If calling please ask for:
Leisel Malcolmson
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Date: 7 December 2017

Dear Sir/Madam

You are invited to the following meeting:

Zetland Transport Partnership (ZetTrans)
Council Chamber, Town Hall, Lerwick
Thursday 14 December 2017 at 10am

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

Yours faithfully

J R Riise
Secretary to ZetTrans

AGENDA

(a)   Hold circular calling the meeting as read.

(b)   Apologies for absence, if any.

(c)   Declarations of Interest.

(d)   Confirm Minutes of Meetings held on 2 November 2017 (enclosed).

Item	
1.	Management Accounts for ZetTrans: 2017/18 – Projected Outturn at Quarter 2 *ZTP-30*
2.	Audit Scotland Report on Transport Scotland's Ferry Services *ZTP-33*

3.	Northern Isles Consultative Forum *ZTP-34*	
4.	Mandatory Annual Reporting of Climate Change Duties *ZTP-36*	
5.	ZetTrans Response to Transport Scotland's Consultation on Concessionary Travel for Older and Disabled People and Modern Apprentices *ZTP-35*	
6.	ZetTrans Response to Transport Scotland's Consultation on: Local Bus Services in Scotland – Improving the Framework for Delivery *ZTP-37*	
7.	ZetTrans Response to Transport Scotland's Consultation on: The Future of Smart Ticketing *ZTP-38*	
8.	Business Programme 2017/18 *ZTP-31*	
9.	Business Programme and Meeting Dates 2018/19	
	ZTP-32	

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Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	Zetland Transport Partnership – Management Accounts 2017/18 – Projected Outturn at Quarter 2	
Reference Number:	ZTP–30–17-F	
Author / Job Title:	Jonathan Belford – Proper Officer for Finance	

1.0   Decisions / Action required:

1.1   The Zetland Transport Partnership RESOLVE to review the Management Accounts showing the projected outturn position for ZetTrans at Quarter 2.

2.0   High Level Summary:

2.1   The purpose of this report is to enable the Zetland Transport Partnership to note its financial performance of ZetTrans for the 2017/18 financial year.

2.2   On 21 February 2017, (ZTP Min Ref: 10/17) the Zetland Transport Partnership approved its 2017/18 revenue budgets. It is vital to the economic wellbeing of the Partnership and its stakeholders that the financial resources are managed effectively and expenditure and income is delivered in line with the approved budget.

2.3   On 2 November 2017, (ZTP Min Ref: 23/17) the Zetland Transport Partnership noted a report on functional responsibility for securing the provision of public passenger transport services. Changes noted in that report will be reflected in future monitoring reports, once all appropriate actions have been taken.

2.4   This report forms part of the financial governance and stewardship framework, which ensures that the financial position of the Partnership is acknowledged, understood and quantified on a regular basis. It provides assurance to the members that resources are being managed effectively and allows corrective action to be taken where necessary.

2.5   It is essential that budgets are delivered by the year end, as any overspend is required to be met by an increased contribution from Shetland Islands Council.

3.0   Key Issues:

3.1   This report presents the projected outturn position for 2017/18 as at the end of the Second quarter. The forecasts have been determined by Shetland Islands Council Finance Services after consultation with the Lead Officer.

3.2   The projected outturn position for ZetTrans is equal to the budget set for Core Services and the Public Bus Service, though underspending in both areas is projected to require £109k less funding from the SIC.

3.5	See appendix 1 for detailed information on the outturn position.

4.0	**Exempt and/or confidential information:**
4.1 None.	

5.0 Implications :	

5.1 Service Users, Patients and Communities:	None.
5.2 Human Resources and Organisational Development:	None.
5.3 Equality, Diversity and Human Rights:	None.
5.4 Legal:	The Zetland Transport Partnership was established by and exists in accordance with legislation made under the Transport (Scotland) Act 2005. Under The Transfer of Functions to the Shetland Transport Partnership Order 2006 certain functions relating to public transport were transferred from the Council to ZetTrans. These include the duties of the Council under section 63 of the Transport Act 1985 namely: • to secure the provision of such public passenger transport services as the Council consider it appropriate to secure to meet any public transport requirements within their area which would not in their view be met apart from any action taken by them for that purpose; and • to formulate from time to time general policies as to the descriptions of services they propose to secure. ZetTrans are, specifically, not responsible for the Council's transport functions insofar as they refer to educational or social work purposes. By Minute of Agreement between the Council and ZetTrans the parties agreed that certain administrative and, where requested, professional services be provided to ZetTrans. In the provision of such services the Council acts as agent of ZetTrans and Council officers have the authority to enter into contracts on behalf of ZetTrans.

5.5 **Finance:**	In accordance with Section 3 of the Transport (Scotland) Act 2005, the net expenses of ZetTrans for each financial year shall be paid by the Council, however the main financial objective for ZetTrans shall be to ensure that the financial outturn achieved in 2017/18 is within the approved resource budget, in line with that allocated by Scottish Ministers. The projected revenue outturn position for ZetTrans is to meet its budget on Core Services and Public Bus Services. It is projected to require £109k less financial support from the Council to do so.
5.6 **Assets and Property:**	None.
5.7 **ICT and new technologies:**	None.
5.8 **Environmental:**	None.
5.9 **Risk Management:**	There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management. From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact. The main financial risks for ZetTrans are: • security of public bus fare income.
5.10 **Policy and Delegated Authority:**	The Partnership has authority to take decisions and monitor performance in terms of its statutory obligations in relation to its delegated functions. This report provides information and assurance, to the Partnership, in respect of service provision in relation to approved budgets.
5.11 **Previously considered by:**	Not Applicable.	

Contact Details:

Ivor Johnson, Senior Assistant Accountant, ivor.johnson@shetland.gov.uk,

Appendices:

Appendix 1 – Zetland Transport Partnership – Draft Revenue Outturn Position 2017/18 Financial Year

Zetland Transport Partnership

1.0 - Projected Revenue Outturn Position 2017/17 Financial Year

Proj. Outturn Variance Q1 (Adv) / Pos £000	ZetTrans - Quarter 2 - 2017/18	Annual Budget 2017/18 £000	Projected Outturn Quarter 2 2017/18 £000	Proj. Outturn Variance Quarter 2 (Adv) / Pos £000
	CORE SERVICES			
0	Support Services	161	156	6
0	Consultants	0	0	0
0	External Audit Fees	11	11	0
0	Grants to Organisations	5	5	0
0	**Total Core Expenditure**	**177**	**171**	**6**
0	Regional Transport Funding	(132)	(132)	0
0	SIC Match Funding	(44)	(39)	(6)
0	Bank Interest	(0)	(0)	0
0	**Total Core Funding Income**	**(177)**	**(171)**	**(6)**
0	**Core Services Variance**	**0**	**0**	**0**
	PUBLIC BUS SERVICES			
0	Contracts	2,633	2,544	89
0	**Total Public Bus Service Expenditure**	**2,633**	**2,544**	**89**
	Concession Income	(104)	(138)	34
0	Public Bus Service Income	(609)	(589)	(20)
0	Public Bus Service Contribution (SIC)	(1,920)	(1,817)	(103)
0	**Total Public Bus Service Income**	**(2,633)**	**(2,544)**	**(89)**
0	**Public Bus Services Variance**	**0**	**0**	**0**

Included in the above table are the projected variances presented as at Quarter 1. The main difference between the two quarters can be explained by the application of the lower than budgeted inflationary increase of the contract costs for the provision of the bus service during the second quarter and the release from the expected obligation of repair and maintenance costs for a particular service.

Explanations of the main variances at Quarter 2 are set out below:

1.1 Core Services, Support Services – Projected Underspend £6k (3%)

There is no significant variance in this area.

1.2 Core Services, SIC Match Funding - Projected Shortfall £6k (13%)

There is no significant variance in this area. This reflects the underspend in point 1.1 above.

1.3   Public Bus Services, Contracts – Projected Underspend £89k (3%)

The main variances in this area are the result of:
- Lower than anticipated contract indexation - £44k; and
- Tendering of the Westside Mainline removed the need to repair and maintain two previously unreliable busses - £31k.

1.4   Public Bus Services, Contribution (SIC) – Projected Shortfall (£103k) (5%)

Due to the savings detailed at 1.3 above, the contribution from the Council is lower than budgeted.

Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	Audit Scotland Report on Transport Scotland's Ferry Services	
Reference Number:	ZTP-33-17-F	
Author / Job Title:	Lead Officer, ZetTrans.	

1.0	**Decisions / Action Required:**

The Partnership is invited to NOTE: -

1.1   The Auditor General's report on Transport Scotland's Ferry Services attached as Appendix 1 to this report;

1.2   The key points of the report which are summarised in section 4.1 of this report; and

1.3   The recommendations of the report summarised in section 4.2 of this report.

The Partnership RESOLVES to: -

1.4   Instruct the Lead Officer to write to Audit Scotland welcoming the publication of the report and discuss further how the implementation of the recommendations of the report can be supported to include the input of ZetTrans and Shetland Islands Council as well as wider stakeholders in Shetland.

1.5   Instruct the Lead Officer to write to Transport Scotland expressing that ZetTrans views the development of a long term strategy for Scotland's Ferry Services as a priority and that it is crucial to involve ZetTrans and local stakeholders in the process.

2.0	**High Level Summary:**

2.1   Over the course of late 2016 and the first half of 2017 the Auditor General undertook an audit of Transport Scotland's Ferry Services culminating in a report, which was published in October 2017 (attached as Appendix 1).

2.2   The report provides a detailed consideration of the services contracted by Transport Scotland. It provides several key observations and a set of recommendations to be considered by Transport Scotland.

2.3   The report provides an excellent basis for ZetTrans to seek engagement with Transport Scotland in developing and defining a strategic plan for ferry services in Scotland and to ensure the social and economic well being of Shetland is adequately addressed in the process.

3.0	**Corporate Priorities and Joint Working:**

3.1 The current Shetland Transport Strategy states: -

ZetTrans supports the existing arrangements for procurement and tendering of the Northern Isles Ferry Service and will seek to ensure that future improvements are built into the specification of future tenders. We will also consider options for the future development of the Northern Isles Ferry Service, including alternative vessel options and route configurations, in order to inform future reviews of the service

3.2 Shetland Islands Council's "Our Plan 2016 to 2020" states '*We will provide quality transport services within Shetland and push for improvements in services to and from Shetland*'.

3.3 It is crucial that ZetTrans in undertaking its duties works very closely with Shetland Islands Council and the Shetland Partnership to effectively develop and implement medium and long term plans that are aligned with available Shetland Islands Council resources as well as alignment with the Shetland Partnership's outcomes as expressed through the Local Outcomes Improvement Plan.

4.0	**Key Issues:**

4.1 The Audit Scotland report sets out five key messages which are summarised below:

4.1.1 There are 66 scheduled ferry routes in Scotland 32 of which are directly subsidised by through Transport Scotland. In 2016/17 Transport Scotland spent £209.7 million on ferry services and assets, such as vessels and harbours. Between 2007/08 and 2016/17 spending on ferries rose by 115% in real terms and on the Clyde and Hebrides Ferry Services (CHFS) network subsidy increased by 185% due to increased services, new vessels and the introduction of RET. By contrast spending on the Northern Isles Ferry Services increased overall by only 3% over the same period with a 24% reduction since 2012.

4.1.2 There is no Scotland-wide, long-term strategy for ferries which takes into account proposed developments to ferry operations and the condition of a significant proportion of the ferries infrastructure is not known. This means the full extent of Transport Scotland's future spending requirements on services and assets is not known. In the context of limited public finances, Transport Scotland will find it challenging to continue to provide ferry services that meet the needs of users within its allocated budget.

4.1.3 Ferry contracts are performing well and Ferry users are generally happy with services but there is variation across routes and some frustrations exist. Transport Scotland's arrangements for consulting and involving ferry users could be improved [note the report states that ZetTrans' External Transport Forum works well]. Ferry responsibilities and accountabilities are not well understood by users. Transport Scotland does not routinely measure the contribution that ferry services make to social and economic outcomes at a network level, which makes it difficult to determine whether its spending is value for money. Better information would allow Transport Scotland to demonstrate the impact of its decisions and the contribution that ferries make to the Scottish Government's National Outcomes.

4.1.4   Transport Scotland has previously treated ferry procurement exercises as individual projects rather than a programme. It is now developing a more strategic approach for future procurements, which should help improve planning, the use of resources and knowledge transfer.

4.1.5   Transport Scotland received one compliant bid for the new CHFS contract, which it awarded to CalMac at a cost of £868 million over eight years. CalMac's bid met the minimum quality requirements and was £128 million lower than Transport Scotland's estimate of the contract cost. Transport Scotland updated the contract before its start date to reflect, for example, planned timetable changes and this has increased the contract cost to £975 million. Contract management arrangements are still evolving and could be strengthened.

4.2   The report also gives several recommendations: -

Transport Scotland should:

- As part of its Strategic Transport Projects Review, develop a Scotland-wide, long-term strategy for its network of subsidised ferries. This should: -

    o   take into account progress already made against the Ferries Plan and proposed developments to its ferry operations;

    o   set out its intended benefits of subsidised ferry services, how these contribute to National Outcomes and how these will be measured, monitored and reported. It should then consider how this information could be used to inform operational and financial decisions and to demonstrate that ferry services are value for money;

    o   include an assessment of the long-term affordability of its spending on services and assets. This should take into account the level of service required, the condition of assets and the need for capital investment;

    o   set out how its spending will be prioritised across its network;

    o   be monitored regularly to ensure it is on time and on budget;

    o   be reviewed regularly to ensure it remains relevant and affordable.

- Ensure that it has adequate resources to develop, monitor and report against its long-term ferries strategy.

- Improve the transparency of decision-making for ferry users. This may include streamlining and formalising how it consults with and involves ferry users, by giving specific user groups a formal remit to comment on operational and policy matters

- Improve its approach to procuring ferry services. This should include:

    o   ensuring that procurement teams include staff with procurement qualifications and experience of the ferry sector;

        o   applying lessons from previous procurement exercises;

        o   building in sufficient time to prepare important project documentation, such as business cases;

        o   ensuring that contract specifications are accurate, up to date and clear to potential bidders;

        o   providing bidders with clear, good-quality and timely data to allow them to make informed bids.

- Strengthen its contract management arrangements by:

        o   ensuring there is a sufficient number of people, with the right expertise, to effectively manage ferry contracts;

        o   involving the contract management team in ferry procurement exercises to inform its understanding of contract requirements.

Transport Scotland, along with Caledonian Maritime Assets Limited (CMAL) and the ferry operators, should:

- better communicate their roles, responsibilities and accountabilities to improve customers' and stakeholders' understanding.

4.3   The report was not intended to include Local Authority provided ferry services but it does touch on this matter in paragraph 116 of the Audit Report where it states: -

In 2014, the Scottish Government committed to the principle of 'fair funding' for Orkney and Shetland councils' inter-island ferry services.18 Scottish Government funding for councils' ferry services is currently part of their local government funding settlement. Orkney and Shetland councils supplement Scottish Government funding by about £2.5 million and £7.5 million a year respectively. In contrast, Transport Scotland subsidises inter-island ferry services in the Western Isles, as part of the CHFS contract, without financial support from Comhairle nan Eilean Siar. Transport Scotland has been discussing the future funding of inter-island services and assets with Orkney and Shetland councils for about two years. 'Fair funding' will require substantial capital investment plus annual funding to cover the operational costs

4.4   Although the key points and recommendations of the Audit report are a matter for Transport Scotland to address, there are three significant issues are worthy of consideration immediately.

4.5   The first is that the report makes a clear recommendation that Transport Scotland should develop a Scotland wide strategy for ferry services in Scotland. This provides an opportunity for ZetTrans to continue to work with Transport Scotland to ensure the direction of ferry services strategy takes account of Shetland's social and economic objectives.

4.6   The second is that the report highlights that with the introduction of RET on North Sea routes there will need to be a supply side response to accommodate likely increase in demand. This independent opinion is helpful in pressing Transport Scotland in terms of finding ways to ensure adequate capacity.

| 4.7 | The third is that the report highlights that significant revenue and capital funding will be required to address Scottish Government's commitment to "fair funding" of inter-island ferry services. This statement supports ZetTrans' and Shetland Islands Council's engagement with Scottish Government to secure funding for inter-island ferries. |

5.0	**Exempt and/or Confidential Information:**
5.1	None.

6.0	**Implications :**

6.1 **Service Users, Patients and Communities:**	None.
6.2 **Human Resources and Organisational Development:**	None.
6.3 **Equality, Diversity and Human Rights:**	None.
6.4 **Legal:**	None.
6.5 **Finance:**	None.
6.6 **Assets and Property:**	None.
6.7 **ICT and New Technologies:**	None.
6.8 **Environmental:**	None.
6.9 **Risk Management:**	The Audit Scotland report gives evidence to support ongoing engagement with Transport Scotland on development of the Northern Isles Ferry Services and inter-island ferry services covering the short, medium and long terms. By taking the opportunity to respond to the report and notify Transport Scotland of views arising out of the report ZetTrans will minimise risk of any strategy development failing to take account of Shetland priorities and outcomes.

6.10 **Policy and Delegated Authority:**	ZetTrans' policy is to seek to have in place transport arrangements that meet people's needs and that can be afforded in the medium term. To achieve this policy ZetTrans works closely with Shetland Islands Council.	
6.11 **Previously Considered by:**	Not previously considered	

Contact Details:

Michael Craigie – Lead Officer

Telephone: 01595 744160

30 November 2017

Appendices:

Appendix 1 – Audit Scotland Report – Transport Scotland's Ferry Services

Background Documents:

None

Appendix 1

Transport Scotland's ferry services

AUDITOR GENERAL

Prepared by Audit Scotland
October 2017

Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
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- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.
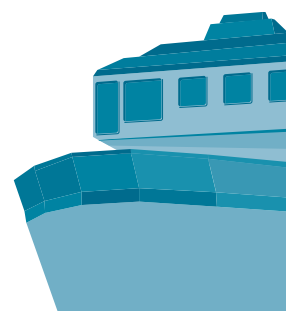
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When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key facts
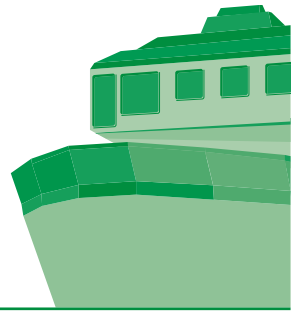
About Transport Scotland's ferry services in 2016

Number of subsidised routes

32

Number of cars: a 16.8 per cent increase since 2007

1.4 million

Number of passengers: a 0.3 per cent increase since 2007

5.7 million

158,000

Number of scheduled sailings

£209.7 million

2016/17 spending on ferries

Scheduled sailings that were on time[2]

99.6 per cent

99.7 per cent

Scheduled sailings that took place[2]

115 per cent

Real-terms increase in spending since 2007/08[1]

1. Spending is presented in real terms, that is, adjusting for inflation, at 2016/17 prices.
2. After weather-related cancellations and delays have been accounted for.

Summary
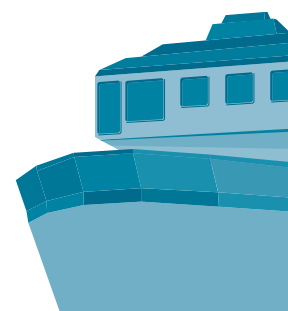
Key messages

1   Ferries are an essential part of Scotland's transport network. There are an estimated 66 scheduled ferry routes in Scotland, managed by a range of public and commercial operators. In 2016/17, Transport Scotland spent £209.7 million on ferry services and assets, such as vessels and harbours. It operates three main ferry contracts, through which it subsidises 32 ferry routes, carrying over five million people each year. Between 2007/08 and 2016/17, Transport Scotland's spending on ferries increased by 115 per cent in real terms. Over this period, the number of passengers travelling on its subsidised routes increased by 0.3 per cent and car numbers increased by 16.8 per cent. Subsidies for the Clyde and Hebrides Ferry Service (CHFS) have increased by 185 per cent since 2007/08. This is mainly due to an increase in services, new vessels and the introduction of the Road Equivalent Tariff (RET). RET has resulted in higher passenger and car traffic but its wider impact has been mixed.

2   Transport Scotland's Ferries Plan sets out proposals to develop ferry services and assets between 2013 and 2022, at an estimated cost of £390 million in capital and £10 million a year in revenue. Transport Scotland has made significant progress against the commitments in the plan less than halfway through its duration. But the plan, and underpinning investment plans for vessels and harbours, is focused on the Clyde and Hebrides network. There is no Scotland-wide, long-term strategy which takes into account proposed developments to ferry operations, and the condition of about half of the harbours used by Transport Scotland's ferry operators is unknown. This means the full extent of Transport Scotland's future spending requirements on services and assets is not known. In the context of limited public finances, Transport Scotland will find it challenging to continue to provide ferry services that meet the needs of users within its allocated budget.

3   The operators of Transport Scotland's ferry contracts are performing well and, in 2016, about 99 per cent of sailings were on time. Ferry users are generally happy with services but there is variation across routes and some frustrations exist. Transport Scotland's arrangements for consulting and involving ferry users could be improved. Ferry operations are complicated and responsibilities and accountabilities are not well understood by users. Transport Scotland does not routinely measure the contribution that ferry services make to social and economic outcomes at a network level, which makes it difficult to determine whether its spending is value for money. Better information would allow Transport Scotland to demonstrate the impact of its decisions and the contribution that ferries make to the Scottish Government's National Outcomes.

> a new long-term strategy for ferries is required to take into account the many proposed developments to services and assets

4 The new CHFS contract started on time, in October 2016, despite delays and weaknesses in how Transport Scotland managed the procurement project. The chosen procurement method was new and the two bidders were not clear on what was expected of them. The bidders submitted over 800 queries during the tender process and there were delays in providing them with important information. Transport Scotland has previously treated ferry procurement exercises as individual projects rather than a programme. It is now developing a more strategic approach for future procurements which should help improve planning, the use of resources and knowledge transfer.

5 Transport Scotland received one compliant bid for the new CHFS contract, which it awarded to CalMac at a cost of £868 million over eight years. CalMac's bid met the minimum quality requirements and was £128 million lower than Transport Scotland's estimate of the contract cost. Transport Scotland was not required to assess the 350 commitments in CalMac's bid, which makes it difficult for it to demonstrate the added value of the new contract. Transport Scotland updated the contract before its start date to reflect, for example, planned timetable changes and this has increased the contract cost to £975 million. Contract management arrangements are still evolving and could be strengthened.

Recommendations

Transport Scotland should:

- as part of its Strategic Transport Projects Review, develop a Scotland-wide, long-term strategy for its network of subsidised ferries. This should:

  – take into account progress already made against the Ferries Plan and proposed developments to its ferry operations

  – set out its intended benefits of subsidised ferry services, how these contribute to National Outcomes and how these will be measured, monitored and reported. It should then consider how this information could be used to inform operational and financial decisions and to demonstrate that ferry services are value for money

  – include an assessment of the long-term affordability of its spending on services and assets. This should take into account the level of service required, the condition of assets and the need for capital investment

  – set out how its spending will be prioritised across its network

  – be monitored regularly to ensure it is on time and on budget

  – be reviewed regularly to ensure it remains relevant and affordable

- ensure that it has adequate resources to develop, monitor and report against its long-term ferries strategy

- improve the transparency of decision-making for ferry users. This may include streamlining and formalising how it consults with and involves ferry users, by giving specific user groups a formal remit to comment on operational and policy matters

- improve its approach to procuring ferry services. This should include:
  - ensuring that procurement teams include staff with procurement qualifications and experience of the ferry sector
  - applying lessons from previous procurement exercises
  - building in sufficient time to prepare important project documentation, such as business cases
  - ensuring that contract specifications are accurate, up to date and clear to potential bidders
  - providing bidders with clear, good-quality and timely data to allow them to make informed bids
- strengthen its contract management arrangements by:
  - ensuring there is a sufficient number of people, with the right expertise, to effectively manage ferry contracts
  - involving the contract management team in ferry procurement exercises to inform its understanding of contract requirements.

