to ensure the provision of a year-round service. THC estimates that the requirement to maintain a year-round relief vessel adds around £100k to the annual revenue costs of the operation, whilst also presenting challenges in terms of maintaining crew familiarisation with the vessel.
- The relief vessel, the MV *Maid of Glencoul* dates from the 1970s and is in urgent need of replacement, not least because sourcing spare parts for her is becoming increasingly problematic.
- The Corran vessels overnight on swinging moorings on the Ardgour side of the crossing, requiring a vessel-to-vessel transfer at the start and end of the operating day. This is an uncommon practice and presents a health & safety risk, albeit one which is currently well managed.
- Whilst the marshalling area on each side of the crossing is generally sufficient, traffic can block back onto the roads during peak periods and when the lower capacity MV *Maid of*

Glencoul is in operation. This creates a safety risk, particularly in relation to the busy A82 trunk road.

- There is an immediate issue in relation to the sustainability of the crewing model:
 - The total number of crew is at or near the minimum complement required to run the current service. Indeed, there is a reliance on overtime to maintain the operation of the service and there is very little spare capacity to accommodate sickness, training etc.
 - Recruitment is proving to be challenging. Agency crew, particularly those with appropriate qualifications, are proving difficult to attract and retain.
 - There is also an emerging demographic challenge as the crew age profile increases.
 - The Corran Ferry is the busiest single vessel route in Scotland and thus there is pressure on the crew to meet the needs of this frequent and busy service.
- Vehicle deck capacity can be a problem on peak sailings on the Corran Ferry. This problem is addressed through departing from the timetable and operating the service in shuttle mode, but this places added time and workload pressure on the crew.
- Fares are a key issue for the communities served by the ferry, with consultation respondents noting that the current level of fares is inhibiting the economic development of the community.
- Whilst the Corran Ferry service maintains a very high standard of reliability, it is important to bear in mind that, as both vessels get older, the probability of breakdowns increases and the repairs / sourcing of parts may take longer. This is particularly the case with the *MV Maid of Glencoul*, which dates from the 1970s. There is therefore an emerging longer-term reliability problem to be addressed on the crossing.
- During periods when the Corran Ferry is out of service, the road based diversion is lengthy – for example, for residents of Morvern, Sunart and Ardgour, the car-based journey time to Fort William increases by around 30-40 minutes.
- Commercial vehicle access to the eastern part of the study area is hampered by a 12 feet height restriction on the A861, which makes the Corran Ferry the means of accessing Ardgour and beyond (including Lochaline for services to Fishnish on Mull). General service outages are problematic in this respect and give rise to a degree of severance for the peninsula. However, a more specific issue arises when the primary vessel, the *MV Corran*, is out of service. The secondary vessel, the *MV Maid of Glencoul*, is also limited to carrying shorter articulated lorries and a maximum of 38t in weight; 16 feet in height; and 12 metres (rigid) / 15 metres (artic) in length. Consequently, and because there are height and weight restrictions on the alternative road routes, the peninsula is effectively cut off for many large commercial vehicles when she is in service.
- The Oban – Craignure ferry service is currently operated on a year-round basis by the *MV Isle of Mull*. She is a closed deck vessel and therefore cannot carry certain categories of dangerous goods, which instead route via the Corran Ferry and Lochaline – Fishnish. The reliability of the Corran Ferry service is therefore important in meeting this island need during the winter timetable, when the *MV Isle of Mull* is operating on her own. The scheduled deployment of the *MV Maid of Glencoul* for refit cover typically coincides with this period. Dangerous goods access to Mull via Corran and Lochaline therefore becomes challenging for the six or so weeks per year that *MV Corran* is away for refit.
- In terms of methods of delivery, the Corran Ferry is the only route of any significance operated by THC. Responsibility for the ferry service sits within the Council's Roads and Transport Department, rather than a specific marine department or arms-length ferry operating company. This means that Highland Council does not benefit from the economies of scale that accrue to the likes of Orkney and Shetland Islands Councils, both in terms of cost and regulatory compliance. From an operational perspective, the operation of the route in isolation has led to a very specific infrastructure design and has limited the ability to secure refit / breakdown cover from elsewhere, thus necessitating the retention of a second vessel. In addition, the ability to attract and retain both regular and

agency crew is becoming a threat to the sustainability of the service. This problem again stems from the route being operated in isolation.

