

Scottish Ferries Review

September 2010

Introduction

The Federation of Small Businesses (FSB) is Scotland's largest direct-member business organisation with approximately 20,000 members, 51% of which come from rural or remote areas¹. We campaign for an economic and social environment which allows small businesses to grow and prosper wherever they are based.

We are pleased to submit our comments on the Scottish Ferries Consultation and welcome the review of ferry services in Scotland to address the increasing costs and inefficiencies of current arrangements. It is essential to our members that island or peninsula-based businesses receive a fair and efficient ferry service that meets their needs. These businesses contribute significantly to their local economy and any savings made by cutting services must be weighed against the risk of diminished economic performance. Wiser investment to deliver faster and more frequent sailings will enable remote and island economies to grow.

The FSB hopes that the Ferries Review will result in a national strategy which facilitates local and national economic and environmental sustainability.

Strategic oversight

The FSB recognises that current ferry services in Scotland are operating at increasing cost and that there are various inefficiencies which also require attention, namely:

- the apparent unprofitability of many essential routes;
- lack of coordination with other forms of transport;
- the ageing fleet; *but also*
- lack of overall control and vision in the provision of ferries and land based facilities such as:
 - the unused Dunoon linkspan, costing £6 million; and
 - the development of Port Askaig and Rothesay Piers which significantly exceeded its budget.

The FSB believes that ferry services should be seen as an extension of the road network in Scotland and as such should be of national importance.

There appears therefore to be an argument for the appointment of a group to oversee the management of coastal projects and tendering of ferry routes across Scotland. This would enable other essential investments to be made in Scottish ferry services, such as:

- the introduction of a Lochboisdale to Mallaig ferry, reducing journey times between the Uists and the mainland;

¹ FSB ICM 'Voice of Small Business' Annual Survey 2009

- two-vessel coverage of the Uig, Lochmaddy, Tarbert triangle, increasing the regularity and reliability of the service;
- the upgrade of the Port Ellen pier to accommodate the new vessel's requirements; and
- review the business case for a new route between Ayrshire, Campbeltown and Northern Ireland, which would boost tourism and business opportunities.

Our members believe that better management of the available resources can in part deliver the improvements necessary to the benefit of local businesses using the services.

Unbundling ferry routes

The unbundling of ferry routes in the West of Scotland, particularly in the Inner Hebrides and Clyde Estuary, is a topic that has been discussed for many years. The FSB supports the principle that increased competition by unbundling ferry routes would improve services for customers and inject private sector investment enabling the much-needed upgrade of the fleet and a potential increase in reserve capacity. We are however conscious that a balance must be struck between, on the one hand, opening single, profitable routes for wider competition; and on the other, ensuring the less profitable, but vitally important lifeline services in northern Scotland are maintained with reasonable levels of public sector subsidy. Therefore the FSB would recommend market testing of all current and potential routes so that the information required to reach such a balance is available.

Road Equivalent Tariff

The FSB was pleased to support the introduction of a pilot scheme to test to viability of a road equivalent tariff. This approach underlines the principle supported by our members that Scotland's ferry services are an extension of the nation's main road network, and an essential part of our infrastructure. The pilot has shown demonstrable success in increasing visitor numbers by 19% to the Western Isles in the initial years of the pilot, according to the Interim Evaluation Report on the RET pilot published by Halcrow earlier this year. There has also been an average increase in turnover of around 22% for local businesses. Feedback from our members suggests that the positive economic impact of the scheme is still building as a result of the scheme, and not just in the islands to which the RET services run but also in the mainland Highlands and Skye, which suggests that RET may have a wider influence on the Scottish tourism industry than initially envisaged. They further tell us that RET may turn out to be one of the single-most effective economic development initiatives implemented in the Islands in recent years.

The FSB now therefore seeks an extension of the scheme beyond the routes currently participating, to routes where the economic benefits are likely to be replicated. The FSB considers that this would add depth to existing knowledge and constitute a more comprehensive evaluation of the scheme. Given the need for more central strategic direction and oversight of Scotland's ferry routes, the application of the scheme across all routes is necessary to determine its overall effectiveness.

Concluding remarks

The FSB recognises the importance of ferry services to Scotland and would like to see faster and more frequent sailings to support local economies in remote and island communities. The FSB's members in these communities have considerable experience of the issues surrounding ferry provision and would be happy to assist with this review and moving the debate forward in the coming months.

For further information on any of the points raised in this submission, please contact Martyn McIntyre, Policy Officer, on Scotland.policy@fsb.org.uk or 0141 221 0775.