Transport Scotland, along with Caledonian Maritime Assets Limited (CMAL) and the ferry operators, should:

- better communicate their roles, responsibilities and accountabilities to improve customers' and stakeholders' understanding.

Background

1. Ferries are an essential part of Scotland's transport network. The Scottish Government considers that the quality and affordability of ferry services are vital for sustaining some of the most remote and geographically dispersed communities in Europe. The total number of ferry routes in Scotland is not known. We estimate that there are 66 routes connecting mainland Scotland and its islands, managed by a number of public and private operators (Appendix 1). Every year about nine million passengers and 2.8 million cars travel on these routes. Ferries also transport essential goods to remote communities and help export large amounts of island produce, including seafood and whisky, which contribute significantly to Scotland's economy.

2. Transport Scotland has a major role in the development and operation of ferry services in Scotland. This involves implementing ferry policy on behalf of Scottish ministers and providing financial subsidies to the operators of ferry routes that it considers to be lifeline, that is, those it considers are required for communities to be viable. Transport Scotland's rationale for subsidising ferry services includes helping to maintain rural populations, encouraging tourism and increasing rural economic growth.

3. In 2016/17, **Transport Scotland** ⓘ spent £209.7 million on ferries, including operators' subsidies and investment in vessels and harbours. It subsidises almost half of the estimated number of ferry routes in Scotland (32 out of 66), carrying about two-thirds of all passengers (5.7 million a year) on almost 160,000 sailings each year. Its subsidised ferry routes vary greatly, in terms of length of journey and tidal conditions, which requires many different types of vessels and harbour

ⓘ

Transport Scotland is a Scottish Government agency. It is responsible for national transport services and infrastructure.

In 2016/17, it spent £2.1 billion, of which ten per cent was on ferry services and assets.

infrastructure. Transport Scotland manages the 32 ferry routes through three contracts. It provides the operators of these contracts with an agreed level of financial subsidy in return for a specified level of service. Its subsidies reduce the cost of ticket prices, making travel more affordable for ferry users.

About the audit

4. Our audit looked at Transport Scotland's spending on ferry services to determine whether it is value for money. We examined:

- whether there is clarity around the operation of subsidised ferry services, including the roles and responsibilities of the different bodies involved

- how much is spent on subsidised ferry services, what this achieves and how Transport Scotland demonstrates that its expenditure is value for money

- the extent to which Transport Scotland's procurement arrangements for ferry services are appropriate and helping to obtain best value

- whether Transport Scotland has an evidence-based strategy for the long-term investment in ferry services and assets (that is, vessels and harbours).

5. Our audit focused on Transport Scotland's subsidised ferry services. We did not review ferry services that are operated by councils or the private sector, although we considered how well Transport Scotland works with partners to plan and operate ferry services and assets. As part of our audit, we reviewed Transport Scotland's procurement arrangements for ferry services. We focused on the procurement of the Clyde and Hebrides contract as this is the most recent ferry contract that Transport Scotland has awarded. We did not review any other of its ferry procurement exercises.

6. This report has four parts:

- Part 1 explains Transport Scotland's ferry operations.

- Part 2 analyses the cost and performance of Transport Scotland's subsidised services.

- Part 3 examines procurement arrangements.

- Part 4 considers the long-term planning of ferry services and assets.

7. Appendix 3 sets out the methodology we used to gather evidence, which includes desk research, data analysis, community visits and interviews with Transport Scotland and its ferry service operators. We also spoke with private sector (commercial) operators, Regional Transport Partnerships (RTPs), councils and other interested parties, including trades unions. Appendix 4 lists members of our advisory group who provided help and advice throughout the audit.

8. As part of the audit, we visited ten communities which rely on ferry services. This was not a representative sample of ferry users but was used to understand the range of users' experiences and views. We considered the views of these communities, alongside our other evidence, to help inform our judgements in this report. We have published an online supplement ⊕ which details our discussions with a sample of representatives from each of these communities.

Part 1

Ferry operations in Scotland
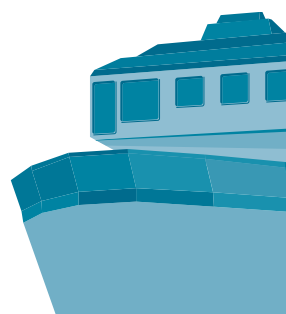
The organisation of ferry services in Scotland is complex, involving many different bodies

European Union rules and guidelines have influenced the structure of ferry operations in Scotland

9. The Scottish Government has provided financial support for ferry services since the 1960s:

- Ferry services in the Clyde and Hebrides were initially operated by two companies, the Caledonian Steam Packet Company and David MacBrayne. In 1973 these merged to form Caledonian MacBrayne Limited, a public corporation wholly owned by Scottish ministers.

- Northern Isles Ferry Services (NIFS) were initially operated by P&O, a commercial operator.

10. Since then, a number of European Union (EU) rules and guidelines have influenced the structure, funding and operation of ferry services in Scotland. For example, to comply with Maritime Cabotage Regulation, Scottish ministers have been required to tender for ferry services to the Northern Isles (since 1997) and in the Clyde and Hebrides (since 2006).[1] EU State aid rules also led ministers to tender separately for the ferry service between Gourock and Dunoon, which had previously been part of the Clyde and Hebrides network (Case study 1, page 10).

11. The requirement to tender for the Clyde and Hebrides Ferry Service (CHFS) led Scottish ministers to change the structure of its ferry operations in 2007. The responsibilities of Caledonian MacBrayne Ltd were split between two new organisations, both of which are wholly owned by Scottish ministers:

- Caledonian Maritime Assets Limited (CMAL) was established to own and manage the assets (that is, vessels and harbours) on the network.

- David MacBrayne Limited (a holding company) was established to bid for and operate ferry contracts.

12. These changes were intended to create a fairer competition for future bidders for the CHFS contract because it allowed bidders equal access to the ferry assets by leasing them from CMAL.

Transport Scotland's subsidised ferry routes vary greatly, requiring many different types of vessels and harbour infrastructure

Case study 1

The history of the Gourock-Dunoon route

Until 2006, the Transport Scotland subsidised ferry service between Gourock and Dunoon was part of the Clyde and Hebrides network. A commercial operator, Western Ferries, has operated a passenger and vehicle service without subsidy on an adjacent route since 1973.

Scottish ministers first decided in 2002 that the route should be tendered separately to the rest of the Clyde and Hebrides network. This was in response to Western Ferries' concerns that Transport Scotland's subsidies were being used to reduce commercial vehicle fares. To comply with EU rules and guidelines, ministers considered the option of providing subsidies for passengers only on the Gourock-Dunoon route.

In 2006, Scottish ministers invited operators to bid for both the CHFS and the Gourock-Dunoon contracts. On the Gourock-Dunoon route, following a consultation on subsidies, operators were invited to run a fully commercial passenger and vehicle service (that is, no subsidy would be provided). No operators bid for the contract. Caledonian MacBrayne Ltd operated the other routes on the Clyde and Hebrides network at that time. It created a subsidiary company, Cowal Ferries, to operate the Gourock-Dunoon route and continued to run a subsidised passenger and vehicle service.

In 2008, the European Commission considered a further complaint from Western Ferries. It concluded that Transport Scotland should retender the route from 2011. Subsidies were to be paid for passengers only, although operators were free to provide a vehicle service at their own risk. None of the three bidders chose to operate a vehicle service. Argyll Ferries, a new subsidiary of David MacBrayne Limited, won the contract and has operated a passenger-only service since June 2011.

The procurement exercise for the next Gourock-Dunoon contract is currently paused while the Scottish Government carries out a review of ferry procurement (paragraph 15). The current contract, which was due to expire in June 2017, has been extended to account for the delay in the procurement exercise.

Source: Audit Scotland

Many bodies are involved in Transport Scotland's ferry operations

13. Transport Scotland currently subsidises 32 ferry routes to the Clyde and Hebrides, Northern Isles and between Gourock and Dunoon through separate contracts with three ferry operators – CalMac Ferries Limited (CalMac), Serco NorthLink and Argyll Ferries Limited (Exhibit 1, page 12). Numerous other bodies are also involved in ferry operations. For example, a range of public, private and independent bodies own the 41 vessels and 59 harbours on Transport Scotland's subsidised ferry network. Asset arrangements vary by contract, but in general ferry operators pay vessel owners a lease fee for the vessels and pay the harbour owners a 'harbour due' for harbour access. The numerous bodies and different arrangements in place for ferry services and assets have created complicated operational and funding arrangements (Exhibit 2, page 14). Appendix 2 sets out the main roles and responsibilities of these bodies.

Numerous other models are in place for operating ferry services

14. Transport Scotland subsidises about half of the ferry routes in Scotland. Other models are in place for funding, tendering for and operating the remaining routes:

- Four councils (Argyll and Bute, Highland, Orkney Islands and Shetland Islands) subsidise 22 routes. Councils operate some of these routes, while others are contracted out to other operators.

- Strathclyde Partnership for Transport (SPT) subsidises one route.

- The private sector operates eight routes without public funding and one route with funding from Transport Scotland and Argyll and Bute Council.

- Community groups run two routes, one of which receives public sector subsidy from Argyll and Bute, and Highland councils.

Transport Scotland's requirement to tender for ferry services may change

15. In February 2017, the Minister for Transport and the Islands announced a review into the future procurement of ferry services.[2] In particular, the review is to consider:

- whether the **Teckal exemption** (i) could be applied

- whether the tendering of ferry services is value for money

- the governance and organisational structures of David MacBrayne Ltd and CMAL.

The review has resulted in a pause to the procurement exercises for the next Gourock-Dunoon and NIFS contracts. The Scottish Government expects to publish a progress report on the review in autumn 2017.

Teckal exemption

In 1999, the European Court of Justice ruled that a public body may award a public services contract directly to a company that it wholly owns, provided that:

- the public body fully controls that company in a similar way to its own departments

- the publicly owned company carries out at least 80 per cent of its activities with the public body.

If these criteria are met, the public body is not required to tender for the public services contract.

Exhibit 1
Transport Scotland's three main ferry contracts
Transport Scotland subsidises 32 ferry routes through three ferry contracts of varying sizes.

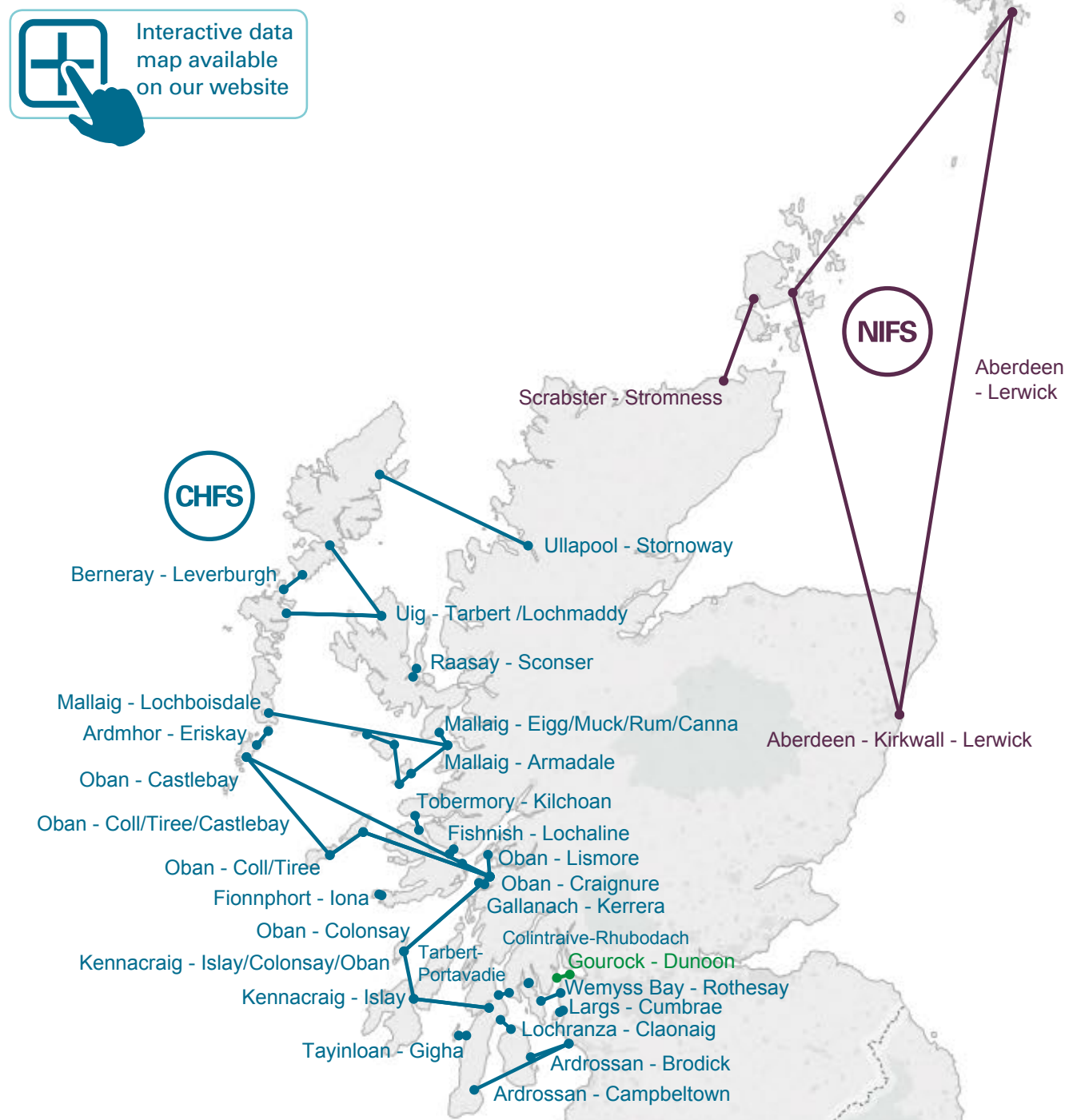| Contract	Clyde and Hebrides Ferry Services (CHFS)	Northern Isles Ferry Services (NIFS)	Gourock – Dunoon (G–D)
Routes	28[1] From the west coast of Scotland to 22 islands and four peninsulas From 0.6 to 89.5 miles[2]	3 From the north and north-east of Scotland to Orkney and Shetland From 30 to 221 miles[2]	1 Passenger-only service from Gourock to Dunoon 4.3 miles[2]
Current operator	CalMac Ferries Limited A subsidiary of David MacBrayne Ltd, created in 2006 to bid for the contract	Serco NorthLink Ferries A subsidiary of Serco Group plc	Argyll Ferries Limited A subsidiary of David MacBrayne Ltd, created in 2011 to bid for the contract
Contract duration	Eight years Oct 2016 – Sept 2024	Five years, 10 months Jun 2012 – Apr 2018[3]	Six years Jun 2011 – Jun 2017[3]
Expected contract cost at award date	£868 million	£243 million	£10.6 million
Passengers (2016)	5,056,000	304,000	303,000
Cars (2016)	1,356,000	64,500	0
Vessels	33 • CMAL owns 32 • Lloyds Bank owns one All vessels carry passengers and vehicles. Three further vessels are under construction CalMac is obliged to lease CMAL's vessels, due to the unique nature of the waters, tides and harbours on the network	5 • The Royal Bank of Scotland (RBS Group) owns three passenger and vehicle vessels • Two freight vessels are owned by a private company, Fortress Serco NorthLink is not obliged to lease the passenger or freight vessels	3 • David MacBrayne Ltd owns two passenger vessels • A third vessel is leased from CalMac during the winter months Argyll Ferries is required to supply its own vessels

Harbours	52[1]
	• CMAL owns 25 harbours and pays CalMac a 'harbour operating fee' to operate these on its behalf
	• 27 harbours are owned by:
	  – councils (21)
	  – independent harbour authorities (4)
	  – a private company (1)
	  – the National Trust for Scotland (1)
		5
		• Orkney Islands Council owns two harbours
		• The others are owned by three different independent harbour authorities
			2
			• CMAL owns Gourock harbour
			• Argyll and Bute Council owns Dunoon harbour

Exhibit 1 (continued)

Interactive data map available on our website

NIFS

CHFS

Scrabster - Stromness

Aberdeen - Lerwick

Aberdeen - Kirkwall - Lerwick

Ullapool - Stornoway

Berneray - Leverburgh

Uig - Tarbert /Lochmaddy

Raasay - Sconser

Mallaig - Lochboisdale

Ardmhor - Eriskay

Mallaig - Eigg/Muck/Rum/Canna

Mallaig - Armadale

Oban - Castlebay

Oban - Coll/Tiree/Castlebay

Tobermory - Kilchoan

Fishnish - Lochaline

Oban - Coll/Tiree

Oban - Lismore

Oban - Craignure

Fionnphort - Iona

Gallanach - Kerrera

Oban - Colonsay

Colintraive-Rhubodach

Kennacraig - Islay/Colonsay/Oban

Tarbert-Portavadie

Gourock - Dunoon

Wemyss Bay - Rothesay

Kennacraig - Islay

Largs - Cumbrae

Lochranza - Claonaig

Tayinloan - Gigha

Ardrossan - Brodick

Ardrossan - Campbeltown

Notes:
1. This includes the Gallanach to Kerrera route which was transferred to the CHFS network in July 2017. Prior to this, Transport Scotland had separately subsidised this service since 2013. The two harbours are owned by CMAL and are included in the harbours total.
2. Route lengths taken from *The introduction of a road equivalent tariff based fares system on Scotland's ferry network*, Halcrow Group Limited, 2008 (Table 1).
3. The procurement exercises for the next Gourock-Dunoon and NIFS contracts are currently paused, pending the results of a procurement review in 2017.
4. Outside these three contracts, Transport Scotland also provides funding of about £40,000 a year to the private operator of the Craighouse to Tayvallich route.

Source: Audit Scotland, from information provided by Transport Scotland, CMAL and the ferry operators

Exhibit 2
How Transport Scotland's subsidised ferry services operate
Operational and funding arrangements are complex.

Scottish ministers

Transport Scotland

Vessel loans

Harbour grants

CMAL[1]

Harbour dues

David MacBrayne

Harbour operating fee

Harbour dues

Vessel leases

Vessel leases

Serco NorthLink

CalMac

Argyll Ferries

Vessel leases

Vessel lease

RBS Group and Fortress[2]

Lloyds Bank[1]

Harbour dues

Council, private and independent harbour owners

Harbour dues

Harbour dues

Direction/ownership

Ferry contract/subsidies

Harbour contract

Money flow

Notes:
1. For the Lloyds Bank-owned vessel, CalMac pays the lease fee through CMAL, along with a CMAL service fee.
2. In March 2017, CMAL took over the lease of the two freight ferries on the NIFS network, which are owned by Fortress.

Source: Audit Scotland

Part 2

Spending and performance
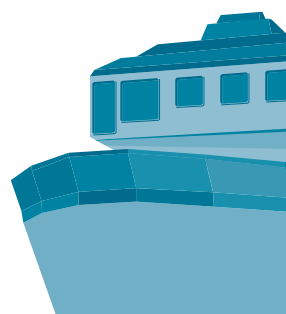
Key messages

1 Between 2007/08 and 2016/17, Transport Scotland's total annual spending on ferries increased by 115 per cent in real terms, from £97.3 million to £209.7 million. Over this period, total annual subsidies to ferry operators doubled to £168.7 million and annual capital expenditure increased by 174 per cent, to £41.0 million. CMAL has procured eight new-build vessels in this time and Transport Scotland has spent £86 million on harbour upgrades.

2 Subsidies for services to the Northern Isles increased by three per cent between 2007/08 and 2016/17. Since the start of the new Northern Isles contract in 2012, subsidies have decreased by 24 per cent, to £35.2 million in 2016/17. This is partly due to a reduction in the annual number of sailings which has led to a decrease in Serco NorthLink's running costs.

3 Subsidies for services to the Clyde and Hebrides increased by 185 per cent between 2007/08 and 2016/17, to £133.8 million. This is mainly due to an increase in services, new vessels being added to the fleet and the introduction of the Road Equivalent Tariff (RET), which has significantly reduced the price of ferry travel for passengers and cars. Since 2008/09, Transport Scotland has spent £40 million to compensate CalMac for lower ticket income. RET has resulted in higher demand for services but the additional cost of meeting this demand is unclear. The wider impact of RET has been mixed. For example, while RET has increased the number of tourists visiting the islands, it has meant that islanders are sometimes unable to travel on certain sailings because they are full.

4 Between 2007 and 2016, the annual number of scheduled sailings, subsidised by Transport Scotland, increased by eight per cent. The annual number of passengers travelling on its subsidised routes increased by 0.3 per cent to 5.7 million, and the annual number of cars carried increased by 16.8 per cent to 1.4 million.

5 Ferry operators are performing well. In 2016, after taking into account weather-related cancellations and delays, about 99 per cent of scheduled sailings operated and about 99 per cent of these ran on time. Ferry users are generally happy with services but there is variation across routes and some frustrations exist. Ferry operations are complicated and responsibilities and accountabilities are not well understood.

spending has doubled since 2007/08, mainly due to an increase in services, new vessels and lower ferry fares on most routes

Important notes on the data presented

The data we report on spending and performance comes from different sources and is reported in different time periods:

- Trend information on total spending on ferry subsidies and assets is from Transport Scotland's internal reports and is presented by financial year. Data is presented from 2007/08 to 2016/17. Figures are presented in real terms, at 2016/17 prices. Some figures may not add up due to rounding.

- Spending on individual contracts (Exhibit 5, page 18, and Case studies 2, 3 and 4, pages 20 to 22) has been taken from each operator's Annual Outcome Statements and is presented by contract year. Contract years are different for each operator. Data is presented from contract years starting in 2007 to those ending in 2016. We have reported the gross annual subsidy provided by Transport Scotland to the operators. In each contract year, the operators may have received less than this as Transport Scotland can claw back a proportion of the operators' profits. However, due to incomplete data we are unable to present the annual net subsidy for each of the contracts. Figures are presented in real terms, at 2016/17 prices.

- Traffic numbers are from the Scottish Transport Statistics and individual ferry operators and are presented by calendar year (with the exception of Northern Isles traffic data, which Transport Scotland publishes for the period July to June).

This means it is not possible to make direct comparisons between, for example, spending and passenger numbers.

We have used 2007/08 as the base year as this is the first year of the first CHFS contract.

Appendix 3 sets out more details on the methodology.

Transport Scotland's spending on ferries has more than doubled since 2007/08

16. In 2016/17, Transport Scotland spent £209.7 million on ferries (capital and revenue). This is a 115 per cent increase, in real terms, since 2007/08 (Exhibit 3, page 17). The majority of Transport Scotland's 2016/17 spending (80 per cent) was on subsidies to ferry operators and the remaining 20 per cent was capital investment in vessels and harbours.

Total subsidies to ferry operators have increased but there is variation by contract

17. In 2016/17, Transport Scotland spent £172.4 million on subsidies to the operators of its three main ferry contracts (its net spending on the three contracts was £168.5 million, as operators returned £3.9 million). It also spent £180,000 on financial support to the commercial operators of two other routes. Most of its spending on operators' subsidies (78 per cent, £133.8 million) was on the CHFS contract, 20 per cent (£35.2 million) was on NIFS and the remainder (£3.5 million) was on Gourock-Dunoon.