Transport Planning Objectives

The setting of Transport Planning Objectives (TPOs) is a key step in the STAG process as they define what the policymaker should be seeking to achieve through the transport intervention. The TPOs are generally the primary basis by which the impacts of options on the issues specific to a study are assessed. However, in the context of ferry services, the Transport Scotland Routes & Services Methodology provides a 'top-down' guide as to the appropriate level of service for a given community.

Routes & Services Methodology

As part of their comprehensive review of all publicly supported ferry services in Scotland, Transport Scotland developed a 'Routes & Services Methodology' (RSM) designed to ensure a consistent approach to ferry service provision across the country. The RSM is a six-step process which aims to identify whether gaps exist in the current level of service provision¹ for ferry-dependent communities in Scotland. It is intended to be applied consistently across all communities served by the ferries network. Where gaps are identified, options to address the gaps are developed and appraised to set the priorities for future spending.

Our review of the RSM results for the study area establishes that **the current Corran Ferry service is fully aligned to the model service specification**. The options considered in this study are therefore focused on any **infrastructure investment** required to **maintain** the current level of service.

Transport Planning Objectives

The following Transport Planning Objectives were set as a basis for the appraisal in recognition of the evidenced problems & opportunities:

- **Transport Planning Objective 1:** The infrastructure and operational practices of the Corran Ferry should be aligned with comparable routes elsewhere in Scotland.
- **Transport Planning Objective 2:** The Corran Ferry should facilitate year-round access to Ardgour and beyond for all vehicle types.
- **Transport Planning Objective 3:** The available vehicular capacity of the ferry service should as far as possible facilitate compliance with the published timetable.
- **Transport Planning Objective 4:** The delivery and funding model should ensure the long-term sustainability and resilience of the Corran Ferry service.

Infrastructure Options Development

In keeping with STAG, a set of 'Infrastructure Options' were generated at the 'Initial Appraisal' stage. Options which were either undeliverable or did not make a meaningful contribution to the TPOs were discounted at this stage. The options were then subjected to a more detailed assessment in terms of their performance against the TPOs and with respect to their affordability to identify a shortlist. In developing the shortlist of options, it was considered that:

- Immediately introducing two new vessels to the route would be disproportionate given the remaining lifespan of the MV *Corran* and the relatively infrequent use of the second vessel; and

¹ Defined by the number of days which the service operates, the number of crossings per day and the length of the operating day.

- A new vessel with an equivalent vehicle deck capacity to the MV *Corran* would not address the evidenced capacity options, and thus only options which offered a larger capacity main vessel were progressed to the Detailed Appraisal stage.

The following options were therefore shortlisted for further consideration at the detailed appraisal stage:

- Option 1a: 1 * new larger quarter point vessel, with MV *Corran* retained as the refit / relief / second vessel. Two overnight berths would be required.
- Option 2c: 1 * larger straight through vessel, with MV *Corran* retained as the refit / relief / second vessel. Two overnight berths would be required. A berthing or aligning structure is required.
- Option 2d: 1 * larger straight through vessel, with refit / relief / second vessel secured from elsewhere. One overnight berth would be required. A berthing or aligning structure is required.

Appraisal of Infrastructure Options – Transport Planning Objectives

STAG involves the appraisal of all options on a seven-point scale, as follows:

- ✓✓✓ - Major Positive
- ✓✓ - Moderate Positive
- ✓ - Minor Positive
- – Neutral
- ✗ - Minor Negative
- ✗✗ - Moderate Negative
- ✗✗✗ - Major Negative

The table below provides a summary of the appraisal of each option against the Transport Planning Objectives:

Appraisal of Options against TPOs

Infrastructure Option	Description	Relief / 2 nd Vessel	TPO 1 – infrastructure	TPO 2 – Year round access for all vehicles	TPO 3 – capacity
1a	1 * L QP	MV <i>Corran</i>	✓✓	✓	✓
2c	1 * L ST	MV <i>Corran</i>	✓✓	✓✓	✓
2d	1 * L ST	From fleet	✓✓	✓	✓