Exhibit 3

Transport Scotland's ferry spending, in real terms, 2007/08 to 2016/17
Total spending on ferries has increased by 115 per cent since 2007/08.

Year	Total subsidy (revenue) for ferry operations	Total capital spending
2007/08	£82.67m	£14.96m
2008/09	£100.29m	£6.07m
2009/10	£109.53m	£5.65m
2010/11	£107.57m	£29.67m
2011/12	£121.99m	£20.49m
2012/13	£118.74m	£9.43m
2013/14	£135.50m	£13.87m
2014/15	£146.97m	£20.85m
2015/16	£154.86m	£45.59m
2016/17	£168.65m	£41.03m

104% increase in subsidy spending

174% increase in capital spending

Legend: Total subsidy (revenue) for ferry operations — Total capital spending

Notes:
1. Data is shown by financial year, in 2016/17 prices.
2. Total annual spending excludes payments made directly into the CalMac Pension Fund.
3. Total annual subsidy is net of any receipts Transport Scotland receives from the ferry operators.
4. The increase in capital spending in 2015/16 was largely due to a £34 million payment towards two new vessels which are currently under construction.

Source: Audit Scotland, using Transport Scotland's Ferries Section 70 report, August 2017

18. Total subsidies have increased by 104 per cent, in real terms, since 2007/08. This is largely due to a 185 per cent increase in CHFS subsidy and 148 per cent increase in subsidy for the Gourock-Dunoon contract. Subsidies paid in respect of the NIFS contract have increased by three per cent since 2007/08, but have decreased by 24 per cent since the start of the new contract in 2012 (Exhibit 4, page 18).

19. Transport Scotland's subsidies are intended to cover the difference between the ferry operator's costs of running the contract and income received, while allowing a capped profit to be made. Transport Scotland will claw back a proportion of any profit in excess of this cap. There is variation across contracts in the percentage of total costs that are covered by Transport Scotland subsidies (Exhibit 5, page 18). For example, in the contract years ending in 2016, subsidies were equivalent to:

- 83 per cent of the total costs of the Gourock-Dunoon service

- 71 per cent of the total costs of CHFS

- 51 per cent of the total costs of NIFS.

Exhibit 4

Transport Scotland subsidies for each ferry contract, in real terms

Subsidies have increased for all three Transport Scotland contracts.

| CHFS | Clyde and Hebrides Ferry Services | NIFS | Northern Isles Ferry Services | G-D | Gourock – Dunoon |
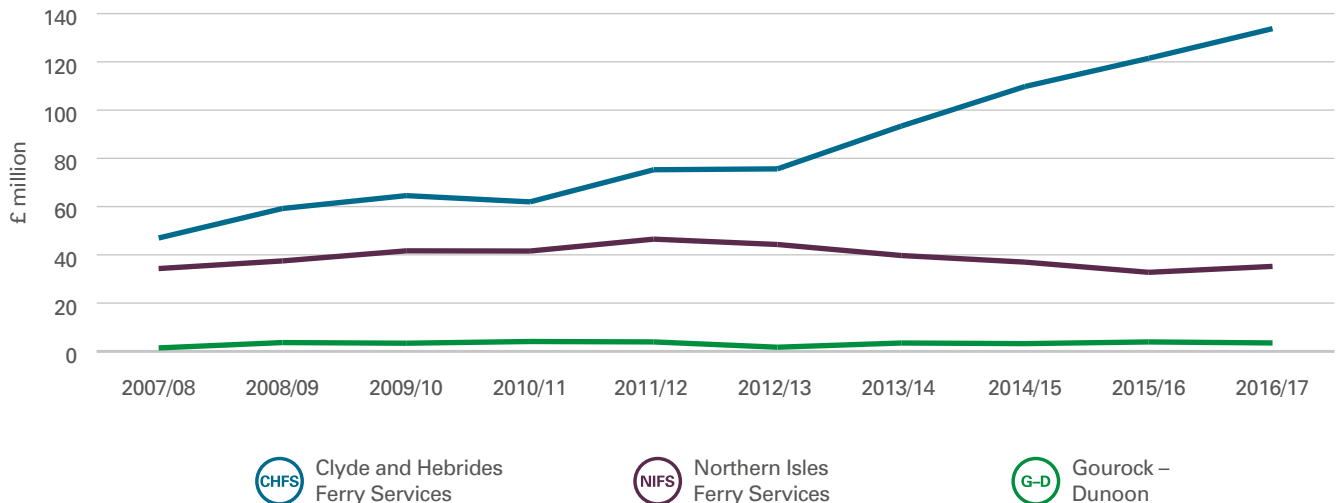
Note: Data is by financial year at 2016/17 prices.

Source: Audit Scotland, using Transport Scotland's ferries Section 70 report, August 2017

Exhibit 5

The percentage of total costs covered by Transport Scotland subsidies, by contract year

The percentage of subsidy has decreased on the NIFS contract and increased on the other two.

| CHFS | Clyde and Hebrides Ferry Services | NIFS | Northern Isles Ferry Services | G-D | Gourock – Dunoon |
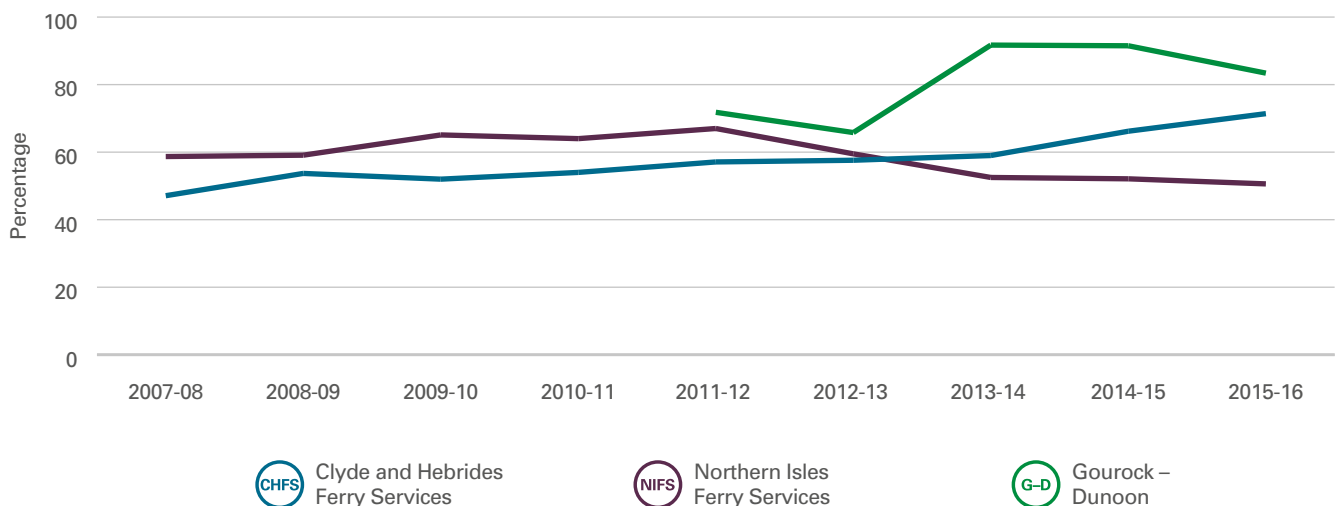
Notes:
1. Data is by contract year, at 2016/17 prices. Percentages are based on the gross subsidy paid to operators
2. Annual Outcome Statements are only available for Gourock-Dunoon from contract year 2011-12.

Source: Audit Scotland, using Operators' Annual Outcome Statements, based on individual contract years, which are as follows:
CHFS – 1 October to 30 September; NIFS and Gourock-Dunoon – 1 July to 30 June

20. Ferry operators submit an Annual Outcome Statement (AOS) to Transport Scotland at the end of their contract year. These set out the operator's running costs (which include staff, vessel leases, harbour access charges and fuel), its income and the amount of subsidy required. Our analysis of each operator's AOS identifies a number of reasons for changes to the amount of annual subsidy which Transport Scotland has paid since 2007:

- CHFS – annual subsidies have increased, largely due to the additional costs of extra sailings and new vessels, and as a result of the introduction of Road Equivalent Tariff (RET, page 24).

- NIFS – annual subsidies have decreased since 2012 as a result of Serco NorthLink generating additional revenue and reducing its operating costs, for example as a result of fewer sailings.

- Gourock-Dunoon – annual subsidies have increased, largely as a result of additional costs arising from leasing a third vessel in winter months to improve service reliability.

Case Studies 2, 3 and 4 (pages 20 to 22), set out more details of our analysis. All data is presented in real terms at 2016/17 prices.

Transport Scotland is making financial contributions aimed at reducing the CalMac Pension Scheme deficit

21. Staff working for CalMac, Argyll Ferries and CMAL are members of the CalMac final salary pension scheme. The pension fund has been in deficit for a number of years and CMAL has paid £0.7 million a year into the fund since 2007 to try and reduce this. Following a fund valuation in 2012, which showed a deficit of £32 million, Scottish ministers decided that Transport Scotland should also contribute to help reduce the deficit. The agreed contribution was £3 million a year until 2024. This is in addition to the subsidies it pays to CalMac and Argyll Ferries to provide ferry services, some of which covers their employer contributions into the pension fund.

22. The most recent pension scheme valuation, in 2015, found that the deficit had increased to £41.9 million. This was largely due to pension liabilities increasing, for example as a result of people living longer and low interest rates. To help reduce the deficit, Scottish ministers decided that between April 2015 and April 2024:

- Transport Scotland should increase its contribution to £3.4 million a year

- CMAL should continue to contribute £0.7 million a year.

23. In 2007, the pension fund trustees also increased the employer's pension contribution rate, from 14.5 per cent to 24.2 per cent of employees' salaries. In 2016, this increased again, to 30.8 per cent. This is now one of the highest employer contribution rates for a public pension scheme in Scotland. The increased employer's contribution, for CalMac and Argyll Ferries staff, is funded by Transport Scotland through increased subsidies. The 2016 increase will cost Transport Scotland, in relation to CalMac employees only, an additional £22.5 million over the eight years of the new CHFS contract.

24. The next valuation, in 2018, will show whether the additional contributions have made a positive difference to the deficit. If the deficit has not decreased, Transport Scotland and CMAL will have to consider the sustainability of paying increased pension contributions. They may have to consider whether other steps, such as amending scheme terms and conditions, are more affordable in the context of Transport Scotland's overall ferries budget.

Case study 2

Changes to Gourock-Dunoon gross subsidies between June 2011 and June 2016

Information on the breakdown of spending is only available from June 2011 when Argyll Ferries won the contract for the service. Between June 2011 and June 2016 (five contract years), the annual amount of subsidy paid to Argyll Ferries increased by 76 per cent, from £1.9 million to £3.3 million. The level of subsidy, as a proportion of operating costs, increased from 72 per cent to 83 per cent over the same period. This is due to a 52 per cent increase in the total operating costs and an eight per cent reduction in income. Specific operating costs increased as follows:

- Vessel leasing costs increased by 156 per cent.

- Harbour charges increased by 66 per cent.

- Staff costs increased by 51 per cent.

These increases are largely due to a contract variation requiring Argyll Ferries to lease a third vessel in the winter months to help improve service reliability. This vessel has a much higher passenger capacity than required and an unused car deck. Using a third vessel requires additional crew and also results in increased harbour charges.

Other costs increased by 74 per cent. This is largely due to the cost of a replacement bus service used to transfer passengers from cancelled Argyll Ferries services to Western Ferries services (which are able to operate better in bad weather).

The above increases have been partially offset by a 58 per cent reduction in fuel costs.

Notes:
1. Initial start-up costs have been excluded from the total expenditure for contract year one.
2. Figures for contract year one cover the period June 2011 to June 2012, contract years two to five, cover July to June each year.

Source: Audit Scotland, using Argyll Ferries' Annual Outcome Statements, June 2012 to June 2016, provided by Transport Scotland

Case study 3

Changes to CHFS gross subsidies between October 2007 and September 2016

Between October 2007 and September 2016 (nine contract years) the annual amount of subsidy paid to CalMac increased by 153 per cent, from £57.0 million to £144.2 million. The percentage of operating costs covered by subsidy increased from 47 per cent to 71 per cent over the same period.

The level of subsidy increased because the total cost of running the contract increased by 67 per cent while CalMac's revenue decreased by eight per cent:

- CalMac's revenue decreased due to the introduction of Road Equivalent Tariff (RET, page 24). RET has decreased CalMac's income from ticket sales, requiring more subsidy from Transport Scotland.

- CalMac's running costs have increased due to an increase in service provision. Since 2007, two routes have been added to the network and the annual number of sailings has increased by 3.5 per cent (from 130,968 to 135,542). Within this, the annual number of sailings on:
  - routes that use large vessels increased by 29 per cent (from 15,472 to 19,961)
  - routes that use small vessels increased slightly, by 0.1 per cent (from 115,496 to 115,581).

- Additional services require longer working hours and more crew, vessels, fuel and harbour access. This has contributed to higher annual costs as follows:
  - Staff costs increased by 91 per cent.
  - Harbour charges increased by 163 per cent. This is largely due to CMAL realigning harbour and vessel leasing charges in October 2013. CMAL increased harbour charges so that they more closely reflect the actual cost of harbour operations.
  - Vessel leasing costs increased by 29 per cent. This is due to five new vessels being added to the fleet.
  - Vessel maintenance costs increased by 136 per cent, due to a larger and increasingly older fleet.

These cost increases have been partially offset by a 30 per cent decrease in fuel costs. Although more fuel was used due to additional sailings, the price of fuel has decreased.

Source: Audit Scotland, using CalMac's Annual Outcome Statements, September 2008 to September 2016, provided by Transport Scotland

Case study 4

Changes to NIFS gross subsidies between July 2007 and June 2016

There have been two operators of the NIFS contract between 2007 and 2016. NorthLink Ferries (a subsidiary of David MacBrayne Ltd) ran the service until the end of its contract in June 2012. Since then, Serco NorthLink has operated the contract. There are different trends in the amount and level of subsidy provided for the different contracts:

- Between July 2007 and June 2012 (five contract years, which was contract year two (CY2) to contract year six (CY6) of that contract), the amount of annual subsidy increased by 52 per cent, from £34.0 million to £51.5 million. The level of subsidy increased from 59 per cent to 67 per cent of operating costs.

- Between July 2012 and June 2016 (four contract years), the annual amount of subsidy has decreased by 36 per cent, from £51.5 million to £33.2 million. The level of subsidy has decreased from 67 per cent to 51 per cent of operating costs.

NorthLink Ferries' annual operating costs increased by 33 per cent, between CY2 and CY6 of the previous contract. This was mainly due to the cost of fuel, which almost doubled, from £10.0 million to £19.1 million a year. Staff costs also increased by 28 per cent.

NorthLink Ferries' revenue increased in this period, but only by 17 per cent, which resulted in an increase to the amount and percentage of subsidy required.

Since the start of the new NIFS contract in July 2012, annual running costs have decreased by 15 per cent and revenue has increased by ten per cent. This means that less subsidy is required. Serco NorthLink's annual running costs have decreased due to:

- a nine per cent reduction in the number of annual sailings due to a reduction in the service between Scrabster and Stromness (from six daily sailings to four)

- a 29 per cent reduction in fuel costs

- a 30 per cent reduction in staff costs, partly due to voluntary redundancies and more efficient operational management.

Despite the reduction in the number of sailings, harbour charges have increased by 11 per cent, between 2012 and 2016. This is largely due to a 33 per cent increase in harbour charges by Aberdeen Harbour Board to pay for development work.

Source: Audit Scotland, using NorthLink Ferries' and Serco NorthLink's Annual Outcome Statements, June 2008 to June 2016, provided by Transport Scotland. Trends in harbour charges were provided by Serco NorthLink

Transport Scotland has spent £197.5 million on ferry assets since 2007/08

25. Transport Scotland's expenditure on ferry assets includes:

- loans provided to CMAL to procure new vessels

- grants paid to CMAL and other harbour owners for harbour developments.

26. Its annual capital expenditure has varied in the last ten years, between £5.7 million in 2009/10 and £45.6 million in 2015/16 (Exhibit 3, page 17). Between 2007/08 and 2016/17, Transport Scotland spent a total of £197.5 million on ferry assets.

27. In this period, Transport Scotland spent a total of £123 million on vessel loans and it has received £29.7 million in loan repayments. About half (£60 million) of its vessel loans has been on four new-build vessels which have been added to the CHFS fleet since 2011. Transport Scotland also spent £34 million in 2015/16 towards the £106 million cost of two vessels, which are currently being built and are expected to enter service in late 2018.

28. In 2012, Lloyds Bank financed the £42 million cost of the fifth new-build vessel that has been added to the CHFS network since 2011. Transport Scotland did not have sufficient capital budget available at that time, and is therefore paying for the vessel through an eight-year operating lease. Transport Scotland pays the cost of the lease through a subsidy payment to CalMac. The cost to Transport Scotland over the long term is higher than the conventional method of providing loans to CMAL. In addition, CMAL will not own the vessel at the end of the lease and will have to either negotiate a new lease in 2022 or consider other options.

Transport Scotland pays for harbour upgrades directly through harbour grants and indirectly through harbour dues

29. Transport Scotland has spent £86 million on harbour grants since 2007/08. Almost half of this (£42 million) was spent on CMAL-owned harbours. Improvements include the £17.8 million development of Brodick harbour and the £4.5 million upgrade of Largs pier. Transport Scotland also spent £44 million improving harbours that are not owned by CMAL. For example, in 2014 Transport Scotland contributed £8.8 million to the £12 million cost to upgrade the harbour in Stornoway, which is owned by Stornoway Port Authority.

30. Transport Scotland's harbour grants only part-fund the cost of harbour improvements. For example, the harbour grants provided to CMAL are expected to cover up to 75 per cent of costs, with CMAL funding the remaining amount. CMAL and other harbour owners are responsible for improvement works and raise funding for this through a harbour access charge, known as a harbour due. This is a charge made to ferry operators, and other users such as fishing boats, for harbour access. Harbour owners set their own dues which, for subsidised ferry services, are largely funded by Transport Scotland. If a harbour owner increases the dues paid by the ferry operator, Transport Scotland pays for this by increasing the amount of subsidy paid to the operator.

31. Transport Scotland spent a total of £200 million on harbour dues between contract years 2007-08 and 2015-16. Of this, £155 million (78 per cent) was on harbours not owned by CMAL. Transport Scotland does not know how much of the harbour dues paid to non-CMAL harbour owners have been used for improvement works. In addition, where Transport Scotland has funded the capital cost of upgrading non-CMAL harbours, it has continued to pay the same or higher levels of harbour dues (which are meant to pay for the upgrade costs). For example, Ullapool harbour dues have increased by 78 per cent since September 2014 despite Transport Scotland paying the majority of the upgrade costs.

Transport Scotland has spent £40 million on the Road Equivalent Tariff since 2008/09

32. In 2007, the Scottish Government committed to lowering the cost of ferry travel to reduce the economic disadvantages experienced by remote island communities. It introduced the **Road Equivalent Tariff (RET)** *(i)*, which is a simple and transparent fares structure based on the equivalent cost of travelling by road. RET was introduced on a pilot basis to help the Scottish Government determine the impact of lower ferry fares on local communities and economies. After the pilot exercise, the Scottish Government did not set clear objectives for the roll-out of RET, including what benefits it expected to achieve or how these would be measured.

33. RET applies to routes on the Clyde and Hebrides only. It does not apply to the Northern Isles or the Gourock-Dunoon routes. Orkney and Shetland residents (and their friends and family) are entitled to a 30 per cent discount on passenger and non-commercial vehicle fares on Northern Isles services. The Scottish Government has committed to lower fares, for all passengers, to the Northern Isles from 2018 . RET has lowered CHFS passenger fares by up to 50 per cent and car fares by up to 65 per cent, compared to 'summer single' fares. RET was also initially applied to commercial vehicles but Scottish ministers decided to remove this in 2012, following an evaluation which showed that the costs outweighed the benefits.[3]

34. Transport Scotland has gradually rolled out RET since October 2008. It was initially introduced as a pilot on routes to the Western Isles, Coll and Tiree and extended to:

- Islay, Colonsay and Gigha in October 2012

- Arran and Campbeltown in October 2014

- the remaining CHFS network in October 2015.

35. Before its introduction in 2008, Transport Scotland investigated the potential impact of RET.[4] It concluded that lower fares would increase demand for ferry services and have an overall positive economic and social impact on islands. It estimated that applying RET to all routes included in the initial pilot would require additional annual subsidy of £7.6 million to compensate CalMac for lower ticket income. At that time, it did not consider the cost of applying RET across the full CHFS network or the costs associated with increased demand, such as the need to operate additional sailings. However, as part of its evaluation of the pilot in 2011, Transport Scotland estimated an additional annual subsidy of at least £13 million would be required to implement RET across all CHFS routes, excluding any associated additional costs.[5] Transport Scotland used the results of the 2011 evaluation to inform the ministerial decisions on the further roll-out of RET across the CHFS network.

The full cost implications of RET are unknown and the impact has been mixed
36. Between 2008/09 and 2015/16, Transport Scotland spent about £40 million on RET. This cost relates to the additional subsidy provided to CalMac to offset lower fare income. The full cost of implementing RET is not known but will include the associated costs of higher demand, including additional sailings, which require extra crew and fuel, more harbour dues and increased vessel and harbour maintenance. Transport Scotland estimates that the full introduction of RET across the CHFS network cost between £14 million and £16 million in 2016/17. It does

RET links ferry fares to the cost of travelling an equivalent distance on land. It is made up of a fixed fare plus a rate per mile – based on the costs associated with travelling by car (for example, insurance, tax and fuel costs).

not estimate the cost of RET beyond the following financial year, nor has it made any assessment of the long-term financial sustainability of the policy.

37. RET has increased traffic on the CHFS network, in particular car journeys. For example, the first two years of the RET pilot (on routes from the mainland to the Western Isles, Coll and Tiree) saw increases of:

- 20 per cent in passenger numbers

- 31 per cent in car numbers

- 125 per cent in motorhome numbers.

This compares to a three per cent increase in passenger numbers, no change in car numbers and a 28 per cent increase in motorhome numbers across the rest of the CHFS network.[6]

38. In 2016, which was the first full year of RET across the whole CHFS network, there was a nine per cent increase in passenger numbers and a 16 per cent increase in car numbers compared to 2015. The largest increase, in absolute terms, of passenger and car numbers between 2015 and 2016 was on the Oban to Craignure route:

- Passenger numbers increased by 16 per cent to 644,800.

- Car numbers increased by 41 per cent to 162,300.[7]

39. Transport Scotland commissioned impact assessments on the three stages of the RET roll-out which highlighted numerous benefits.[8] These include higher visitor numbers and increased social, cultural and economic opportunities for islanders. There have also been unintended consequences of RET. For example, islanders told us that spaces were limited on some sailings, that traffic congestion was being experienced on certain islands and road condition had declined. The RET fares policy also means that CalMac is unable to adjust fares to help manage demand. For example, it cannot increase fares on sailings with high demand for spaces to encourage users to travel at a different time. Our online supplement ⊕ sets out the impact of RET from different communities' perspectives.

40. It is too early to assess the full impact of RET across the CHFS network. As the Scottish Government did not set clear objectives or targets for RET, it will be difficult for it to determine whether RET has been more, or less, successful than planned.

There has been little change in passenger numbers on subsidised ferries, but car traffic has increased by about 17 per cent

Passenger numbers on subsidised ferries have increased by 0.3 per cent
41. Between 2007 and 2016, total passenger numbers on ferry routes across Scotland increased by one per cent, from 8.9 million to 9 million. Over this period, passenger numbers on Transport Scotland's subsidised routes increased by 0.3 per cent to 5.7 million. There have been different trends in Transport Scotland's passenger numbers during this period:

- Between 2007 and 2012, the number of passengers decreased by nine per cent, to 5.2 million.

- Since 2012, passenger numbers have increased by ten per cent, mainly due to an eight per cent increase between 2015 and 2016.

42. There has also been variation across the three contracts between 2007 and 2016:

- CHFS passenger numbers increased by 6.9 per cent, from 4.7 million to 5.1 million. In the first seven months of 2017, 3.1 million passengers travelled on CHFS routes.

- NIFS passenger numbers decreased by 1.2 per cent from 307,700 to 304,000. However, in the most recent contract year (ending in June 2017), passenger numbers increased by 1.7 per cent, to 304,500, compared to the contract year ending in 2016.

- Gourock-Dunoon passenger numbers decreased by 50 per cent, from 607,200 to 303,400. In the first seven months of 2017, 171,300 passengers travelled on the route (2007 passenger numbers include foot passengers and passengers who travelled with cars, while the 2016 and 2017 figures include foot passengers only).

43. There are two routes in Scotland where a Transport Scotland subsidised service operates in competition with a commercial operator:

- Serco NorthLink's Scrabster to Stromness service is similar to the route operated by Pentland Ferries across the Pentland Firth.

- Argyll Ferries operates an adjacent route to Western Ferries between Gourock and Dunoon.

44. Since 2007, passenger numbers on the commercially operated services have increased, in contrast to passenger numbers on the subsidised services (Exhibit 6, page 27). Cowall Ferries/Argyll Ferries' passenger numbers have fallen by 50 per cent since 2007, partly due the removal of the vehicle service in 2011. Passengers who want to travel in their cars use the Western Ferries service (Case study 1, page 10). Passenger numbers on the Scrabster to Stromness service have decreased by ten per cent since 2007. However, despite reducing the number daily of sailings on the route (from six to four), Serco NorthLink has increased passenger numbers by 20 per cent since 2013, through improved marketing and special offers.

The number of cars travelling on CHFS routes has increased, but has fallen on other subsidised routes
45. The total number of cars travelling on ferry routes across Scotland has increased by 11 per cent since 2007, from 2.5 million to 2.8 million in 2016. There was an overall 16.8 per cent increase in car traffic on Transport Scotland subsidised routes, to 1.4 million in 2016, but there was variation between contracts. Between 2007 and 2016:

- car numbers on the CHFS network increased by 27 per cent from 1.1 million to 1.4 million. This includes a 16 per cent increase between 2015 and 2016 alone. The increase is due to the reduced cost of car travel following the introduction of RET. In the first seven months of 2017, 836,600 cars travelled on CHFS routes
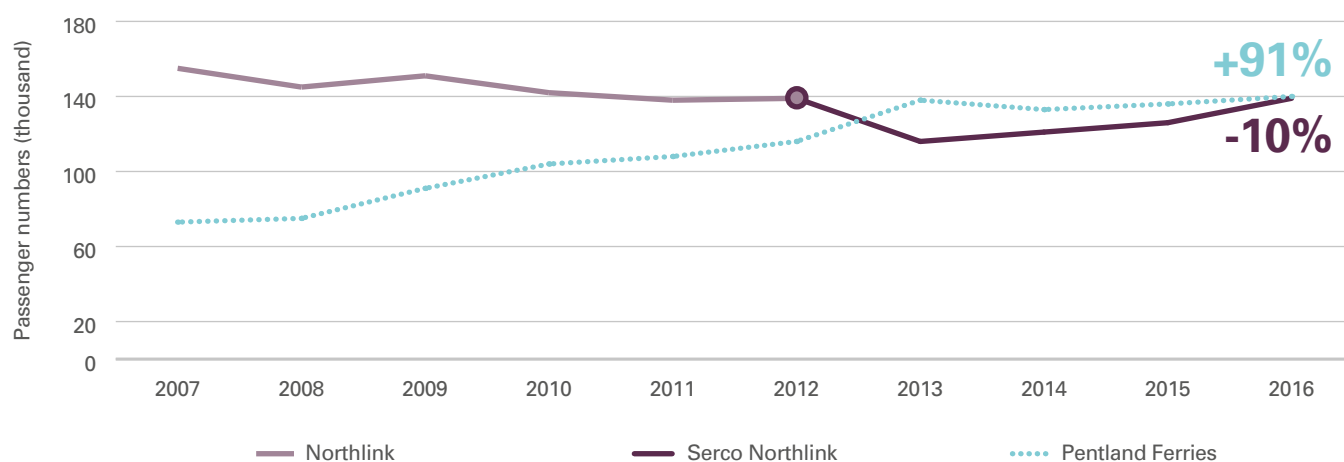
- car numbers on the NIFS network decreased by 7.5 per cent, from 69,700 to 64,500, mainly due to the reduction in the Scrabster-Stromness service (paragraph 44). However, car numbers on this route have increased by 22 per cent since 2013, due to improved marketing. In the most recent contract year, ending in June 2017, car numbers increased by 8.1 per cent, from 70,900 in 2015-16 to 76,700 in 2016-17

- the number of cars on the Gourock-Dunoon route decreased from 80,100 in 2007 to zero in 2012 because the service is now passenger only.
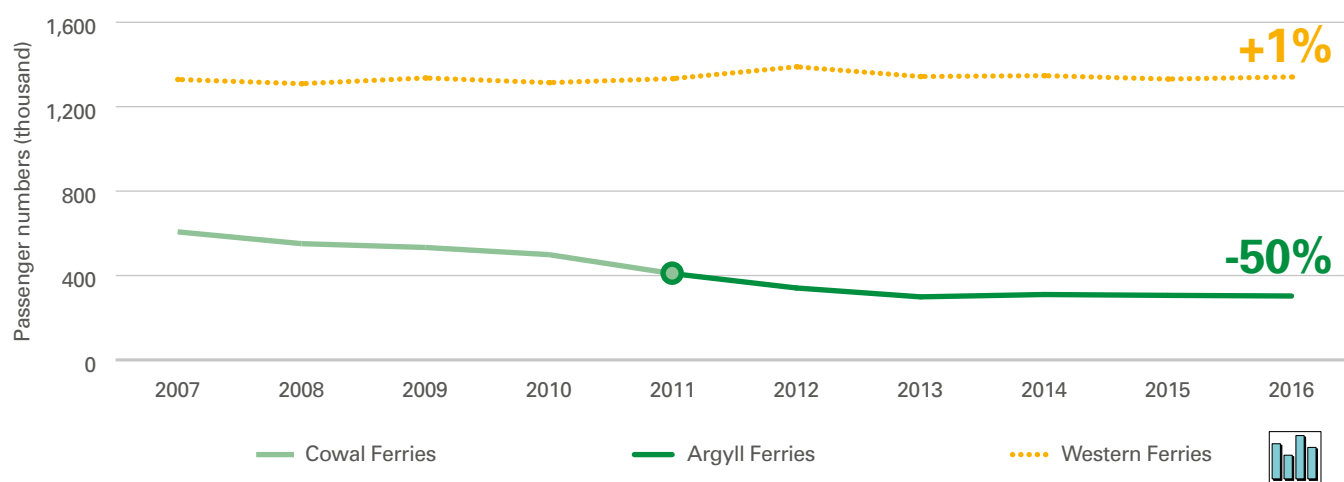
Exhibit 6
Passenger numbers on the Pentland Firth and Gourock-Dunoon routes
Passenger numbers on publicly operated ferries have decreased while they have increased on commercially operated services.

Pentland Firth route

Key: Northlink, Serco Northlink, Pentland Ferries

Gourock-Dunoon route

Key: Cowal Ferries, Argyll Ferries, Western Ferries

Note: Cowal Ferries' passenger numbers between 2007 and 2011 include foot passengers and passengers who travelled with cars.

Source: 2016 Scottish Transport Statistics, Transport Scotland and Pentland Ferries

The total amount of commercial vehicle traffic travelling across all ferry routes is unknown

46. Transport Scotland does not have a single, comprehensive dataset on **commercial vehicle** (i) traffic. Its annual publication of Scottish Transport Statistics includes information on the number of commercial vehicles, which includes lorries and buses, travelling on CHFS and some non-subsidised routes. But it does not include data on the number of commercial vehicles travelling on NIFS routes. Between 2007 and 2016, the number of commercial vehicles travelling across CHFS routes decreased by 22 per cent, to 89,500 vehicles. In contrast, the number travelling on non-Transport Scotland subsidised routes increased by 16 per cent, to 81,900 vehicles.

47. CalMac and Serco NorthLink have datasets on commercial vehicle traffic for their own purposes. This is reported to Transport Scotland's ferry contract management team on a monthly basis, but is not included in the Scottish Transport Statistics dataset. Both CalMac and Serco NorthLink measure commercial vehicle traffic by the length of the vehicle, in lane metres, and their data excludes buses. In 2016, 1.6 million lane metres of commercial vehicle traffic travelled on CHFS and NIFS routes, which is a 13 per cent increase since 2007. Most of the 2016 commercial vehicle traffic travelled on the CHFS network (1.1 million lane metres, an increase of 4.3 per cent since 2007). The Ullapool-Stornoway route accounted for about a quarter of all CHFS commercial vehicle traffic and the Kennacraig-Islay route accounted for 19 per cent. There is no breakdown available on the type, or value, of freight being carried on the CHFS routes. This information is currently unavailable as hauliers are not required to report this information to CalMac or Transport Scotland. It is also complicated by the fact that commercial vehicles often carry a mix of different freight.

48. Commercial vehicle traffic on the NIFS network increased by 44 per cent between 2007 and 2016, to 464,000 lane metres. Serco NorthLink records the amount and type of freight imported to and exported from the islands. For example, in 2016 the largest export from the Northern Isles was seafood (54,000 lane metres) and almost 50,000 tonnes of salmon was exported.

49. Working with hauliers, Transport Scotland and CalMac could develop better information on commercial vehicle traffic travelling on the CHFS routes, which includes an estimate of the type and value of freight being transported. This would help Transport Scotland demonstrate the contribution that ferry services make to Scotland's economy.

Numerous forums exist for Transport Scotland and operators to communicate with ferry users

50. Ferries are essential to the sustainability of many island communities. It is important therefore that these communities are involved in, and are kept aware of, decisions that affect their ferry services. A number of forums are in place at an operational and strategic level for Transport Scotland and ferry operators to communicate with ferry users, communities and other stakeholders, such as councils. Each ferry contract states that operators must take part in:

- consultation meetings with relevant councils and Regional Transport Partnerships (RTPs)

- 'local community liaison' with ferry users and the wider public.

Commercial vehicles (CVs) on the CHFS network have been reclassified with the roll-out of RET:

- From – vehicles over five metres

- To – vehicles over six metres.

This means that vehicles between five and six metres are now classed as cars rather than CVs.

This has contributed to an increase in car numbers and a decrease in CV numbers.

It means that accurate trend information is not available.

51. Arrangements for consulting and involving local communities vary across Scotland. For example, on the CHFS network, 13 ferry committees (or equivalents) are in place. These are generally open to all members of the public and they usually discuss issues on a specific community or route basis. On a more strategic level, there are four Ferry User Groups (FUGs) covering Argyll, Clyde, Hebrides, and Skye and Lochaber. HITRANS (the RTP for the Highlands and Islands) administer the FUGs, which are a forum for Transport Scotland, CMAL and CalMac to update members and receive feedback on ferry operations. Membership is by invitation only and FUGs typically comprise local councillors and representatives from local businesses and other relevant partners.

52. Different arrangements are in place on the NIFS network. There are currently no specific ferry forums in Orkney, although Orkney Islands Council runs a Transport and Travel Forum for interested people to discuss all transport issues affecting the island, including air, sea and road. In Shetland, Transport Scotland and Serco NorthLink attend two forums on a quarterly basis. The Shetland External Transport Forum is administered by ZetTrans, the RTP for Shetland, and the Stewart Building Transport Group represents the seafood industry. These appear to work well and forum members appreciate the information that Serco NorthLink provides on the ferry service.

There is scope to streamline and strengthen arrangements for consulting and involving communities

53. Current community engagement arrangements are time-consuming and costly. All parties involved agree that, with the exception of Shetland arrangements, improvements could be made. For example:

- ferry committees do not have a specific purpose and not all communities have one

- Transport Scotland, CalMac, CMAL, HITRANS and FUG members told us that FUGs are not fit for purpose in their current state. They do not have a specific remit and there is no requirement for them to be consulted on any policy or operational decisions, including timetables

- we were also told that arrangements in Orkney are not effective and could be improved

- individual forums are often established on an ad-hoc basis to discuss specific ferry issues.

54. To help improve customer engagement, CalMac has appointed a Director of Community and Stakeholder Engagement. It has also set up a Communities Board to be the 'voice of communities on strategic issues'. It will comprise 12 community representatives and an independent chair. In July 2017, CalMac invited residents from rural communities across the Clyde and Hebrides to apply for these positions and the chair was appointed in September 2017. We heard mixed feedback from communities on whether the Communities Board will be effective. HITRANS has also suggested how user consultation might be improved over the duration of the new CHFS contract. It presented a number of proposals to FUG members in April 2017, which included how and when ferry committees and FUGS might be consulted in future. HITRANS is working with CalMac to implement the proposals.

Users are generally happy with ferry services but frustrations exist

55. Operators gather user feedback from surveys carried out online, on board and by email. These cover various aspects of the customer experience including the use of online and telephone booking systems, the ability to book specific sailings which they want to travel on, ticketing and on-board facilities. Results are generally positive. CalMac's most recent post-journey customer satisfaction survey (December 2015 – April 2017) showed that 92 per cent of customers were fairly or very satisfied with the service provided. In a separate on-board survey run by Serco NorthLink, between January and June 2017, 97 per cent of customers rated their overall experience as good or excellent.

56. We spoke to a small sample of ferry users across a number of communities which rely on ferry services (see our **online supplement** ⊕). While our discussions were specific to the individual communities, some common themes emerged:

- CHFS: users were generally happy about the level and frequency of service and were positive about new vessels being added to the fleet. However, many reported that the choice of vessels used on some routes was confusing and could be better communicated.

- NIFS: users were very positive about the service and in particular the level of engagement and information provided by Serco NorthLink. The main concern that users expressed were the ticket prices, which are set by Transport Scotland and are high compared to the CHFS network (page 50).[9] The availability of cabins during the summer months was also a concern.

- Gourock-Dunoon: users were unhappy with Argyll Ferries' decision in 2011 to bid for a passenger-only service. In their opinion, the two main vessels used on the route are often not suitable for the weather conditions, and this has led to an increase in weather-related cancellations. Users were also unhappy, for a variety of reasons, with the tendering exercise for the new contract, which has currently been paused.

57. The operation of ferries is complicated. The roles and responsibilities of Transport Scotland, CMAL and the operators are not well understood by people who are not directly involved in ferry operations. Ferry users told us that it can be unclear who is responsible or accountable for individual decisions. This causes frustration as some users feel that they are not listened to. In addition, if users are dissatisfied with the response to a complaint, they are unsure how they can take it further.

Most ferry services operate on time

58. As part of its contract management arrangements, Transport Scotland has a series of performance measures to assess its ferry operators. It reports two of these to its senior management team, namely:

- reliability (the percentage of scheduled sailings that take place)

- punctuality (the percentage of sailings that are on time).

59. Each ferry contract sets out the financial penalties that will apply for failures against the measures. Performance deductions are not made against reliability and punctuality measures when a sailing is cancelled or delayed due to a 'relief event'. Relief events include adverse weather, tidal conditions, traffic problems
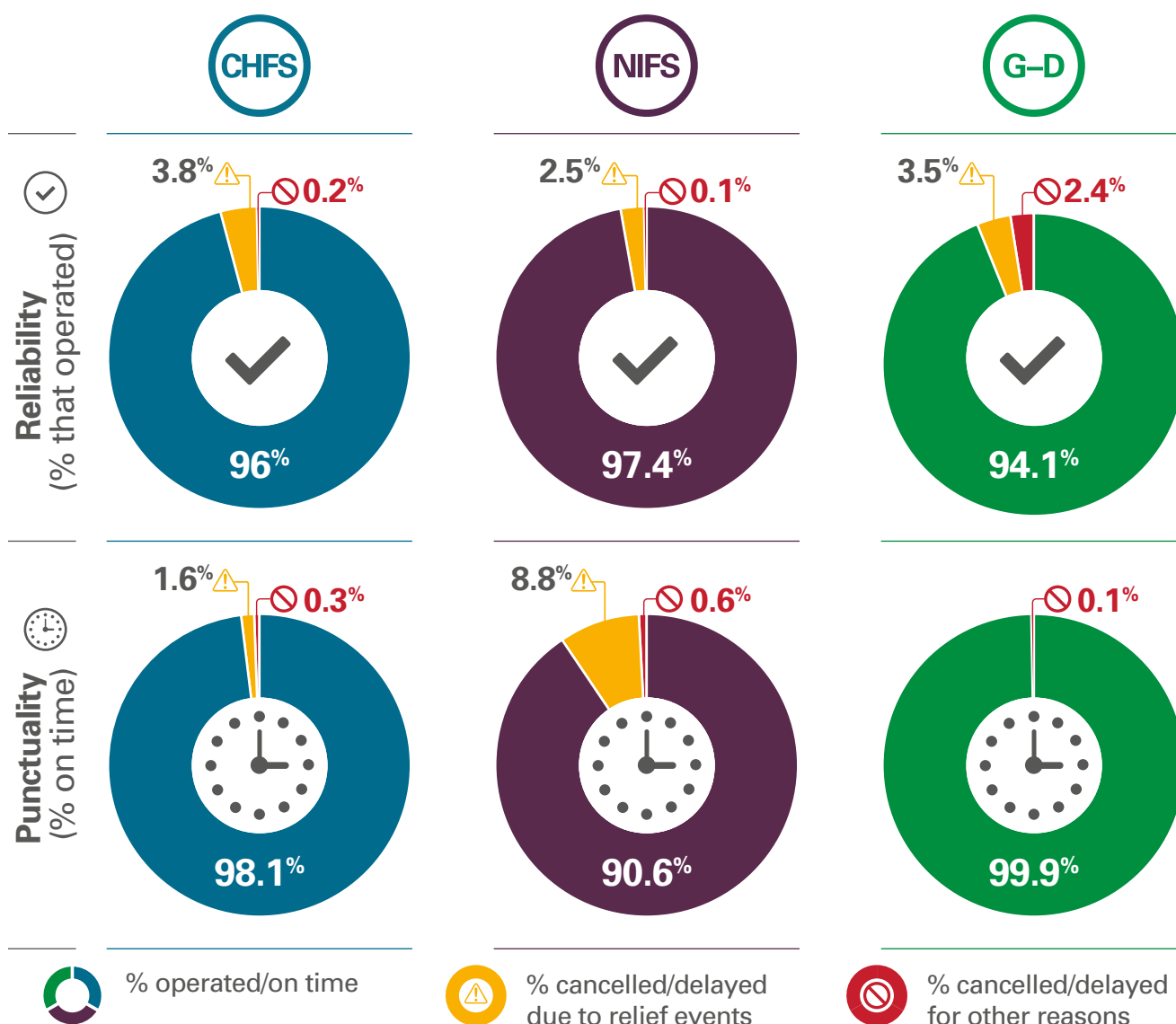
and other issues of safety. Other reasons for cancellations, or the late running of services, include vessel breakdowns or crew shortages.

60. The operators of the three contracts have performed very well since 2007. Both the CHFS and NIFS operators have, with a few exceptions, operated over 99 per cent of scheduled sailings each year with over 99 per cent of these running on time, after relief events have been accounted for (Exhibit 7). Reliability on the Gourock-Dunoon route is lower, with 97.6 per cent of sailings operating in 2016, after relief events have been accounted for. This is mainly due to mechanical problems with the vessels. Argyll Ferries operates a replacement bus service to transfer passengers from its cancelled services to Western Ferries, which enables users to complete their journeys.

Exhibit 7
Reliability and punctuality of sailings, by contract, in 2016
A higher percentage of sailings are cancelled on the Gourock-Dunoon route than on CHFS and NIFS routes.

	CHFS	NIFS	G–D
Reliability (% that operated)	3.8% ⚠ ⊘0.2% — **96%**	2.5% ⚠ ⊘0.1% — **97.4%**	3.5% ⚠ ⊘2.4% — **94.1%**
Punctuality (% on time)	1.6% ⚠ ⊘0.3% — **98.1%**	8.8% ⚠ ⊘0.6% — **90.6%**	⊘0.1% — **99.9%**

🟢 % operated/on time

⚠ % cancelled/delayed due to relief events

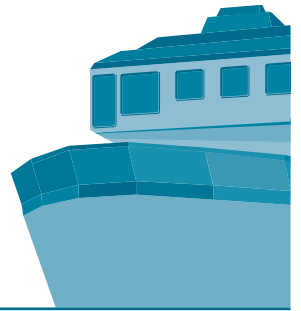⊘ % cancelled/delayed for other reasons

Note: Operators of the Gourock-Dunoon service are not required to report the number of punctuality failures split by relief events and other reasons.

Source: Audit Scotland, using data returns from CalMac, Serco NorthLink and Argyll Ferries

Part 3
Procurement

Key messages

1 EU rules and guidelines on ferry tendering have led to Transport Scotland operating three main ferry contracts with different timescales. As a result, it previously treated the procurement of each ferry contract as an individual project rather than a programme of work. It is now developing a more strategic approach which should help improve procurement planning, the use of resources and knowledge transfer.

2 There were weaknesses in how Transport Scotland managed the recent CHFS procurement project, although the appointment of key project staff introduced improvements. The chosen procurement method was new and the two bidders (CalMac and Serco) were not clear on what was expected of them. The bidders submitted over 800 queries during the tender process and there were delays in providing them with important information.

3 Transport Scotland estimated that the new CHFS contract would cost £996 million, based on the cost of continuing the old contract on the same terms. Transport Scotland received one compliant bid, from CalMac, which was £128 million lower than Transport Scotland's estimate. Although CalMac's bid met the minimum quality requirements, Transport Scotland was not required to assess the 350 commitments included in CalMac's bid which makes it difficult for it to demonstrate the added value of the new contract.

4 Transport Scotland awarded the new CHFS contract (CHFS2) to CalMac at a cost of about £868 million over eight years. Transport Scotland updated the contract requirements before the start date in October 2016 to reflect planned changes, which included updating the timetables. The required amendments have increased the contract cost to £975 million.

5 Transport Scotland has restructured and increased the size of its ferry contract management team to manage the additional workload associated with the new CHFS contract. But the team is still small compared to the significant amount of work required. The contract management team was not fully involved in the CHFS2 procurement exercise. This meant that it did not have sufficient time to understand the contract management requirements prior to the contract starting.

the new CHFS contract started on time despite delays and weaknesses in the procurement process

Transport Scotland has not previously taken a strategic approach to procuring ferry services

61. As highlighted in Part 1, EU rules and guidelines on ferry tendering have resulted in Transport Scotland operating three main ferry contracts with different timescales. This meant that these ferry procurement exercises were carried out by different people in Transport Scotland and were treated as individual projects rather than a programme of work.

62. Transport Scotland's procurement strategy for the 2016-24 CHFS contract (CHFS2) set out a number of learning points from previous ferry procurement exercises, including:

- the need for good governance structures, which includes information provided to project boards, roles and responsibilities, and decision-making procedures

- sufficient time must be built in to every aspect of the procurement exercise

- the importance of making information available to bidders in good time.

However, our review of the CHFS2 procurement exercise found that these lessons had not been applied.