The following points should be noted from the above table:

- All three options involve upgrades to the slipways, which would address the infrastructure issues associated with marshalling, the width of the slipways, commercial vehicle swept paths etc.
- It is proposed under all of the options to retire the MV *Maid of Glencoul*, which would remove the current impediments to year round access by all vehicle types. Options 1a and 2c score more highly with respect to year round access as they offer guaranteed asset availability immediately all year round. In Option 2d, whilst it would be possible to procure a relief vessel to cover scheduled drydocking and breakdowns, there is a risk of service outages whilst a vessel is cascaded to the Corran route

Appraisal of Options – STAG Criteria

The following table summarises the performance of each option against the STAG criteria:

Appraisal of Options against TPOs

Infrastructure Option	Description	Relief / 2 nd Vessel	Environment	Safety	Economy	Integration	Accessibility & Social Inclusion
1a	1 * L QP	MV <i>Corran</i>	x	✓✓	✓✓	✓	○
2c	1 * L ST	MV <i>Corran</i>	xx	✓✓	✓✓	✓	○
2d	1 * L ST	From fleet	xx	✓	✓	✓	○

The following points should be noted from the above table:

- From an **environment** perspective, all options are likely to have a negative environmental impact to a greater or lesser degree. However, the research undertaken as part of this study suggests that these impacts will generally be minor and short-term (associated with construction) and can be mitigated to a degree. The Construction Works associated with the two options which introduce a *Loch* Class type vessel (Options 2c & 2d) are of a greater scale than Option 1a. Consequently, these options have greater negative impacts in terms of noise & vibration, visual amenity, landscape and local air quality.
- All of the options record a positive impact against the **safety** criterion, although the benefit is more about reducing the risk of accidents (e.g. vessel-to-vessel crew transfer, vehicles blocking back out of the marshalling area etc) rather than addressing an evidenced accident / safety problem. Options 1a and 2c, where the MV *Corran* is retained record a larger benefit in terms of reducing the risk of accidents as they:
 - eliminate the process of vessel-to-vessel transfer;
 - extend / realign the marshalling areas; and
 - ensure that a suitable vessel is available to operate the route on a year-round basis.
- Option 2d delivers the first two bullets above. However, unless a suitable relief cover arrangement is put in place, there is a risk that any relief vessel could be capacity constrained, leading to blocking back out of the marshalling area or incapable of carrying large CVs, leading to additional road miles on poor quality roads.
- Options 1a and 2c would provide moderate **economy** benefits in that the increase in capacity would reduce the volume of 'short-shipped' traffic during peak periods, thus reducing average travel times across the year. This would particularly be the case when events are on in the area, on summer weekends and over the period when the MV *Maid of Glencoul* is currently in operation. Option 2d would provide a similar benefit when the new larger straight through vessel is in operation, but the benefits are less certain around refit time in terms of the availability and capacity of the relieving vessel.
- All of the options offer a minor benefit in terms of **transport integration** in that they reduce the current constraints associated with large commercial vehicles when the MV *Maid of Glencoul* is in operation. They will also ensure plentiful capacity for scheduled bus services using the Corran Ferry, although there is no evidence that this is a problem at present. All three options make a positive contribution to the **policy integration**

criterion, in that they would support the long-term sustainability of the service by addressing the current asset related issues.

- As the options presented are focused on maintaining the current level of service, they are broadly neutral from an **accessibility & social inclusion** perspective.

Methods of Delivery

Having shortlisted the infrastructure options which could deliver the TPOs and ensure the sustainability of the service, the key outstanding question is how both the assets and the service should be delivered in the future. This is a complex area and is not easily summarised, although the key points and questions are set out below.

The principal issues to be considered in terms of the methods of delivery are as follows:

- Who is funding the capital and revenue requirements of the service?
- Who owns the landside infrastructure?
- Who provides the vessel(s) and how is relief cover provided?
- Who operates the service?
- How are the fares set and what level should they be at?

The following methods of delivery options have been shortlisted, based on their contribution to TPO4:

- **MoD, Do Minimum:** THC continue to operate the service on the same basis as at present.
- **MoD1, Public Sector Operation:** Transfer of responsibilities to Transport Scotland, with the Corran Ferry being run on an 'in-house' basis.
- **MoD2, Public Service Obligation:** THC specifies a Public Service Obligation (PSO) on the Corran Narrows and depends on finding an operator(s) to run the service (as specified by THC) without subsidy.
- **MoD3, Public Service Contract:** Specify a Public Service Contract (PSC) and seek an operator to run the route with subsidy – there are two variants to this option:
 - **MoD3a:** THC to establish a PSC and seek an operator to run the route.
 - **MoD3b:** Seek a transfer of responsibilities to Transport Scotland, which would establish a PSC and seek an operator to run the route.

The table below summarises the delivery models and potential sub-options under each model in terms of infrastructure owner, vessel provider, operator and operating deficit funding provider:

*Note – in all cases in the table below where **Transport Scotland** is identified as the Operating Deficit Funding Provider, it is assumed that this is on a ‘no net detriment’ to Transport Scotland basis (i.e. the deficit, whilst paid by Transport Scotland, is funded by a reduction in the THC Grant Aided Expenditure settlement).*

Summary of Potential Delivery Models

Infrastructure Owner	Vessel Provider	Operator	Operating Deficit Funding Provider
Do Min - Public sector operation – continue with current THC delivery model			
Highland Council	Highland Council	Highland Council	Highland Council
MoD1 - Public sector operation – transfer of responsibilities to Transport Scotland			
CMAL	CMAL	CalMac	Transport Scotland
Highland Council	CMAL	CalMac	Transport Scotland
MoD2 – Public Service Obligation			
Highland Council	Private Operator	Private Operator	None
MoD3a: Public Service Contract – The Highland Council			
Highland Council	Private Operator	Private Operator / Public Sector Bidder	Highland Council
Highland Council	Highland Council	Private Operator / Public Sector Bidder	Highland Council
MoD3b: Public Service Contract – Transfer of Responsibilities to Transport Scotland			
Highland Council	Private Operator	Private Operator / Public Sector Bidder	Transport Scotland
Highland Council	CMAL	Private Operator / Public Sector Bidder	Transport Scotland
CMAL	Private Operator	Private Operator / Public Sector Bidder	Transport Scotland
CMAL	CMAL	Private Operator / Public Sector Bidder	Transport Scotland

With respect to each delivery model, there are a series of outstanding questions in relation to vessels & refit / relief / breakdown cover; slipways & infrastructure; crewing; and fares, and little by way of precedent to go on. The outputs from this study should be used as the basis for further exploring these questions within THC, with Transport Scotland and potentially with prospective operators through a market testing exercise.

Cost to Government

In terms of capital cost, the key decision point which emerges from this study is whether there should be a commitment to provide aligning structures at both berths to facilitate the use of straight-through vessels in the tidal narrows. Although this implies a higher capital cost than continuing with the current operational practice, it would remove the constraints on the route once and for all which require the current bespoke solution. This higher up front cost should therefore be seen in the context of the longer-term benefits.

The table below provides a summary of the high-level capital costs of the three options. It is assumed that all costs are paid in a one-off up-front sum and thus we have not provided a 30-year discounted cost stream. Implicit within this approach is that we assume under Options 1a and 2c that the MV *Corran* would remain a viable vessel for the 30-year duration of the

appraisal due to the infrequent use of the second vessel. The infrastructure costs are subject to 44% Optimism Bias at this stage, as per the STAG Technical Database. New vessels are not subject to Optimism Bias.

High Level Capital Cost

	Infrastructure Costs ²	Vessel Costs (hybrid) ³⁴	Vessel Costs (conventional)
Option 1a - 1 * Larger QP / MV Corran 2 nd Vessel / 2 * Overnight Berth	£14.8m	£14m - £17m	£8m - £10m
Option 2c – 1 * Larger ST / MV Corran 2 nd Vessel / 2 * Overnight Berth	£23.0m	£14m - £17m	£8m - £10m
Option 2d - 1 * Larger ST / 2 nd Vessel from fleet / 1 * Overnight Berth	£23.0m	£14m - £17m	£8m - £10m

It is worth noting that if a fixed link across the Corran Narrows is realised in the long-term, any new quarter point vessels would likely have less resale value / redeployment potential compared to a straight through equivalent.