63. Transport Scotland carried out a post-project review of the CHFS2 project in early 2017. It did not request feedback from the bidders as part of the review. Its review report identified a number of areas for improvement but it did not set out how these lessons would be applied to future procurements.

64. Transport Scotland recognises the advantages of a strategic approach to procurement. This includes better use of resources, improved planning, knowledge transfer, more coordinated use of external support (for example, financial advice), and the opportunity to create standard processes. Transport Scotland has now developed a more strategic approach for the next round of renewing ferry services contracts, which it expects will improve procurement practices in future. For example, the CHFS2 project sponsor and project manager will also oversee the next Gourock-Dunoon and NIFS tendering exercises.

There were weaknesses in the management and governance of the CHFS2 project ⓘ

65. Transport Scotland has guidance in place which sets out the governance arrangements and the appropriate steps that should be followed for all investment decisions.[10] All ferry procurements are required to comply with the guidance and must be signed off at key stages by Transport Scotland's Investment Decision Making (IDM) Board due to their 'novel, contentious or otherwise politically sensitive' nature. The CHFS2 project did not fully comply with the requirements of the IDM guidance (Exhibit 8, page 34).

66. Preparation for the CHFS2 project began in June 2014. In October 2014, Transport Scotland appointed the project sponsor and established a project steering group (PSG) to oversee the project. The PSG was responsible for reviewing the work of the CHFS2 project team and for all aspects of delivering the project, including developing the business case, managing risk and reviewing the

The CHFS2 project was a joint procurement exercise for a single bidder to operate two separate contracts:

- The provision of ferry services in the Clyde and Hebrides.

- The operation of CMAL's harbours.

project. The PSG had clear terms of reference. The head of Transport Scotland's ferries unit chaired the PSG and it comprised appropriate senior staff from relevant areas of Transport Scotland's business, such as procurement, policy and finance.

Exhibit 8
CHFS2 compliance with Transport Scotland's Investment Decision Making guidance
The CHFS2 project did not fully comply with guidance.

IDM guidance requirement	Compliance	
Sign off by the IDM Board	⬤	**Full –** However, the CHFS Project Steering Group was not aware who had authority to sign off the project
The IDM Board must be presented with a completed Strategic, Outline, or Full Business Case at key decision points	◐	**Partial –** The IDM Board was not presented with the Outline Business Case or the Full Business Case when making the decision to 'Proceed to Procurement' and 'Proceed to Contract' respectively. A Strategic Business Case was not prepared
Appropriate governance procedures are in place	◕	**Partial –** Project sponsor and other important team members were not in place at the outset
Gateway reviews completed	◔	**Partial –** Not all reviews were undertaken
Full project costs reported	◕	**Partial –** Whole-life costs were not reported
Equalities Impact Assessment carried out	⬤	**Full**
Strategic Environmental Assessment carried out	⬤	**Full**
Benefits realisation plan in place	◔	**Partial –** This was not developed until August 2016
Risk register must be in place	◕	**Partial –** An appropriate risk register was not developed until December 2015

Source: Audit Scotland

67. CHFS2 was a high-value, complicated project with a high level of public, political and media interest. It was therefore important that Transport Scotland had effective arrangements in place to manage it. Although the PSG received regular updates from the project team and provided challenge on progress, there were a number of weaknesses in governance and management arrangements:

• Roles and responsibilities and decision-making processes were not fully established at the outset of the project.

- There were delays in appointing important members of the project team. For example, the project manager was not appointed until May 2015 and project support was appointed later, in October 2015. The appointment of financial consultants to support the team did not take place until June 2015.

- No one in the project team had a procurement qualification, although some staff in the project team had extensive experience of procurement projects and all members received procurement training. There was also no one in the project team with a ferries or shipping background.

- A detailed project plan was not in place at the outset, just a list of project milestones.

- Although risks were reported to the PSG from the outset, they were not well documented until after the project manager was appointed.

68. Using business cases is vital for scrutinising projects effectively and ensuring the right information is available at the right time to support decision-making. Transport Scotland's IDM guidance states that business cases must be presented to the IDM Board at key decision points, to provide a clear justification for investment and demonstrate value for money and the affordability of projects.

69. The CHFS2 Outline Business Case (OBC) and Full Business Case (FBC) were not presented to the IDM Board when important decisions were being made. For example, the OBC should have been presented when the IDM Board made the decision to 'Proceed to Procurement' but it was not developed until November 2015, seven months after the pre-qualification questionnaire was published. Our 2013 report on transport infrastructure projects similarly found that Transport Scotland did not routinely develop and update business cases.[11]

70. The project manager prepared the OBC and FBC after their appointment and these followed the HM Treasury's 'five case' model. That is, the OBC and FBC set out the strategic, economic, commercial, financial and management case for the project.[12] The project manager made a number of other project improvements, including:

- developing a detailed project plan

- revising and shortening the risk register

- preparing whole-life project costs

- creating clearer, more useful reports for the PSG.

71. Transport's Scotland's IDM guidance requires projects that are high value or risky to be subject to the Scottish Government's gateway review process. Gateway reviews should be carried out by an independent team ahead of key decision points to provide assurance on the progress made to date. However, some of these reviews were not carried out for the CHFS2 project, partly due to the absence of business cases (Exhibit 9, page 36). It is therefore not clear what independent assurances were being provided to the PSG or the IDM Board that the project was being delivered well and on time.

Exhibit 9
CHFS2 gateway reviews
Some gateway reviews could not be completed due to lack of project documentation.

Stage/ Purpose	Date completed	Issue
Gateway review 1 **Business justification** This review assesses the justification of the project. It should take place after the Strategic Business Case has been prepared and before project proposals are presented to the Project Board.	Did not take place	Transport Scotland prepared a strategic outline case for the project, which was discussed by the PSG. It did not consider it necessary to complete a formal Strategic Business Case as there was no doubt that the project would go ahead.
Gateway review 2 **Delivery strategy** This review investigates the assumptions in the Outline Business Case (OBC) to assess the project's viability, its potential for success, the value for money to be achieved, and the proposed approach. It should take place before invitations to tender are issued.	February 2015 A supplementary gateway 2 **health check** ⓘ was carried out in May 2015, before the Invitation to Tender (ITT) was issued.	The assumptions in the OBC were not independently assessed as the OBC for the project was not developed until November 2015. ⓘ **Health check** reviews generally use the same principles and processes as gateway reviews. They are less formal and there is normally more flexibility on the remit and scope of the review and the subsequent report.
Gateway review 3 **Investment decision** This review assesses the Full Business Case (FBC) to confirm that the recommended investment decision is appropriate. It should take place before the contract is awarded.	Did not take place A health check was carried out instead in April 2016.	The review could not take place because the bids were still being evaluated. This meant that mandatory documents, including the FBC, were not available for the gateway review team to assess. The FBC was not developed until May 2016 and was finalised in August 2016.
Gateway review 4 **Readiness for service** This review assesses whether an organisation is ready to implement the service and whether appropriate contract management arrangements are in place. It should take place prior to the service initiation date.	September 2016	Delays in the project meant that this review could not take place in August 2016 as planned.
Gateway review 5 **Operations review and benefits realisation** These reviews check that the project is on track to deliver its intended benefits. They should take place several times during service operation.	Not yet taken place	N/A

Source: Audit Scotland

The CHFS2 procurement exercise was complex and the two bidders were not clear on what was expected of them

The chosen procurement method for CHFS2 was new and there were no guidelines in place on how it should be used

72. The CHFS2 procurement strategy considered the suitability of three different procurement routes for the project:

- Competitive Dialogue and Competitive Procedure with Negotiation (CPwN), both of which involve discussion with bidders on their proposals.

- The Restricted Procedure, which does not involve any discussion with bidders.

73. Transport Scotland assessed each option against a range of criteria, including the likelihood of achieving compliant bids, bidders' access to the process, timescales and costs. The Restricted Procedure was Transport Scotland's least favoured option because it did not allow it to enter into any discussion with bidders. This created a risk of bidders submitting bids that did not comply with Transport Scotland's minimum requirements. Transport Scotland considered the CPwN route to be the best option because it scored highly against most of its criteria. It was, however, the lengthiest of the three routes and Transport Scotland estimated it would take about four months longer than the Restricted Procedure.

74. The CPwN route enables contracting bodies to negotiate with bidders over the quality of service to be provided. Once these negotiations are complete, bidders submit a final bid, with a price, to provide a set standard of service, which is non-negotiable. For the CHFS2 procurement exercise, Transport Scotland set minimum contract requirements and award criteria which were not negotiable. It negotiated with the two bidders (CalMac and Serco) on aspects of their initial and interim bids which were deemed 'weak' or 'unacceptable', with the aim of improving the final bids received. Transport Scotland selected the CPwN procedure to minimise the risk of receiving non-compliant bids. However, it received only one bid (from CalMac) which it considered to be compliant with its minimum requirements. It also received a bid from Serco, but it considered this to be non-compliant (paragraph 82).

75. CPwN is a complex procurement route and, at the time, there were no guidelines in place on how it should be used. It was introduced by the 2014 European Procurement Directives. Specific details on how and when it should be used were not set out in the Public Contracts (Scotland) Regulations until December 2015, eight months after pre-qualification exercise for the procurement started.[13] The Regulations state that the CPwN route should be used when services require 'innovative solutions' or when the specification cannot be fully established by the public body. Transport Scotland's CHFS2 procurement strategy stated that the specification was heavily constrained by the Ferries Plan and was more prescriptive than NIFS, as the routes, timetables, fares and use of vessels are all determined by Scottish ministers. The strategy also lists a few areas where bidders could be innovative, including customer service, technology and catering.

Transport Scotland received over 800 queries from bidders during the tender process

76. The specification for the CHFS2 ferry contract was based on Transport Scotland's Ferries Plan. This sets out service proposals to meet the needs of communities, based on extensive analysis and consultation carried out in 2009 and 2010. Transport Scotland did not consider it necessary to carry out a separate exercise to update the CHFS2 specification, due to the amount of work that had been carried out to develop the Ferries Plan.

77. Transport Scotland issued three versions of the **Invitation to Tender (ITT)** ⓘ – an initial, interim and final one – which covered both ferry and harbour operations. Both bidders told us that, in their opinion, the ITTs were not clear and contained a number of errors and omissions, which resulted in changes being made to the documents. An Independent Procurement Reference Panel (IPRP) also provided Transport Scotland with feedback on each of the ITTs. The Minister for Transport and the Islands established the IPRP to ensure that the procurement was fair, open and transparent. The IPRP reviewed the initial and interim ITTs, after they were issued to the bidders, which resulted in changes being made. It may have been more useful for the IPRP to review the initial and interim ITTs before they were issued, as was the case with the final ITT. This may have resulted in a clearer, more comprehensive ITT from the outset.

78. Transport Scotland set up an online information room to provide bidders with the information required to prepare bids. Transport Scotland acknowledges that there were significant delays in providing important data, in particular information on staff costs and vessel condition. Reasons for the delays include insufficient staff within the team to deal with all the queries and not holding all the data that bidders asked for (Transport Scotland therefore had to request this from CalMac as the incumbent bidder). Transport Scotland also failed to provide a clear financial baseline – bidders were provided with a range of financial information from different periods and had to reconcile the data. These issues made it difficult for bidders to make fully informed bids. Bidders told us that, in their opinion, there was also a lack of clarity in the contract specification and on the level of detail that they were expected to provide in their bids. This, along with the data issues, led bidders to submit over 800 queries during the tender process (352 from CalMac and 452 from Serco).

Although the new service began on time, delays in the tender process increased bidders' costs

79. The weaknesses in project management, delays in providing data and external factors, such as discussions with unions and strike action by CalMac crewing staff, all contributed to delays in the procurement process. The most significant was in issuing the ITTs (Exhibit 10, page 39). Transport Scotland delayed the submission date for interim bids to allow bidders more time to prepare. This subsequently reduced the time they were given to prepare their final bids. Despite the delays, the new service began on time in October 2016.

80. The CHFS2 procurement project took over two years to complete, from June 2014 to September 2016. Transport Scotland's project costs totalled £1.1 million, which included £439,000 on consultancy support. Bidders told us that their costs were increased due to delays during the project. Serco told us that its costs also increased due to Transport Scotland providing insufficient data, for example on asset costs, which created more work.

An invitation to Tender (ITT) is a formal invitation to bidders to make an offer to run a public-sector contract. It sets out the public body's requirements for goods or services, procurement timescales, details on how bids will be evaluated and contract terms and conditions.

Exhibit 10
CHFS2 procurement delays
The final ITT was issued two months later than planned.

Stage	2015											2016									
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Pre-Qualification Questionnaire issued	◑ 17 Feb																				
Initial ITT issued					● 10 Jun	○ 31 Jul															
Initial bid submission						● 29 Jul		○ 21 Sept													
Interim ITT issued								● 23 Sept		○ 2 Nov											
Interim bid submission									● 21 Oct			○ 5 Jan									
Final ITT issued											● 2 Dec		○ 15 Feb								
Final bid submission												● 27 Jan		○ 7 Mar							
Preferred bidder announced																◑ May					
Contract award																● May			○ Aug		
Service commences																					◑ 1 Oct

● Planned date   ○ Actual date   [00] Time allowed to prepare bid (working days)

Note: Planned dates taken from Transport Scotland's estimated project timescales in January 2015. Project timescales prepared prior to January 2015 were based on a Competitive Dialogue procedure and therefore cannot be directly compared to the actual dates. Transport's Scotland initial timetable (dated October 2014) planned for the final tender to be submitted in December 2015 (actual date was March 2016).

Source: Transport Scotland

The added value of the CHFS2 contract is unclear

Transport Scotland assessed that only one bid for the CHFS2 contract was compliant

81. Transport Scotland had a thorough process in place to evaluate the financial and quality aspect of the CHFS2 bids. The initial and interim bids did not include bidders' costs and were not scored. The final ITT required bidders to submit four packages (covering their operational proposals, personnel, costs and certificates) for both the ferry and harbour operations contracts. The ITT set out, in detail, how each package was to be evaluated, including how individual elements were to be scored and weighted, and what information bidders were required to include in their bids. Staff

involved in the assessments were provided with guidance and training. Eight panels were established to evaluate the final tenders after checking them for compliance and completeness. The financial package was only to be evaluated after the others had been checked for compliance against the minimum specification.

82. Transport Scotland assessed Serco's bid as non-compliant as it did not meet the minimum contract requirements. In particular, Serco was not willing to accept some of the risks specified in the contract. For example, it was not willing to accept financial liabilities relating to maintaining assets because it considered it did not have enough information on asset condition. In Transport Scotland's opinion, this made the bid non-compliant and it did not open the quality or financial aspect of the bid. Transport Scotland had a process in place for bidders to suggest amendments to the contract although it was not obliged to accept these. In Serco's opinion there was limited scope for negotiation and Transport Scotland rejected its suggested contract amendments without any explanation. However, Serco remained in the procurement process and submitted a final bid, with proposed amendments to the contract, in the hope that Transport Scotland would consider them.

Transport Scotland did not assess the 350 commitments included in CalMac's bid

83. Ministers decided that the bids were to be evaluated using a price/quality ratio of 65/35. The quality aspect of the tender required bidders to submit their proposals on:

- summer and winter timetables

- managing customer demand

- catering and retail services

- vessel deployment and investment

- marketing

- customer care and accessibility.

84. As Transport Scotland only received one compliant bid, from CalMac, it only checked the quality aspect of the bid for compliance and completeness. It was not required to formally evaluate and score the quality aspect of the single bid.

85. CalMac's bid included a total of 350 commitments, with milestones, across the different quality categories in the ITT. Commitments included a combination of specification requirements, as set out in the ITT, and additional offerings, such as a new post of Director of Community and Stakeholder Engagement. Transport Scotland did not analyse the 350 commitments to assess which of these were:

- requested by Transport Scotland in the specification

- a continuation of service offerings from the previous contract

- new practices or additional offerings which were not in the specification.

Without analysing these 350 commitments, Transport Scotland cannot demonstrate the additionality or added value that it expects the new contract to provide. However, Transport Scotland expects to benefit from the 350 commitments as CalMac is contractually required to deliver them. It is important that Transport Scotland monitors these commitments throughout the duration of the contract to help demonstrate value for money.

86. CalMac reports that its bid identified inefficiencies and opportunities to enhance value for money over the duration of the new contract. It proposed that it could make savings and stimulate additional revenue, thereby reducing the amount of subsidy required, as follows:

- It estimated that it could achieve savings of between five and 20 per cent over the duration of the contract through better procurement and management of spares, maintenance and fuel.

- It anticipated that it could increase revenue through local marketing and better demand management that would increase commercial traffic by 12 per cent and passenger and vehicle traffic by ten per cent.[14]

Transport Scotland plans to monitor how CalMac is performing against these proposals as part of its contract management arrangements.

Transport Scotland awarded the CHFS2 ferry contract at a cost of £868 million; contract variations have increased costs to £975 million

87. Scottish ministers awarded CalMac the contract to run ferry services for eight years, at a cost of £868 million. CMAL awarded a separate contract to CalMac, at a cost of £32.5 million, to operate its harbours. Transport Scotland estimated the cost of the ferry services contract to make comparisons with bidders' estimates. Its estimated cost was £996 million, based on the cost of continuing the previous contract on the same basis (that is, the same timetables, fares and vessels). CalMac's winning bid for the ferry contract was £128 million lower than Transport Scotland's estimate.

88. The £868 million cost of CalMac's bid is based on the ITT specification. If any changes are subsequently made to that specification, such as the need for additional sailings, a contract variation is required. Although the specification was up to date when the initial and interim ITTs were issued, it had to be updated before the contract start date. For example, the specification was based on the 2014/15 timetable and RET had not yet been fully implemented.

89. Since the contract was signed in August 2016, CalMac has had to recalculate a number of its costs to take into account the expected changes. It has submitted contract variations to reflect, for example, the planned timetable changes and increased pension contributions imposed by the CalMac Pension Fund Trustees. Transport Scotland's ferries unit reviews the contract variation requests and corresponding costs. It has approved some of the contract variations, which will increase the cost of the contract over its duration by £107 million to £975 million.

Arrangements for managing the three ferry contracts are evolving and could be strengthened

90. Transport Scotland's ferries unit has a contract management team which monitors the three main ferry contracts, plus the funding provided for one commercially operated route (Tayvallich to Craighouse). Contract management includes:

- monitoring the performance of operators through analysing monthly performance reports and meetings with operators

- checking monthly grant claims

- reviewing contract variations, which can be technical in nature

- annual reconciliations of operators' costs and subsidy payments.

91. Transport Scotland introduced changes to the new CHFS ferry contract to help control its costs. More financial risk has been transferred to the operator (for example, in relation to income generation, certain staff costs and maintaining asset condition). This means that if CalMac's bid has underestimated certain elements of its running costs or overestimated its revenue, Transport Scotland will not increase its subsidy payments to reflect this. This differs from the previous contract, which committed Transport Scotland to meeting the full net cost of delivering services. The changes will require more thorough contract management than was necessary during the previous contract.

92. Transport Scotland identified early in the CHFS2 procurement exercise that the new contract would require enhanced contract management due to the degree of specialism required and the volume of work involved. CHFS2 contract management arrangements:

- have been recorded on Transport Scotland's corporate risk register since the start of the procurement process

- were highlighted in the project's gateway review process, with a recommendation that appropriate resourcing should be put in place ahead of services starting

- were identified by internal audit as an area for further investigation in 2017.

93. The ferries contract management team has been restructured and increased by three posts to help manage the additional work the CHFS2 contract created. The team now consists of five staff, with two dedicated to the CHFS2 contract. It is too early to tell whether the new arrangements will allow for effectively managing the contracts. The contract management team still appears small compared to the amount of work involved.

94. The ferries contract management team was not fully involved in the CHFS2 procurement exercise. This meant that the team did not have sufficient time to understand the contract management requirements until the **contract mobilisation** *(i)* stage. This caused a delay in the team agreeing what information it needed to effectively monitor the contract. For example, at the start of the contract, the team did not know how it would monitor progress against

The **contract mobilisation** stage is the period between the contract award date and the start of the contract.

For CHFS2 the mobilisation stage ran from 22 August to 30 September 2016.

CalMac's 350 commitments. The contract management team would have been better prepared to effectively manage the contract from the outset if it had been made aware of the contract specifications at an earlier stage.

95. Operators provide Transport Scotland with a range of detailed financial and performance reports every month, quarter, six months and year (depending on the contract). Despite key performance indicators being largely similar across the three contracts, there is little consistency between the content and format of reports. Although this is to be expected to a degree, it would be more efficient if Transport Scotland requested common information from each operator in a consistent format. This would allow it to make comparisons and identify trends, which it is currently difficult to do.

Part 4

Long-term planning
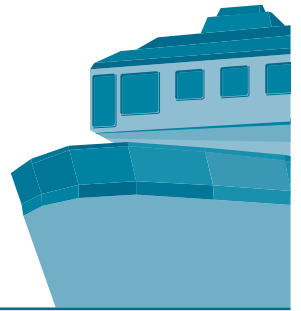
Key messages

1 Transport Scotland's Ferries Plan sets out proposals to develop ferry services and assets between 2013 and 2022. The estimated cost of these proposals, as at December 2012, was £390 million in capital and £10 million a year in revenue. The Ferries Plan was based on extensive analysis and consultation, and was Transport Scotland's first attempt to set out a long-term strategy for ferries. This was a positive development and was welcomed by communities and other interested bodies.

2 The Ferries Plan is focused on the Clyde and Hebrides network. Transport Scotland does not have a Scotland-wide strategy that takes into account its responsibilities across its network of subsidised ferries or the many proposed developments to its ferry operations. This means that the full extent of Transport Scotland's future spending requirements, and how it will prioritise spending across its three contracts, is unclear.

3 Transport Scotland's investment plans for vessels and harbours are focused on the CHFS network. Transport Scotland is currently considering how to develop its vessels plan to include its responsibilities across the rest of its network.

4 Less than halfway through the duration of the Ferries Plan, Transport Scotland has made significant progress against its proposals. It is not clear, however, if this has been achieved within budget as Transport Scotland does not monitor the associated costs.

5 Maintaining and investing in harbours will have significant cost implications for Transport Scotland. CMAL estimates that at least £466 million of investment in its harbours is required over the next 30 years. The condition of the remaining harbours across the subsidised ferry network is not reported to Transport Scotland, which means that the level of any required investment in these harbours is not known.

6 Transport Scotland does not measure systematically the benefits arising from its spending on ferry services, or the overall contribution ferries make to social and economic outcomes, such as employment or reducing inequality. Better information on this would help Transport Scotland make more informed decisions and demonstrate value for money.

> Transport Scotland has made significant progress against its Ferries Plan but there are substantial proposed developments to its ferry operations

Transport Scotland's Ferries Plan sets out its proposals to develop services and assets over ten years

96. Transport Scotland published a Ferries Plan in December 2012, setting out its proposals for ferries investment between 2013 and 2022.[15] This was Transport Scotland's first attempt to set out a long-term strategic approach to ferries and was welcomed by communities and stakeholders, such as councils and other interested parties. The plan involved extensive stakeholder consultation, data analysis and research and included a needs-based assessment of routes and services to determine:

- the needs of each community (that is, whether ferries were required for commuting, personal use, freight or tourism)

- what level of service was required to meet those needs

- how the current service model compared to needs.

97. Transport Scotland assessed options for each community against a range of criteria including feasibility, scale and complexity, to determine whether additional sailings or vessels were required. Most communities were offered an enhanced service and none received a reduction. Transport Scotland then developed a number of short, medium and long-term proposals to address communities' needs.

98. The Ferries Plan sets out Transport Scotland's investment proposals for services and assets, which would go ahead subject to the budget being available. The estimated cost of the proposals in December 2012 was £400 million, split as follows:

- Vessel replacement – £295 million capital.

- Ports and harbour works – £73 million capital.

- Development of routes and services – £22 million in capital and £10 million in annual revenue.

99. The plan also contained other commitments for Transport Scotland, including:

- rolling out RET across all ferry routes

- taking on responsibility for council-run services and harbours (if requested)

- reviewing commercial vehicle fares.

The Ferries Plan focuses largely on the CHFS network
100. The Ferries Plan focuses largely on services and assets on the CHFS network. However, it contains some reference to the other contracts, in particular:

- a commitment to consider vessel deployment on the Northern Isles before the current lease ends in 2018

- a proposal to upgrade Gourock harbour by 2025.

101. Transport Scotland reports that the plan focuses on the CHFS network because of the significant investment made in the Northern Isles before the Ferries Plan was developed. For example, in 2002 the RBS Group funded three new passenger vessels at an estimated cost of £100 million. However, this still means that Transport Scotland does not have a Scotland-wide strategy for the full network of services that fall within its responsibilities. It is therefore not clear how Transport Scotland plans and prioritises its investment across the three contracts.

Transport Scotland has made substantial progress against the Ferries Plan, but it does not know if this has been achieved on budget

102. Transport Scotland regularly reviews progress against the Ferries Plan. In March 2017 (just over four years into the ten-year plan), Transport Scotland reported significant progress to Scottish ministers. Of the 75 commitments made (covering routes and services, vessel replacement, harbour works, funding and procurement, fares, accessibility and responsibilities), 53 had been met and 21 were on schedule to be met. The one commitment that was not met was buying a passenger-only vessel for the Small Isles (the islands of Canna, Eigg, Muck and Rum) during the period of the interim CHFS contract (2013-16). Transport Scotland reported in March 2017 that it will no longer be buying the new passenger vessel as the local communities had decided against an increased ferry service.

103. Transport Scotland does not know whether it has delivered the Ferries Plan commitments within budget as it does not monitor progress against individual cost estimates. The plan does not estimate the cost of individual commitments. Instead it categorises commitments into short, medium and long-term proposals and estimates a total cost for each category. This means that it is not possible to determine the extent to which individual commitments have been delivered on budget.

104. Since publishing the plan, Transport Scotland has also made a number of other investments and improvements that were not included in it, to respond to changes in circumstances. Examples include increasing the capacity on the Kennacraig-Islay service, extending the operating day on the Tobermory-Kilchoan route and introducing a new route between Mallaig and Lochboisdale.

Better information on assets would assist long-term planning

Transport Scotland's vessels plan is not Scotland-wide
105. The Ferries Plan sets out a high-level proposal of vessel replacement on the CHFS network, based on vessel age. In 2013, Transport Scotland, alongside CMAL and CalMac (the tripartite group), started to consider a more detailed plan of vessel retentions, acquisitions and disposals to support the delivery of the Ferries Plan. The tripartite group published its Vessel Replacement and Deployment Plan (VRDP) for the Clyde and Hebrides in October 2015 and refreshed it in December 2016.[16,17] A further refresh is due in late 2017.

106. The VRDP takes into account historical and projected customer demand, the impact of RET and vessel capacity for both passengers and vehicles. It is based on actual and forecast weekly capacity utilisation (that is, how full the ferries are) over the peak nine-week summer season on the CHFS network. The VRDP lists short, medium and long-term proposals to address issues of high-capacity

utilisation on the Clyde and Hebrides network, which is predicted to reach over 100 per cent on some routes by 2024. Proposals include the deployment of two new vessels that are currently under construction, adding a second vessel onto some routes or using larger ones. It does not set out the cost implication of vessel decisions.

107. Transport Scotland is considering how it can develop the VRDP to include all of its vessel responsibilities across its subsidised network. In doing so, Transport Scotland should ensure that it includes the estimated cost of its vessel decisions, including the cost of any associated harbour works.

Detailed information on vessel capacity utilisation is important for both financial and operational planning

108. The VRDP is a positive and useful development to help make difficult and complicated vessel decisions on the CHFS network. However, it is based on average weekly capacity utilisation data, which hides significant variations in how busy, or empty, vessels are on particular sailings, at different times of the day, or on different days of the week. More detailed information would allow Transport Scotland, in cooperation with CMAL and operators, to accurately identify peaks and troughs and allow it to better plan services and assets to manage these.

109. CalMac and Serco NorthLink record information on capacity utilisation for their own purposes. On both CHFS and NIFS routes, average monthly capacity utilisation varies significantly throughout the year, mainly due to higher numbers of tourists during the summer. For example:

- on the CHFS network in 2016, vehicle deck capacity utilisation varied from seven per cent on the Kennacraig to Islay/Colonsay/Oban route in December, to 80 per cent on the Oban to Craignure route in August

- in contract year 2015-16, cabin utilisation on the Northern Isles routes varied from 37 per cent in January 2016 to 79 per cent in July 2015.

These monthly figures hide huge variations that can exist on a daily and weekly basis.

110. Argyll Ferries does not record capacity utilisation on the Gourock-Dunoon route. Based on passenger numbers and vessel sizes, we estimate that the average passenger capacity utilisation ranges from six per cent in winter months (October 2015 to March 2016) to seven per cent in the summer months (April to September 2016).

111. The VRDP sets out how Transport Scotland will increase capacity on ferry routes which have high average capacity utilisation. But low levels of capacity utilisation can also be a problem and may indicate that sailings are too frequent or vessels are too big. Transport Scotland should consider, when developing its refreshed strategy for ferry services, opportunities to address low capacity utilisation, which may include reducing the frequency of sailings.

Substantial investment in harbours is required but the full extent of this is unclear

112. Transport Scotland's subsidised ferries operate in and out of 59 harbours across Scotland. CMAL owns 25 harbours and one berth on the CHFS network, plus Gourock Harbour. It is responsible for both maintaining these and investing in new and upgraded facilities. Between 2007 and 2016, CMAL spent about £30 million on harbour improvement works. However, it considers this has not been enough to address historical underinvestment in harbours and there is now a need to replace infrastructure:

- which is reaching the end of its useful life

- to accommodate new vessels

- to manage higher demand, resulting from RET

- to comply with disability and accessibility legislation

- to improve the customer experience.

113. Transport Scotland does not have a harbours investment plan. CMAL has a programme of improvements for its harbours, which is based on condition surveys carried out in 2007 and 2015. The estimated cost of the improvement works is £466 million over 30 years (excluding inflation). This excludes the cost of upgrading harbours to accommodate new vessels, which may be significant (Case study 5, page 49). CMAL's estimated investment requirement is significantly higher than the estimated ten-year cost of harbour works in the Ferries Plan (£73 million). It is not clear how the improvement works will be funded within Transport Scotland's allocated budget.

114. Although Transport Scotland has information on the condition of CMAL's harbours, it does not collate details on the condition of more than half (33) of the harbours that its services operate from. The condition of these harbours is fundamental to operating ferry services safely and efficiently. It also has financial implications for Transport Scotland. It is therefore important that Transport Scotland collates this information and builds it into its long-term operational and investment plans.

A number of ferry developments will have a financial impact on Transport Scotland

115. There are a number of pressures on Transport Scotland's ferries budget, some of which we have already mentioned. These include:

- the significant investment required in harbours

- the increasing demand pressures created by RET

- rising pension costs

- ongoing public and political pressures to improve services.

Case study 5

An example of how vessel decisions affect harbour costs

Harbour modifications to accommodate the new Ullapool to Stornoway vessel cost £31.6 million

In 2011, Transport Scotland, on the advice of CMAL and CalMac, decided to build a new, large ferry on the Ullapool to Stornoway route to replace the existing passenger and vehicle vessel and separate freight vessel. Although an initial option appraisal exercise indicated that the preferred option was to build two medium/large-sized vessels, a later evaluation indicated that a single, larger ferry would be more reliable in bad weather. Lloyds Bank funded the £42 million cost of the new ferry, which has the capacity to carry an extra 20 passengers and an extra 20 cars, compared to the previous passenger and vehicle vessel.

The existing harbour infrastructure was unable to accommodate the larger vessel, requiring both harbours to undergo major upgrade and extension in 2014. Although CMAL did not own the harbours, Transport Scotland agreed to pay a significant proportion of the upgrade costs:

- Stornoway Harbour (owned by Stornoway Port Authority): Transport Scotland paid £8.5 million of the £12 million cost (71 per cent).

- Ullapool Harbour (owned by Ullapool Harbour Trust): Transport Scotland paid £18 million of the £19.6 million cost (92 per cent).

Between October 2014 and September 2016, harbour dues paid by Transport Scotland, through CalMac, increased by:

- 56 per cent at Stornoway harbour, to £1.4 million per contract year

- 78 per cent at Ullapool harbour, to £1.5 million per contract year.

Source: Audit Scotland using figures provided by Transport Scotland and CalMac

116. A number of other developments are also likely to have implications for Transport Scotland's capital and revenue expenditure. For example:

- In 2014, the Scottish Government committed to the principle of 'fair funding' for Orkney and Shetland councils' inter-island ferry services.[18] Scottish Government funding for councils' ferry services is currently part of their local government funding settlement. Orkney and Shetland councils supplement Scottish Government funding by about £2.5 million and £7.5 million a year respectively. In contrast, Transport Scotland subsidises inter-island ferry services in the Western Isles, as part of the CHFS contract, without financial support from Comhairle nan Eilean Siar. Transport Scotland has been discussing the future funding of inter-island services and assets with Orkney and Shetland councils for about two years. 'Fair funding' will require substantial capital investment plus annual funding to cover the operational costs.

- In 2016, the Scottish Government committed to reduce fares to the Northern Isles in response to RET being introduced on CHFS routes. As part of its planning for the new NIFS contract, Transport Scotland has been considering its methodology for reduced fares, how much this will cost and how it will manage the implications. Lower fares will be introduced from 2018. This is anticipated to significantly increase demand for ferry travel, which is likely to create capacity issues. Transport Scotland is planning to manage this by operating additional sailings using the current vessels on the network. This is likely to require major timetable changes, which will have an impact on freight customers in particular. While making greater use of assets will save on the costs of new vessels, it will increase crewing, fuel and maintenance costs and harbour dues. Transport Scotland will also introduce RET on the commercially operated service on the Pentland Firth from 2018. This means it will be required to pay compensation to the operator, Pentland Ferries, in respect of lower ticket income.

- Transport Scotland is currently considering how to deal with the three passenger vessels on the NIFS routes. Transport Scotland has an operating lease with the owners, RBS Group, and this is due to end in 2018. Transport Scotland and CMAL are currently assessing the cost of their options, which include renewing the lease.

- Transport Scotland has been reviewing and discussing freight fare options since 2014. The aim is to introduce a consistent freight fare structure across the Transport Scotland network which means that costs will increase on some routes and decrease on others. Depending on the route, it may mean that additional sailings or vessels are required to meet demand, or that Transport Scotland loses custom to commercial operators on routes where its fares are increased. Transport Scotland is alert to this risk from its experience of the NorthLink Ferries contract failure in 2004. One of the reasons for the failure was competition from Norse Island Ferries, which a group of hauliers created in response to NorthLink's high freight charges.

- The specification for the new Gourock-Dunoon contract requires the operator to use its own 40-metre vessels, to help improve reliability on the route. If the contract is awarded to David MacBrayne Ltd (DML), this will require public sector investment in new vessels. While the tender exercise is currently paused, it is important that Transport Scotland considers the value for money of providing financial support for this route, in the context of:

  - the cost of the new vessels. In 2013, Transport Scotland commissioned consultants to estimate the cost, which ranged from £3.0 million per passenger vessel to £6.0 million per passenger/vehicle vessel.[19] In January 2017, DML estimated this could cost in the region of £25 million to £30 million per vessel[20]

  - falling passenger numbers since 2007

  - increasing subsidies since 2011 (which are estimated to increase further to £4.2 million a year at the start of the new contract)

  - the required £13 million investment in Gourock harbour (as estimated in the Ferries Plan)

  - the presence of a successful commercial operator on an adjacent route.

It is difficult to determine whether Transport Scotland's spending on ferries is value for money

Transport Scotland does not routinely measure the impact of its ferry spending

117. Transport Scotland's Ferries Plan states that its funding of ferry services helps to:

- improve connections for island and remote rural communities

- improve reliability and journey times

- maximise the opportunities for employment, business, leisure and tourism

- promote social inclusion.[21]

118. Transport Scotland's ferries team does not have a performance measurement framework in place to assess the extent to which its funding for ferry services contributes to these aims. Similarly, Transport Scotland considers that transport contributes to nine of the Scottish Government's National Outcomes.[22] But it has not set out how it intends the Ferries Plan to contribute to these outcomes, nor does it have a framework in place to measure this.

119. Some work has been carried out to estimate the impact of specific aspects of ferry services. For example:

- Transport Scotland has evaluated the impact of RET on certain communities

- CalMac has estimated the contribution that it makes to local economies, in terms of the number of jobs and salary levels that it supports.[23] For example, in 2014 it employed over 1,400 staff and supported a further 4,300 jobs, resulting in a total of £85.8 million being paid in direct and indirect salaries

- Serco NorthLink regularly reports how much it spends on local suppliers to help demonstrate its contribution to local economies.

120. But there has been no overall assessment of the contribution that ferry services make to economic and social outcomes, such as supporting well-paid employment in remote communities.

121. Transport Scotland's spending on ferries has doubled since 2007/08 (Exhibit 3, page 17). Although this has delivered tangible outputs, including additional vessels and sailings, the impact of this increased spending, for example on employment or tourism, is not known. Transport Scotland does not know the specific impact of increasing or reducing service levels, either on an individual route basis or across the whole network. Without detailed information, it is difficult for Transport Scotland to demonstrate the impact of its operational or spending decisions. It is important that Transport Scotland can demonstrate that it is getting the best level of service for the money available and that it is targeting its future ferries investment where it will have the biggest impact on local communities.

There are opportunities for Transport Scotland to set out more clearly its intended benefits of ferries

122. Transport Scotland, at a corporate level, is currently in the process of developing a methodology and assessment tool to enable it to prioritise all of its future spending decisions and assess the impact of its spending against Scottish Government objectives. It intends to use its Policy Assessment Framework (PAF) tool to assess how projects perform against Scottish Government policies, such as:

- promoting economic growth

- improving transport integration

- protecting the environment and improving health

- improving journey safety

- promoting social inclusion.

123. In these times of financial constraint, it is important that Transport Scotland can demonstrate it is getting the best level of service for the money available. There is an opportunity for Transport Scotland to use the PAF to develop a Scotland-wide ferries strategy which:

- clearly identifies what Transport Scotland's spending on ferries services is intended to achieve

- includes a framework for assessing the contribution that its ferries spending makes to the Scottish Government's National Outcomes

- is clearly aligned with the plans of relevant **Community Planning Partnerships (CPPs)** *i* to improve local economies and social wellbeing. Transport Scotland is currently not a partner on CPPs

- is financially sustainable and clearly identifies its priorities for future ferries development

- takes into account its current ongoing review of its Strategic Transport Projects and refresh of its National Transport Strategy.

There are 32 **CPPs** in Scotland, one for each council area.

They are a statutory forum for bodies, such as councils, NHS boards, RTPs and the police and fire services, to work with local communities to plan and deliver better services.

Endnotes
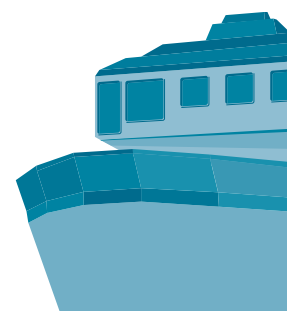
◄ 1 *Council Regulation (EEC) No. 3577/92 of 7 December 1992, applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage)*, Official Journal of the European Communities, December 1992.

◄ 2 Official report, Meeting of the Parliament, Scottish Parliament, Thursday 2 February 2017.

◄ 3 *Assessment of the Impacts of the Road Equivalent Tariff Pilot, Final Report,* Halcrow Group Limited, July 2011.

◄ 4 *The introduction of a road equivalent tariff based fares system on Scotland's ferry network*, Halcrow Group Limited, 2008.

◄ 5 *Assessment of the Impacts of the Road Equivalent Tariff Pilot, Final Report,* Halcrow Group Limited, July 2011.

◄ 6 *Ibid.*

◄ 7 *2016 Annual Carrying Statistics*, CalMac Ferries Ltd, February 2017.

◄ 8 *Assessment of the Impacts of the Road Equivalent Tariff Pilot, Final Report*, HalcrowGroup Limited, July 2011; *Road Equivalent Tariff Pilot Extension to Islay, Colonsay & Gigha evaluation report,* Transport Scotland, February 2016; *Evaluation of the Impact of Road Equivalent Tariff on Arran,* Transport Scotland, February 2017.

◄ 9 The Scottish Government announced in August 2017 that lower fares will be introduced from 2018.

◄ 10 *Governance Procedures for Investment Decision Making and Monitoring and Review,* Transport Scotland, December 2013. This was updated in March 2017.

◄ 11 *Scotland's key transport infrastructure projects* ⊕, Audit Scotland, June 2013.

◄ 12 *Public Sector Business Cases: Using The Five Case Model. Green Book Supplementary Guidance on Delivering Public Value From Spending Proposals*, HM Treasury, 2013.

◄ 13 Scottish Statutory Instruments. 2015, No. 446 Public Procurement, The Public Contracts (Scotland) Regulations 2015, December 2015.

◄ 14 *CHFS 2016 | 2024 Calmac Ferries Limited, Ferry Services, Clyde & Hebrides Ferry Services,* CalMac, August 2016.

◄ 15 *Scottish Ferries Services, Ferries Plan (2013-2022),* Transport Scotland, December 2012.

◄ 16 *The Vessel Replacement and Deployment plan: Annual report 2014*, Transport Scotland, October 2015.

◄ 17 *The Vessel Replacement and Deployment plan: Annual report 2015*, Transport Scotland, December 2016.

◄ 18 *Empowering Scotland's Island Communities*, Island Areas Ministerial Working Group, June 2014.

◄ 19 *Gourock-Dunoon Ferry Service – Feasibility Study of a Future Passenger and Vehicle Service with the Vehicle Portion being non-Subsidised. Final Report for Transport Scotland. In Association with The Maritime Group (International) Limited,* MVA Consultancy, June 2013.

◄ 20 Official report, Scottish Parliament's Rural Economy and Connectivity Committee, Scottish Parliament, 25 January 2017.

◄ 21 *Scottish Ferries Services. Ferries Plan (2013-2022),* Transport Scotland, December 2012.

◄ 22 www.scotland.gov.uk/About/scotPerforms ⬉

◄ 23 *The Economic and Social Impact of CalMac Ferries Ltd on Scotland*, Fraser of Allander Institute, April 2015.

Appendix 1

Ferry routes in Scotland
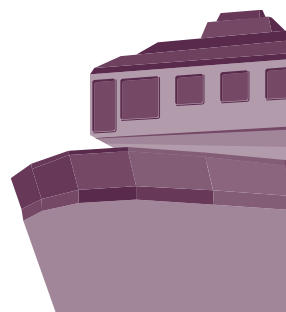
We estimate that there are 66 ferry routes within Scotland, as follows:

Route	Operator
32 Transport Scotland subsidised routes	
Gourock-Dunoon	Argyll Ferries
Ardmhor-Eriskay	CalMac
Ardrossan-Brodick	CalMac
Ardrossan-Campbeltown	CalMac
Berneray-Leverburgh	CalMac
Colintraive-Rhubodach	CalMac
Fionnphort-Iona	CalMac
Fishnish-Lochaline	CalMac
Gallanach–Kerrera*	CalMac
Kennacraig-Islay	CalMac
Kennacraig-Islay/Colonsay/Oban	CalMac
Largs-Cumbrae	CalMac
Lochranza-Claonaig	CalMac
Mallaig-Armadale	CalMac
Mallaig-Eigg/Muck/Rum/Canna	CalMac
Mallaig-Lochboisdale	CalMac
Oban-Castlebay	CalMac
Oban-Coll/Tiree	CalMac
Oban-Coll/Tiree/Castlebay	CalMac
Oban-Colonsay	CalMac
Oban-Craignure	CalMac
Oban-Lismore	CalMac
Raasay-Sconser	CalMac
Tarbert-Portavadie	CalMac
Tayinloan-Gigha	CalMac
Tobermory-Kilchoan	CalMac
Uig-Tarbert/Lochmaddy	CalMac
Ullapool-Stornoway	CalMac
Wemyss Bay-Rothesay	CalMac
Aberdeen-Lerwick	Serco Northlink
Aberdeen-Kirkwall-Lerwick	Serco Northlink
Scrabster-Stromness	Serco Northlink

Route	Operator
34 Non-Transport Scotland subsidised routes	

Councils

Route	Operator
Cuan-Isle of Luing	Argyll and Bute
Ellenabeich (Isle of Seil)-Isle of Easdale	Argyll and Bute
Islay-Jura (Port Askaig-Feolin)	Argyll and Bute
Port Appin-Lismore	Argyll and Bute
Camusnagaul-Fort William	Highland
Cromarty-Nigg. Summer only*	Highland
Nether Lochaber-Ardgour	Highland
Houton-islands of Flotta and Lyness (Hoy)	Orkney Isles
Kirkwall-North Isles (islands of Stronsay, Eday, Sanday, North Ronaldsay, Westray and Papa Westray)	Orkney Isles
Kirkwall-Shapinsay	Orkney Isles
Papa Westray-Pierowall*	Orkney Isles
Stromness-Graemsay/North Hoy	Orkney Isles
Tingwall-Rousay/Egilsay/Wyre	Orkney Isles
Grutness (Sumburgh)-Fair Isle*	Shetland Isles
Gutcher (Yell)-Belmont (Unst)-Hamars Ness (Fetlar)	Shetland Isles
Laxo (Mainland)-Symbister (Whalsay)	Shetland Isles
Lerwick (Mainland)-Bressay	Shetland Isles
Lerwick (Mainland)-Skerries	Shetland Isles
Toft (Mainland)-Ulsta (Yell)	Shetland Isles
Vidlin (Mainland)-Skerries*	Shetland Isles
Walls (Mainland)-Foula*	Shetland Isles
West Burrafirth (Mainland)-Papa Stour*	Shetland Isles

Regional Transport Partnerships

Route	Operator
Gourock-Kilcreggan	Strathclyde Partnership for Transport

Private operators

Route	Operator
Tayvallich-Craighouse (Jura). Summer only*	Private operator with Transport Scotland funding
Cape Wrath Ferry (May-Sept only)*	Private operator
Hunter's Quay-McInroy's point	Private operator – Western Ferries
Mull-Ulva*	Private operator
John O' Groats – Burwick. Summer only*	Private operator
Mallaig-Loch Nevis (Inverie – Tarbet)*	Private operator
Scoraig-Badluarach*	Private operator
St Margaret's Hope-Gills Bay	Private operator – Pentland Ferries
Yoker-Renfrew*	Clydelink

Community groups

Route	Operator
Glenelg-Kylerhea. Open Easter – October*	Community interest group
Laga-Tobermory-Drimnin*	Community interest group

Note: This is our estimate of ferry routes within Scotland. There may be additional routes and services in operation.
Due to unavailable or incomplete data, routes with an * are not included in total passenger, car and commercial vehicle carryings figures reported in Part 2.