With respect to operating costs, as the nature of the service does not materially change under the options, the operating cost structure which emerges will reflect the vessel design, the arrangements for relief cover, and the crewing & operational models adopted. The analysis undertaken in this study suggests that, relative to today, some aspects of cost may rise and some may fall leading to a position of broad neutrality or modest increase. A step change in operating costs is not foreseen under any of the options considered here. Overall, there will be a net Cost to Government associated with any of the service and delivery options. However, the cost to different parts of the public sector may vary if THC seek to involve others parties in providing the service. The balance of cost to these different parties would be the subject of negotiation and the issues set out here will help inform this discussion.

Risk & Uncertainty

Taken as a whole, the potential risks and uncertainties associated with the proposed options are relatively minor and, from a financial perspective, captured through the application of Optimism Bias.

The principal uncertainty which needs to be addressed is the method of delivery. At present, there are a significant number of unanswered questions which will need to be resolved between the various parties before a preferred option can be identified and taken forward to procurement.

Public Acceptability

The approach to consulting on options in this study has reflected the scope of work and intended outcomes. This study is not a typical STAG appraisal in that:

- The focus is not on materially improving service levels from the public perspective (outwith an increase in vessel capacity), rather it is on putting the current services on a more sustainable long-term footing – there is therefore little differentiation between the options as perceived by the public providing the objectives are met.
- In considering the methods of delivery, this study also strays into consideration of the ‘Commercial’, ‘Financial’ and ‘Management’ Cases, which would typically only be

² Includes optimism bias at 44%

³ No optimism bias applied to vessel costs as these are based on outturn costs for previous vessels

⁴ Note – vessel costs are based largely on recent ferries built at Scottish yards.

developed in an Outline Business Case, which would follow on from a STAG appraisal.⁵ As previously noted, there is a range of unresolved issues around each method of delivery which would need to be resolved before the options could be presented to the public and stakeholders.

Given the above, the approach taken to consulting on the options at this stage has been to present them to, and discuss them with Elected Members. Once a greater degree of clarity is obtained on the questions surrounding each delivery model and a preferred option has been identified, it would potentially be beneficial to consult with the public and local stakeholders at this stage.

Summarise feedback from Members

Next Steps

With respect to Transport Scotland's Business Case Guidance⁶, this STAG-based study also provides / is equivalent to the **Strategic Business Case** for the future of Corran Ferry service. As well as considering vessel and related infrastructure requirements, this analysis has set out the parameters to facilitate an informed debate within THC, as well as between THC and Transport Scotland as to the future delivery of the service.

As these debates progress, the logical step would be to proceed towards an **Outline Business Case** (OBC), in line with the Transport Scotland guidance. The key purpose of the OBC is to settle on, and develop a preferred option to facilitate subsequent procurement. This would involve:

- development of the dialogue between THC, Transport Scotland, and potentially CMAL & CalMac Ferries Ltd – informing the Commercial, Financial and Management cases in particular;
- development of the shortlisted infrastructure options with a view to reducing optimism bias, determining the preferred option and establishing greater cost certainty prior to any procurement – this issue essentially boils down to a choice between continuing quarter point operation or a switch to straight through ferries;
- detailed engagement with all relevant parties (including potential vessel providers (main and relief) and operators) to develop the vessel solution and associated operational & crewing models, in order to establish greater cost certainty with respect to the vessel and operating costs;
- analysis of the impact of any changes to fares structures on patronage and revenue; and
- public and stakeholder engagement – particularly with respect to vessel design and fares.

Taken together these components would provide the basis for an OBC from which the preferred option can subsequently be taken through a Final Business Case to procurement.

⁵ Note – a completed STAG Appraisal is considered equivalent to the Strategic Business Case, which precedes the Outline Business Case.

⁶ <https://www.transport.gov.scot/publication/guidance-on-the-development-of-business-cases/>