Appendix 2

Roles and responsibilities of the bodies involved in Transport Scotland's ferry operations
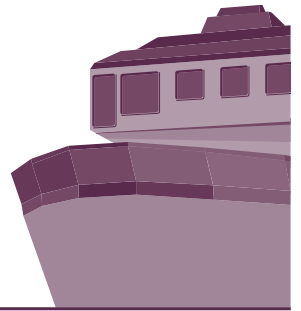
Scottish ministers

- Responsible for ferry policy and delivery. The Minister for Transport and the Islands is responsible for ferry services

- Set Transport Scotland's budget for subsidised ferry services

- Approve Transport Scotland's operational and spending decisions, including setting fares and timetables

- Contract ferry operators to operate Transport Scotland's subsidised ferry services

- Own David MacBrayne Ltd and Caledonian Maritime Assets Ltd (CMAL)

Transport Scotland

- Implements policy and guidance relating to Scotland's ferry services

- Supports ministers to prioritise ferry projects and funding

- Sets ferry fares and timetables

- Tenders for ferry services, on behalf of ministers, to the Clyde and Hebrides, Northern Isles and Gourock–Dunoon, through three ferry contracts

- Pays subsidies to the operators of three main ferry contracts

- Provides funding for one privately operated ferry route (Tayvallich to Craighouse)

- Monitors ferry operators' performance and manages subsidy payments

- Provides loans to CMAL to support vessel procurement

- Provides grants for improvement works to piers and harbours on its subsidised ferry network

David MacBrayne Ltd

- Wholly owned by Scottish ministers

- Reports to the Cabinet Secretary for the Rural Economy and Connectivity

- Employs two staff

- Oversees the delivery of the ferry contracts between Scottish ministers and its two subsidiaries (CalMac Ferries Ltd and Argyll Ferries Ltd)

- Its human resource subsidiary, David MacBrayne HR (UK) Ltd, provides HR, payroll and crewing services to the David MacBrayne group and employs 27 staff

- Owns two passenger vessels which are operated by Argyll Ferries Ltd

Caledonian Maritime Assets Ltd (CMAL)

- Wholly owned by Scottish ministers

- Reports to the Cabinet Secretary for the Rural Economy and Connectivity

- Employs 27 staff

- Owns 32 vessels and 25 harbours on the Clyde and Hebrides network, plus Gourock Harbour

- Leases one vessel, the MV *Loch Seaforth*, from Lloyds Bank

- Charges harbour users, including ferry operators, a 'harbour due' for using its harbours

- Responsible for major harbour works

- Contracts CalMac Ferries Ltd to operate its harbours

- Leases vessels to CalMac on a 'bareboat charter' agreement. This means the vessels are leased without a crew

- Leases two freight vessels from Fortress, a private company. CMAL then lease these vessels to Serco NorthLink on a 'bareboat charter' agreement

- Procures new vessels. This includes concept design, running the tendering process and overseeing the build

- Inspects vessels twice a year, and is responsible for statutory works and owner upgrades

CalMac Ferries Ltd

- Wholly owned subsidiary of David MacBrayne Ltd, created in 2006

- Employs 564 land-based staff

- Its subsidiary, Caledonian MacBrayne Crewing (Guernsey) Limited, employs 1,050 seagoing staff

- Current operator of the Clyde and Hebrides Ferry Services (CHFS) contract

- Leases 33 vessels from CMAL, including the MV *Loch Seaforth*, and decides where they should be deployed

- Operates CMAL's harbours, which includes undertaking routine maintenance

- Responsible for arranging consultation meetings with relevant councils and Regional Transport Partnerships (RTPs) and 'local community liaison' with ferry users and the wider public

- Leases out one vessel to Argyll Ferries Ltd during winter months

Argyll Ferries Ltd

- Wholly owned subsidiary of David MacBrayne Ltd, created in 2011

- Employs 28 staff

- Operates the Gourock-Dunoon contract

- Leases two vessels from its parent company, David MacBrayne Ltd

- Leases one vessel from CalMac Ferries Ltd during winter months

Serco NorthLink

- A subsidiary of Serco Group Plc

- Employs 265 seagoing staff and 79 land-based staff

- Current operator of the Northern Isles Ferry Service (NIFS) contract, since 2012

- Leases three passenger and vehicle vessels from The Royal Bank of Scotland on a 'bareboat charter' agreement

- Leases two freight vessels from CMAL, who in turn lease the vessels from Fortress, a private company

- Responsible for arranging consultation meetings with relevant councils and RTPs and 'local community liaison' with ferry users and the wider public
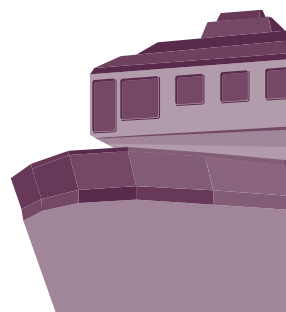
Council, private and independent harbour owners

- Charge harbour users, including ferry operators, a 'harbour due' for using their harbours

- Responsible for the safe operation, maintenance and improvement of harbours

Appendix 3

Audit methodology

Evidence for our audit was based on four main components:

1. Desk research

We reviewed a range of published and unpublished information from Transport Scotland, CMAL and the ferry operators, including:

- the Ferries Plan, including all the underpinning reports and analysis

- corporate plans, annual reports and accounts, and board papers

- Vessel Replacement and Deployment Plans (VRDPs) and harbour maintenance schedules

- ferry and harbour contracts and contract management reports

- RET evaluation reports

- procurement documentation – which included:

  – Transport Scotland's corporate procurement strategy and investment decision-making guidance

  – a range of CHFS2 specific documents, for example the procurement strategy, business cases, ITTs, steering group papers and gateway review reports.

2. Interviews

We met with a number of staff from Transport Scotland, CMAL and the ferry operators. We also spoke to a range of other bodies which are involved, or have an interest, in ferry operations including: commercial operators; Regional Transport Partnerships; councils; trades unions; VisitScotland; Highlands and Islands Enterprise; the Road Haulage Association; consultants with an interest in the ferry industry; and academics.

We also attended or observed meetings of: the Expert Ferries Group; the tripartite group; and Ferry User Groups.

3. Data analysis

We analysed a range of published and unpublished data from Transport Scotland, CMAL and the ferry operators, including:

- Transport Scotland's total spending on ferry subsidies and assets – from its internal Section 70 reports

- spending on individual ferry contracts (reported in **Exhibit 5** and **Case Studies 2, 3 and 4**). Data is presented by contract years, which differ as follows:
  - CHFS – 1 October to 30 September
  - NIFS and Gourock-Dunoon – 1 July to 30 June

- contract data from each ferry operator's Annual Outcome Statements (AOS), which are reported to Transport Scotland. The AOS data is available up to the contract years which ended in 2016. We have presented the data in real terms, at 2016/17 prices

- CalMac and Serco NorthLink's spending on harbour dues, paid to individual harbours.

Figures for these three data sets are all presented in real terms, at 2016/17 prices using GDP deflators at market prices (Quarterly National Accounts, June 2017).

We also used the following data sources:

- Transport Scotland's analysis of its spending on pier and harbour improvement works since 2007/08.

- The 2016 **Scottish Transport Statistics** and data provided by Transport Scotland and individual operators to analyse trends in passenger, car and commercial vehicle traffic. Note:
  - The total for the CHFS network includes traffic on the Mallaig-Lochboisdale route which was introduced in 2015. This route is not included in the Scottish Transport Statistics
  - Passenger numbers on the Corran ferry are estimated
  - Due to the unavailability of data, 2016 carrying figures for routes run by Argyll and Bute Council and Highland Council were estimated, based on 2015 figures
  - Trend information excludes traffic numbers on a few routes due to unavailable or incomplete data. These routes are marked in **Appendix 1**.

- CalMac, Serco NorthLink and Argyll Ferries' data on: number of sailings; capacity utilisation; reliability and punctuality.

- CMAL's estimate of the investment required in their harbours over the next 30 years.

4. Visits

We spoke to a small sample of ferry users across ten communities which rely on ferry services – Arran, Barra, Benbecula (which covered North and South Uist), Cumbrae, Dunoon, Islay, Mull, Orkney, Skye and Shetland.

We met a range of individuals, including representatives from:

- ferry committees

- the business sector

- the tourist industry

- community councils

- hauliers

- the fishing, farming and whisky industries

- disability and access groups.

This was not a representative sample of ferry users but was used to understand the range of users' experiences and views.

Appendix 4

Advisory group

Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Michael Craigie	Shetland Transport Partnership (ZetTrans)
Robbie Drummond	David MacBrayne Limited, Argyll Ferries Limited and CalMac Ferries Limited
Stuart Garrett	Serco NorthLink Ferries
Richard Hadfield	Transport Scotland
Kevin Hobbs	Caledonian Maritime Assets Limited
Graham Laidlaw	Transport Scotland
Paul McCartney	Peter Brett Associates
Ranald Robertson	Highlands and Islands Transport Partnership (HITRANS)
Gordon Ross	Western Ferries

Note: Members sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Transport Scotland's ferry services

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Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	Northern Isles Consultative Forum	
Reference Number:	ZTP-34-17-F	
Author / Job Title:	Michael Craigie – Lead Officer	

1.0	**Decisions / Action Required:**

1.1   That the Partnership **RESOLVES** to consider the content of this report, provide comments and note the report.

2.0	**High Level Summary:**

2.1   The Northern Isles Consultative Forum was established by Transport Scotland and is described as an "Outward facing forum on external Northern Isles ferry services. A Key consultative group for Scottish Government in testing proposals for future changes to existing services. Supports the Scottish Government in assessing communities' needs taking into account all current ferry service provision as well as on-going financial constraints".

2.2   This report covers the issues discussed at the last meeting of the Forum on 20 November 2017 that are of significance to ZetTrans.

3.0	**Corporate Priorities and Joint Working:**

3.1   ZetTrans' overarching policy is to have in place transport arrangements that are affordable and meet people's needs within available resources. To achieve this ZetTrans works closely with its member bodies of Shetland Islands Council, NHS Shetland and Highlands and Islands Enterprise.

4.0	**Key Issues:**

4.1   The Forum last met on 20 November 2017 and the remainder of this report summarises the main issues covered.

4.2   Operational updates were provided by each of the ferry operators to/ from Orkney and Shetland. In summary each of the operators reported positive positions in terms of passenger numbers. Pentland Ferries updated progress on their new 85m vessel which is anticipated to come into service in early summer 2018.

4.3   Serco Northlink reported significant growth in freight which reflects the transfer of Load on/Load off (LoLo) freight arising from the Streamline Shipping Group's change in operations.

4.4   Aberdeen Harbour gave an update on the progress of the Aberdeen South harbour development.

4.5   The project is underway with expected completion on 2020. A graphic of the development is shown below and the link to the project website is: -

http://www.aberdeen-harbour.co.uk/south-harbour-development/project-progress/

ABERDEEN SOUTH HARBOUR:
LARGE SCALE BERTHING FACILITIES

4.6   It is immediately noticeable that the development does not contain any Roll On-Roll Off (RoRo) facilities. It was confirmed that the project as it stands does not include ferry infrastructure but the north-west corner of the development has been designed such that a ferry berthing facility could be installed retrospectively.

4.7   At the moment Transport Scotland do not anticipate any new larger vessels being deployed on the Northern Isles ferry service routes in the near to medium future therefore the view is that at this time provision of ferry facilities is not necessary or justified. Further commentary on this is given later in this section.

4.8   Orkney Island Council reported continued high numbers of cruise ships coming to the islands and had to turn down a number of visits due to capacity constraints. They also reported a strong performance in oil transhipments with around 100 tanker movements transhipping 5.2 million tonnes of oil. This compares to 10 tanker movements not too long ago.

4.9   Lerwick Port Authority (LPA) reported a good year and looking forward are anticipating cruise ships increasing in number. There is strong focus on continuing to develop capacity to accommodate the decommissioning trade from the North Sea. LPA are continuing to develop capacity for the fishing industry through

investment in a new fish market which is anticipated to be open in 2019, which will provide significantly increased capacity to land in Shetland.

4.10   In terms of ferry links this is an area to be monitored because when fish landings increase and are combined with anticipated growth in salmon production then pressure comes to bear on capacity on the ferry services out of Shetland. Furthermore, when the introduction of Road Equivalent Tariff (RET) comes into effect there will be further demands on capacity. It is important therefore that officers continue to engage with Transport Scotland on matters of what operational responses are required to ensure Shetland's fishing and aquaculture industries (which are a major contributor to the local and national economies) are adequately served.

4.11   Visit Scotland reported a strong year for tourism and anticipate further growth in the 2018 season arising out of RET fares being introduced as well as growth in the cruise ship numbers.

4.12   **RET and the Northern Isles**. Transport Scotland reported that RET fares would be introduced "in the first half of 2018". The reason this could not be more specific is that Transport Scotland is considering analysis by consultants on the impact of fare reduction on demand in order to understand where any potential constraints may lie and what options may be available to mitigate these.

4.13   There are some opportunities to explore and consider in terms of how available capacity could be targeted at specific travel needs, which in turn may lead to better use of available capacity. For example, coach tours in the summer months take up vehicle deck and cabin capacity on the vessel but don't contribute a great deal to the Shetland tourism economy. This may enable greater opportunity to travel at the time of choice and also enable those that are spending time (and therefore spending) in Shetland to make the journey through having cabin and/or vehicle deck space available.

4.14   **Freight Fares Review**. Transport Scotland provided a brief update on the Freight Fares Review. Options for freight fares have been provided to Scottish Ministers and they are still in the process of considering these. It was reiterated to the Transport Scotland officials that before any decisions are made it is essential that Shetland stakeholders are consulted to ensure that the impacts of any fare system is fully understood. Transport Scotland officials were reminded that Shetland hauliers and producers already pay the highest charges per journey in Scotland and that any distance based model simply exacerbates that further. It was also stated that some suppliers and hauliers fix prices some time ahead and that any freight fares change needs to take account of this.

4.15   **Ferry Services Procurement and Northern Isles Ferry Services (NIFS) Contract Extension**. Transport Scotland officials advised that the NIFS procurement is still on hold while Scottish Government continues its consideration of its procurement policy. It was advised that a contract extension is being negotiated with Serco Northlink and an announcement on this would be made as soon as possible. It was stated to Transport Scotland that some concerns are being raised locally around the lack of clarity around the contract and although there is no expectation that the contract will simply cease, there is a need for adequate clarity in order that Shetland businesses in particular can carry out their short to medium planning.

4.16 **Audit Scotland Report**. There was a brief discussion about the Audit Scotland report on Transport Scotland's Ferry Services. Transport Scotland officials advised that the report would be presented to the Scottish Parliament's Audit and Post-Legislative Scrutiny Committee on Thursday 23 November and from there Transport Scotland will develop its plans to address matters raised in the report. It was reiterated that ZetTrans would welcome the development of any Scotland wide ferry strategy and would look forward to being involved. It was also stated that any strategy also needs to cover inter-island ferries in the Northern Isles.

4.17 **Vessels**. Transport Scotland officials advised that the current freighters have been secured for a five year period with an option to extend. Negotiations to secure the ropax vessels are nearing conclusion and the current vessels will be on the NIFS routes for the foreseeable future. It is understood by Transport Scotland that capacity issues need to be fully understood and the impacts of RET and the additional freight demands will be taken into account.

5.0	Exempt and/or Confidential Information:
5.1	None.

6.0	Implications :

6.1 Service Users, Patients and Communities:	There are no implications immediately arising from this report. Information will be provided to stakeholders as matters progress.
6.2 Human Resources and Organisational Development:	There are no implications immediately arising from this report.
6.3 Equality, Diversity and Human Rights:	There are no implications immediately arising from this report. Specific issues will be reported when required.
6.4 Legal:	There are no implications immediately arising from this report. Legal Services provide advice and support on matters affecting the partnership.
6.5 Finance:	There are no implications immediately arising from this report.
6.6 Assets and Property:	There are no implications immediately arising from this report.
6.6 ICT and New Technologies:	There are no implications immediately arising from this report.
6.7 Environmental:	There are no implications immediately arising from this report. Specific issues will be raised if required as matters progress.
6.8	There are no implications immediately arising from this report.

Risk Management:	Specific issues will be raised as matters progress.	
6.9 **Policy and Delegated Authority:**	ZetTrans' policy is to seek to have in place transport arrangements that meet people's needs and that can be afforded in the medium term. To achieve this policy ZetTrans works closely with Shetland Islands Council.	
6.10 **Previously Considered by:**	These are ongoing issues which have not yet been considered elsewhere.	

Contact Details:

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Date written – 1 December 2017

Appendices:
None

Background Documents:
None

Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	Mandatory Annual Reporting of Climate Change Duties	
Reference Number:	ZTP-36-17-F	
Author / Job Title:	Peter Mogridge / Transport Policy and Projects Officer	

1.0	**Decisions / Action Required:**

1.1   That the Partnership NOTE the Partnership's Climate Change Duties Report 2017, submitted to the Scottish Government by 30 November 2017.

2.0	**High Level Summary:**

2.1   The Climate Change (Scotland) Act 2009 places a duty on public bodies to contribute to climate change mitigation and adaptation.

2.2   The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires public bodies to prepare and submit a report on compliance with climate change duties.

2.3   Submitting a report for 2016/17 is mandatory. The submission deadline date was 30 November 2017 therefore the report submitted is attached for information as Appendix 1. When formally accepted, the electronic copy will be made available on the ZetTrans website.

3.0	**Corporate Priorities and Joint Working:**

3.1   ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016 to 2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0	**Key Issues:**

4.1   The prescribed climate change report format contains a *required* (mandatory) and a *recommended* (optional) section, the latter relating to *Wider Influence*.

4.2   Although, for the purposes of climate change management, the Partnership is listed as a public body and a *Major Player*, the Partnership's resources sit entirely within Shetland Islands Council.

4.3   In terms of staff, procurement, HR policies, and property, it is the policies and procedures of the Council which determine the Partnership's ability to contribute to climate change mitigation or adaption. To this end, the mandatory section has

referred to Shetland Islands Council's own report.

4.4   In this respect, the contents of the report are the same as the Partnership's 2016 report.

4.5   The 2017 report makes additional reference to the Partnership's agreed Vision, Strategic Objectives and Main Issues.

5.0	Exempt and/or Confidential Information:

5.1   None.

6.0 Implications :	
6.1 **Service Users, Patients and Communities:**	One of ZetTrans' three Strategic Objectives is to: Conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources. The identified Main Issue of *Behavioural Change* seeks to: To enable and promote healthier, more sustainable and greener travel choices.
6.2 **Human Resources and Organisational Development:**	None.
6.3 **Equality, Diversity and Human Rights:**	None.
6.4 **Legal:**	There are no immediate legal implications arising from the content of this report. ZetTrans must, in exercising its functions, act in the way best calculated to contribute to the delivery of climate change targets and in a way that it considers is most sustainable.
6.5 **Finance:**	There are no financial implications arising out of this report.
6.6 **Assets and Property:**	None.
6.7 **ICT and New Technologies:**	None.
6.8 **Environmental:**	The purpose of the report is to facilitate the ongoing monitoring of climate change and enable the assessment of the direct and indirect environmental impact of the Partnership's interventions.
6.9 **Risk Management:**	Submission after the deadline date of 30 November 2017 was not permitted and would have attracted a government sanction.
6.10 **Policy and Delegated**	ZetTrans has responsibility for the production of a 2016/17 Climate Change Report, as this is a statutory requirement that

Authority:	sits within the remit of the Partnership, as a public body.	
6.11 Previously Considered by:	N/A	

Contact Details:

Peter Mogridge – Transport Policy and Projects Officer
Phone: 01595 745802
E-mail peter.mogridge@shetland.gov.uk
1 December 2017

Appendices:

Appendix 1 – ZetTrans Climate Change Report 2016/17

Background Documents:

http://www.keepscotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/

TABLE OF CONTENTS
Required
Recommended Reporting: Reporting on Wider Influence

Public Sector Climate Change Duties 2017 Summary Report: Shetland Transport Partnership

PART 1: PROFILE OF REPORTING BODY

1(a) Name of reporting body

Shetland Transport Partnership

1(b) Type of body

Transport Partnerships

1(c) Highest number of full-time equivalent staff in the body during the report year

	3.5

1(d) Metrics used by the body

Specify the metrics that the body uses to assess its performance in relation to climate change and sustainability.

Metric	Unit	Value	Comments
			ZetTrans sits entirely within Shetland Islands Council and therefore shares all of its metrics. ZetTrans performance in relation to Climate Change is incorporated with that of Shetland Islands Council and therefore included in their Climate Change Report.

1(e) Overall budget of the body

Specify approximate £/annum for the report year.

Budget	Budget Comments
2836000	

1(f) Report year

Specify the report year.

Report Year	Report Year Comments
Financial (April to March)	

1(g) Context

Provide a summary of the body's nature and functions that are relevant to climate change reporting.

Regional transport partnerships (RTPs) were established on 1 December 2005 to strengthen the planning and delivery of regional transport so that it better serves the needs of people and businesses. The first task of each RTP was to prepare a regional transport strategy. This is supported by a delivery plan where RTPs set out when and how projects and proposals would be delivered.

RTPs bring together local authorities and other key regional stakeholders to take a strategic approach to transport in each region of Scotland. RTPs are independent bodies corporate defined in the Transport (Scotland) Act 2005. That legislation bases them on the local government model but they are not local authorities and they are not NDPBs.

ZetTrans also has functional responsibility for the provision of public transport in Shetland. To do this, ZetTrans determines the transport timetables and contracts operators to deliver the services it specifies. ZetTrans also publicises services, sets fares and retains fare revenue. In addition to public transport, ZetTrans is also concerned with freight transport, community transport, sustainable transport and active travel. ZetTrans core costs are funded through grant from the Scottish Government and the costs of transport services, net of fares income, are funded by grant from Shetland Islands Council.

As a partnership itself, ZetTrans has a keen focus on partnership working across the whole community. With no independent resources of its own, 'working through influence' and 'working in partnership' are key to ZetTrans' success. With regard to Climate Change, ZetTrans, via its interventions, always seeks to promote and encourage more sustainable and more active travel and transport choices.

ZetTrans' staff and accommodation are provided by Shetland Islands Council. The staff responsible for ZetTrans' legal and financial affairs are also provided and accommodated by Shetland Islands Council.

The direct Climate Change impact of ZetTrans' 'corporate' activity is, as evidenced above, contained in Shetland Islands Council's Climate Change Report. It is through its wider impact and influence that ZetTrans' activity directly and indirectly, impacts on Climate Change.

PART 2: GOVERNANCE, MANAGEMENT AND STRATEGY

2(a) How is climate change governed in the body?
Provide a summary of the roles performed by the body's governance bodies and members in relation to climate change. If any of the body's activities in relation to climate change sit outside its own governance arrangements (in relation to, for example, land use, adaptation, transport, business travel, waste, information and communication technology, procurement or behaviour change), identify these activities and the governance arrangements.
ZetTrans sits entirely within Shetland Islands Council with no independent resources of its own. ZetTrans adheres to all of its climate change, procurement, human resources, governance and other relevant protocols. ZetTrans overarching vision is: To develop travel and transport solutions for Shetland which underpin our Economy, support our Communities and conserve our Environment

2(b) How is climate change action managed and embedded by the body?
Provide a summary of how decision-making in relation to climate change action by the body is managed and how responsibility is allocated to the body's senior staff, departmental heads etc. If any such decision-making sits outside the body's own governance arrangements (in relation to, for example, land use, adaptation, transport, business travel, waste, information and communication technology, procurement or behaviour change), identify how this is managed and how responsibility is allocated outside the body (JPEG, PNG, PDF, DOC)
ZetTrans sits entirely within Shetland Islands Council with no independent resources of its own. ZetTrans adheres to all of its climate change, procurement, human resources, governance and other relevant protocols. ZetTrans has no corporate plan, its guiding document is the Shetland Transport Strategy. One of its 3 Strategic Objectives is: To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources.

2(c) Does the body have specific climate change mitigation and adaptation objectives in its corporate plan or similar document?		
Provide a brief summary of objectives if they exist.		
Objective	**Doc Name**	**Doc Link**
ZetTrans sits entirely within Shetland Islands Council with no independent resources of its own. ZetTrans adheres to all of its climate change, procurement, human resources, governance and other relevant protocols. ZetTrans has no corporate plan, its guiding document is the Shetland Transport Strategy. One of its 3 Strategic Objectives is: To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources.	ZetTrans addresses its Strategic Objectives via its guiding document: The Shetland Transport Strategy. This document is being refreshed and is currently being consulted on. The process was delayed by the 2017 Local Authority elections and the subsequent changes to Council and ZetTrans representatives. The refreshed document is due for publication in April 2018.	

2(d) Does the body have a climate change plan or strategy?
If yes, provide the name of any such document and details of where a copy of the document may be obtained or accessed.
ZetTrans sits entirely within Shetland Islands Council with no independent resources of its own. ZetTrans adheres to all of its climate change, procurement, human resources, governance and other relevant protocols.

2(e) Does the body have any plans or strategies covering the following areas that include climate change?

Provide the name of any such document and the timeframe covered.

Topic area	Name of document	Link	Time period	Comments
Adaptation				Stipulated by Shetland Islands Council
Business travel				Stipulated by Shetland Islands Council
Staff Travel				Stipulated by Shetland Islands Council
Energy efficiency				Stipulated by Shetland Islands Council
Fleet transport				Stipulated by Shetland Islands Council
Information and communication technology				Stipulated by Shetland Islands Council
Renewable energy				Stipulated by Shetland Islands Council
Sustainable/renewable heat				Stipulated by Shetland Islands Council
Waste management				Stipulated by Shetland Islands Council
Water and sewerage				Stipulated by Shetland Islands Council
Land Use				Stipulated by Shetland Islands Council
Other (state topic area covered in comments)				Stipulated by Shetland Islands Council

2(f) What are the body's top 5 priorities for climate change governance, management and strategy for the year ahead?

Provide a brief summary of the body's areas and activities of focus for the year ahead.

One of the 6 Main Issues identified by the partnership as it refreshes its Shetland Transport Strategy is the need to address Behavioural Change:

To enable and promote healthier, more sustainable and greener travel choices.

This is an on-going Main Issue and not confined solely to the coming year.

2(g) Has the body used the Climate Change Assessment Tool(a) or equivalent tool to self-assess its capability / performance?

If yes, please provide details of the key findings and resultant action taken.

No. Although ZetTrans' governance is separate from Shetland Islands Council, it is operationally and financially so connected to Shetland Islands Council that a separate assessment of its operations would entirely consist of duplicated effort.

2(h) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to governance, management and strategy.

As reported in 2015/16, ZetTrans is in the process of refreshing its guiding document: The Shetland Transport Strategy. This refresh is aimed to be comprehensive and has included wide-reaching consultation. The final refresh is due to be completed by April 2018. In order to properly include its findings, this is in line with the Shetland Local Outcome Improvement Plan's own, independent refresh timescale. The findings of a separate, community-wide, public consultation (The Shetland Place Standard) are also being incorporated into the Shetland Transport Strategy Refresh.

PART 3: EMISSIONS, TARGETS AND PROJECTS

3a Emissions from start of the year which the body uses as a baseline (for its carbon footprint) to the end of the report year

Complete the following table using the greenhouse gas emissions total for the body calculated on the same basis as for its annual carbon footprint /management reporting or, where applicable, its sustainability reporting. Include greenhouse gas emissions from the body's estate and operations (a) (measured and reported in accordance with Scopes 1 & 2 and, to the extent applicable, selected Scope 3 of the Greenhouse Gas Protocol (b)). If data is not available for any year from the start of the year which is used as a baseline to the end of the report year, provide an explanation in the comments column.
(a) No information is required on the effect of the body on emissions which are not from its estate and operations.

Reference Year	Year	Scope1	Scope2	Scope3	Total	Units	Comments

3b Breakdown of emission sources

Complete the following table with the breakdown of emission sources from the body's most recent carbon footprint (greenhouse gas inventory); this should correspond to the last entry in the table in 3(a) above. Use the 'Comments' column to explain what is included within each category of emission source entered in the first column. If, for any such category of emission source, it is not possible to provide a simple emission factor(a) leave the field for the emission factor blank and provide the total emissions for that category of emission source in the 'Emissions' column.

Total	Comments – reason for difference between Q3a & 3b.	Emission source	Scope	Consumption data	Units	Emission factor	Units	Emissions (tCO2e)	Comments
0.0									Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3c Generation, consumption and export of renewable energy

Provide a summary of the body's annual renewable generation (if any), and whether it is used or exported by the body.

Technology	Renewable Electricity		Renewable Heat		Comments
	Total consumed by the organisation (kWh)	Total exported (kWh)	Total consumed by the organisation (kWh)	Total exported (kWh)	
Other					Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3d Targets

List all of the body's targets of relevance to its climate change duties. Where applicable, overall carbon targets and any separate land use, energy efficiency, waste, water, information and communication technology, transport, travel and heat targets should be included.

Name of Target	Type of Target	Target	Units	Boundary/scope of Target	Progress against	Year used as	Baseline figure	Units of baseline	Target completion	Comments
										Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3e Estimated total annual carbon savings from all projects implemented by the body in the report year			
Total	Emissions Source	Total estimated annual carbon savings (tCO2e)	Comments
0	Electricity		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Natural gas		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other heating fuels		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Waste		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Water and sewerage		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Business Travel		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Fleet transport		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other (specify in comments)		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3f Detail the top 10 carbon reduction projects to be carried out by the body in the report year											
Provide details of the 10 projects which are estimated to achieve the highest carbon savings during report year.											
Project name	Funding source	First full year of CO2e savings	Are these savings figures estimated or actual?	Capital cost (£)	Operational cost (£/annum)	Project lifetime (years)	Primary fuel/emission source saved	Estimated carbon savings per year (tCO2e/annum)	Estimated costs savings (£/annum)	Behaviour Change	Comments
											Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3g Estimated decrease or increase in the body's emissions attributed to factors (not reported elsewhere in this form) in the report year				
If the emissions increased or decreased due to any such factor in the report year, provide an estimate of the amount and direction.				
Total	Emissions source	Total estimated annual emissions (tCO2e)	Increase or decrease in emissions	Comments
0	Estate changes			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Service provision			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Staff numbers			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other (specify in comments)			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3h Anticipated annual carbon savings from all projects implemented by the body in the year ahead			
Total	Source	Saving	Comments
0	Electricity		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Natural gas		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other heating fuels		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Waste		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Water and sewerage		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Business Travel		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Fleet transport		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other (specify in comments)		Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3i Estimated decrease or increase in the body's emissions attributed to factors (not reported elsewhere in this form) in the year ahead				
If the emissions are likely to increase or decrease due to any such factor in the year ahead, provide an estimate of the amount and direction.				
Total	Emissions source	Total estimated annual emissions (tCO2e)	Increase or decrease in emissions	Comments
0	Estate changes			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Service provision			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Staff numbers			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.
	Other (specify in comments)			Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3j Total carbon reduction project savings since the start of the year which the body uses as a baseline for its carbon footprint

If the body has data available, estimate the total emissions savings made from projects since the start of that year ("the baseline year").

Total	Comments
	Sitting entirely within Shetland Islands Council, it is not possible to disaggregate this information and it is therefore contained within their report.

3k Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to its emissions, targets and projects.

The Membership of ZetTrans includes elected members of Shetland Islands Council and a representative of NHS Shetland. These individuals bring with them an awareness of, and belief in, relevant climate change policies and protocols of their individual organisations. They bring these to bear on their activity in and for ZetTrans.

PART 4: ADAPTATION

4(a) Has the body assessed current and future climate-related risks?

If yes, provide a reference or link to any such risk assessment(s).

Sitting entirely within Shetland Islands Council, we fall within, and adhere to, the Council's climate change risk management policies and protocols.

4(b) What arrangements does the body have in place to manage climate-related risks?

Provide details of any climate change adaptation strategies, action plans and risk management procedures, and any climate change adaptation policies which apply across the body.

Sitting entirely within Shetland Islands Council, we fall within, and adhere to, the Council's climate change risk management policies and protocols.

4(c) What action has the body taken to adapt to climate change?

Include details of work to increase awareness of the need to adapt to climate change and build the capacity of staff and stakeholders to assess risk and implement action.

Sitting entirely within Shetland Islands Council, we fall within, and adhere to, the Council's climate change risk management policies and protocols.

4(d) Where applicable, what progress has the body made in delivering the policies and proposals referenced N1, N2, N3, B1, B2, B3, S1, S2 and S3 in the Scottish Climate Change Adaptation Programme(a) ("the Programme")?

If the body is listed in the Programme as a body responsible for the delivery of one or more policies and proposals under the objectives N1, N2, N3, B1,B2, B3, S1, S2 and S3, provide details of the progress made by the body in delivering each policy or proposal in the report year. If it is not responsible for delivering any policy or proposal under a particular objective enter "N/A" in the 'Delivery progress made' column for that objective.

(a) This refers to the programme for adaptation to climate change laid before the Scottish Parliament under section 53(2) of the Climate Change (Scotland) Act 2009 (asp 12) which currently has effect. The most recent one is entitled "Climate Ready Scotland: Scottish Climate Change Adaptation Programme" dated May 2014.

Objective	Objective	Theme	Policy / Proposal reference	Delivery progress made	Comments
Understand the effects of climate change and their impacts on the natural environment.	N1	Natural Environment			RTPs do not appear in the list of bodies who "will deliver".
Support a healthy and diverse natural environment with capacity to adapt.	N2	Natural Environment			RTPs do not appear in the list of bodies who "will deliver".
Sustain and enhance the benefits, goods and services that the natural environment provides.	N3	Natural Environment			RTPs do not appear in the list of bodies who "will deliver".
Understand the effects of climate change and their impacts on buildings and infrastructure networks.	B1	Buildings and infrastructure networks			RTPs do not appear in the list of bodies who "will deliver".
Provide the knowledge, skills and tools to manage climate change impacts on buildings and infrastructure.	B2	Buildings and infrastructure networks			RTPs do not appear in the list of bodies who "will deliver".
Increase the resilience of buildings and infrastructure networks to sustain and enhance the benefits and services provided.	B3	Buildings and infrastructure networks			RTPs do not appear in the list of bodies who "will deliver".

Understand the effects of climate change and their impacts on people, homes and communities.	S1	Society			RTPs do not appear in the list of bodies who "will deliver".
Increase the awareness of the impacts of climate change to enable people to adapt to future extreme weather events.	S2	Society			RTPs do not appear in the list of bodies who "will deliver".
Support our health services and emergency responders to enable them to respond effectively to the increased pressures associated with a changing climate.	S3	Society			RTPs do not appear in the list of bodies who "will deliver".

4(e) What arrangements does the body have in place to review current and future climate risks?

Provide details of arrangements to review current and future climate risks, for example, what timescales are in place to review the climate change risk assessments referred to in Question 4(a) and adaptation strategies, action plans, procedures and policies in Question 4(b).

Sitting entirely within Shetland Islands Council, we fall within, and adhere to, the Council's climate change risk management policies and protocols.

4(f) What arrangements does the body have in place to monitor and evaluate the impact of the adaptation actions?

Please provide details of monitoring and evaluation criteria and adaptation indicators used to assess the effectiveness of actions detailed under Question 4(c) and Question 4(d).

Sitting entirely within Shetland Islands Council, we fall within, and adhere to, the Council's climate change risk management policies and protocols.

4(g) What are the body's top 5 priorities for the year ahead in relation to climate change adaptation?

Provide a summary of the areas and activities of focus for the year ahead.

Of the 6 Main Issues identified by the partnership as it refreshes its Shetland Transport Strategy specifically is the need to address Behavioural Change:

To enable and promote healthier, more sustainable and greener travel choices.

This is an on-going Main Issue and not confined solely to the coming year.

4(h) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to adaptation.

The Membership of ZetTrans includes elected members of Shetland Islands Council and a representative of NHS Shetland. These individuals bring with them an awareness of, and belief in, relevant climate change policies and protocols of their individual organisations. They bring these to bear on their activity in and for ZetTrans.

PART 5: PROCUREMENT

5(a) How have procurement policies contributed to compliance with climate change duties?

Provide information relating to how the procurement policies of the body have contributed to its compliance with climate changes duties.

ZetTrans sits entirely within Shetland Islands Council and, with no independent resources of its own, adheres to all of its climate change, procurement, human resources, governance and other relevant protocols.

5(b) How has procurement activity contributed to compliance with climate change duties?

Provide information relating to how procurement activity by the body has contributed to its compliance with climate changes duties.

ZetTrans sits entirely within Shetland Islands Council and, with no independent resources of its own, adheres to all of its climate change, procurement, human resources, governance and other relevant protocols.

5(c) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to procurement.

The Membership of ZetTrans includes elected members of Shetland Islands Council and a representative of NHS Shetland. These individuals bring with them an awareness of, and belief in, relevant climate change policies and protocols of their individual organisations. They bring these to bear on their activity in and for ZetTrans.

PART 6: VALIDATION AND DECLARATION

6(a) Internal validation process

Briefly describe the body's internal validation process, if any, of the data or information contained within this report.

The contents of this document are reported to, and discussed by, ZetTrans.

6(b) Peer validation process

Briefly describe the body's peer validation process, if any, of the data or information contained within this report.

The representatives of each of the 7 RTPs met in person, and in ZetTrans case by teleconference, to discuss and compare responses to this report on 30th October 2017.

6(c) External validation process

Briefly describe the body's external validation process, if any, of the data or information contained within this report.

ZetTrans sits entirely within Shetland Islands Council and relevant personnel have liaised to ensure no duplication or omission of data between the two organisations.

6(d) No validation process

If any information provided in this report has not been validated, identify the information in question and explain why it has not been validated.

6e - Declaration

I confirm that the information in this report is accurate and provides a fair representation of the body's performance in relation to climate change.

Name	Role in the body	Date
Peter Mogridge	Transport Policy and Projects Officer	2017-11-30

RECOMMENDED – WIDER INFLUENCE

Q1 Historic Emissions (Local Authorities only)
Please indicate emission amounts and unit of measurement (e.g. tCO2e) and years. Please provide information on the following components using data from the links provided below. Please use (1) as the default unless targets and actions relate to (2).
(1) UK local and regional CO2 emissions: **subset dataset** (emissions within the scope of influence of local authorities):
(2) UK local and regional CO2 emissions: **full dataset:**

Select the default target dataset

Table 1a - Subset													
Sector	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Units**	**Comments**

Table 1b - Full													
Sector	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Units**	**Comments**

Sector	Description	Type of Target (units)	Baseline	Start year	Target saving	Target /	Saving in	Latest	Comments
Electricity	There are no specific targets attached to this but ZetTrans is acutely								

Q2b) Does the Organisation have an overall mission statement, strategies, plans or policies outlining ambition to influence emissions beyond your corporate boundaries? If so, please detail this in the box below.

Given its current structure, it is through its wider impact and influence that ZetTrans' role can have an impact on climate change. In its role as the body functionally responsible for the provision of public transport in Shetland, ZetTrans' Vision, Strategic Objectives and Main Issues guide its interventions: In its own right; In partnership; Through influence. These are as follows:

VISION: To develop travel and transport solutions for Shetland which underpin our Economy, support our Communities and conserve our Environment

STRATEGIC OBJECTIVE 1: To underpin Shetland's economy by enabling individuals to access employment and training and businesses to access labour markets, customers and suppliers

STRATEGIC OBJECTIVE 2: To support Shetland's communities by enabling individuals, families and localities to thrive socially, physically and
economically

STRATEGIC OBJECTIVE 3: To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources

MAIN ISSUES:

Q3) Policies and Actions to Reduce Emissions

Sector	Start year for policy / action imple - mentation	Year that the policy / action will be fully imple - mented	Annual CO2 saving once fully imple - mented (tCO2)	Latest Year measured	Saving in latest year measured (tCO2)	Status	Metric / indicators for monitoring progress	Delivery Role	During project / policy design and implementation, has ISM or an equivalent behaviour change tool been used?	Please give further details of this behaviour change activity	Value of Investment (£)	Ongoing Costs (£/ year)	Primary Funding Source for Implementation of Policy / Action	Comments

Please provide any detail on data sources or limitations relating to the information provided in Table 3

Q4) Partnership Working, Communication and Capacity Building.
Please detail your Climate Change Partnership, Communication or Capacity Building Initiatives below.

Key Action Type	Description	Action	Organisation's project role	Lead Organisation (if not reporting organisation)	Private Partners	Public Partners	3rd Sector Partners	Outputs	Comments
Partnership Working	ZetTrans is, by definition, a partnership. It works with communities, key stakeholders and other partners to achieve its Vision, and meet its Strategic Objectives by addressing the Main Issues as identified through consultation.								

OTHER NOTABLE REPORTABLE ACTIVITY

Q5) Please detail key actions relating to Food and Drink, Biodiversity, Water, Procurement and Resource Use in the table below.				
Key Action Type	Key Action Description	Organisation's Project Role	Impacts	Comments

Q6) Please use the text box below to detail further climate change related activity that is not noted elsewhere within this reporting template

In its efforts to promote active and green travel, and to improve and enhance passenger and freight transport, ZetTrans' interventions seek to have bot a direct and indirect positive impact on climate change wherever possible. ZetTrans' Pre-consultation DRAFT Shetland Transport Strategy Refresh (due for publication in April 2018) proposes the following interventions to address each of the six identified Main Issues:

LIFELINE TRANSPORT
External Transport Forum
Freight Quality Partnership
Fair Fares Initiative
Route Development

TRANSPORT ROBUSTNESS
Community Transport
Taxi Trade Forum
Framework Operator Forum
Bus Service Review

COMMUNITY SUPPORT
New Ticket Products
Car Share Promotion
Area Transport Forums
Area Transport Plans

INTEGRATION SUPPORT
SMART Ticketing
Digital Enhancement
Shetland Inter-Islands Transport Study
Fair Funding Review

BEHAVIOURAL CHANGE
Work Travel Plans
School Travel Plans
Personalised Travel Plans
Active and Sustainable Travel Promotion
Road-end Interchange Audit

CHANGE MANAGEMENT
Transport Statistics Database
Annual "State of Transport in Shetland" Event

NB - the above are currently under consultation and may change prior to publication of the FINAL Shetland Transport Strategy Refresh. Following publication, it is intended that, where relevant and available, more information will be provided on the above in ZetTrans' 2017/18 Climate Change Report.

Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	ZetTrans Response to Transport Scotland's Consultation on Concessionary Travel for Older and Disabled People and Modern Apprentices	
Reference Number:	ZTP-35-17-F	
Author / Job Title:	Peter Mogridge – Transport Policy and Projects Officer	

1.0   Decisions / Action Required:

1.1   That the Partnership COMMENT on the proposed ZetTrans response to Transport Scotland's Consultation on Concessionary Travel for Older and Disabled People and Modern Apprentices as contained in Appendix 1.

2.0   High Level Summary:

2.1   The Transport Scotland consultation invites opinions on:

    2.1.1   Raising the entitlement age for free travel;

    2.1.2   Proposals to the charge for the card and/or limit its use; and

    2.1.3   Extending free travel to Modern Apprentices

2.2   Appendix 2 gives background information on the consultation.

3.0   Corporate Priorities and Joint Working:

3.1   ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016 to 2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0   Key Issues:

4.1   Appendix 1 contains a proposed response from officers for which the Lead Officer has agreed an extended deadline with Transport Scotland.

4.2   The response given is in line with ZetTrans Vision, Strategic Objectives and Main Issues. It also encompasses ZetTrans dual strategic and operational roles.

4.3   Appendix 1 has been shared with Transport Scotland so that an indication of ZetTrans' views may be included in initial analysis.

5.0 Exempt and/or Confidential Information

5.1   None.

6.0   Implications :

6.1 Service Users, Patients and Communities:	Any limitations to the entitlement to free bus and ferry transport could adversely impact on already isolated and excluded individuals and communities.	
6.2 Human Resources and Organisational Development:	None.	
6.3 Equality, Diversity and Human Rights:	None.	
6.4 Legal:	There are no immediate legal implications arising from this report. However, the outcome of the consultation could lead to changes to legislation.	
6.5 Finance:	There are no direct financial implications arising from this report.	
6.6 Assets and Property:	None.	
6.7 ICT and New Technologies:	If certain proposals in the consultation were to be adopted, this could only be delivered by additional or improved technology.	
6.8 Environmental:	Lack of free bus travel may lead to an increase in car journeys as individuals decide the added independence and flexibility the car offers is no longer offset by the option to travel for free.	
6.9 Risk Management:	If a response to this consultation is not submitted, any changes which might ultimately be made would be less likely to be Islands-proof.	
6.10 Policy and Delegated Authority:	ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006. The Partnership is responsible for engaging with Government on issues relating to transport national policy and strategy.	
6.11 Previously considered by:	Not previously considered	

Contact Details:
Peter Mogridge – Transport Policy and Projects Officer
Phone: 01595 745802
E-mail peter.mogridge@shetland.gov.uk
30 November 2017

Appendices:

Appendix 1   ZetTrans response to Transport Scotland's Consultation on Concessionary Travel for Older and Disabled People and Modern Apprentices, November 2017
Appendix 2   Transport Scotland's Consultation Background Document, August 2017

Background Documents:

Transport Scotland Website
https://consult.gov.scot/partnerships-and-concessionary-travel/national-concessionary-travel-scheme/

Consultation Responses

Part 1 - Respondent Information Form

PLEASE NOTE THIS FORM MUST BE RETURNED WITH YOUR RESPONSE.

Are you responding as an individual or an organisation?

☐ Individual
☒ Organisation

Full name or organisation's name

ZetTrans

Phone number | 01595 744868 |

Address

6 North Ness Lerwick Shetland

Postcode | ZE2 0LZ |

Email | zettrans@shetland.gov.uk |

The Scottish Government would like your permission to publish your Consultation response. Please indicate your publishing preference:-

☒ Publish response with name
☐ Publish response only (anonymous)
☐ Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this Consultation exercise?

☒ Yes
☐ No

Part 2 – Questions on options

No change to age eligibility of the Scheme

Should scheme eligibility remain unchanged ?
Do you believe that age eligibility for the Scheme should remain as it is? At present everyone resident in Scotland can get the bus pass on their 60th birthday and be able to travel for free at any time of day, for any number of journeys, on local and long distance scheduled bus services throughout Scotland. Scheme costs have risen over the years to a little over £190 million in 2016-17. In addition, some 70,000 of us reach age 60 each year and that figure is projected to rise to 76,000 by 2021. This adds further pressure to costs, raising questions about the longer-term sustainability of the Scheme in its present form. Even if your first preference is to make no changes to age eligibility at this time, please consider the options set out in questions 2 and 3 below.

Question 1
Do you think that we should retain the existing age eligibility criteria for the Scheme?   Yes ☒   No ☐ **Please use the box below to provide details.**
My comments: **There are no commercial bus routes in Shetland. As ZetTrans determines the public transport service provision, contracts public bus services in Shetland and retains the revenue, it effectively represents both the public and the private sector.** **Ferry vouchers are of particular value to local NEC holders and Shetland therefore has a high uptake of the card, even for those who rarely if ever use the bus.** **The probable consequent reduction in bus travel resulting from fewer people holding an NEC would ultimately be paid for through the public purse via the increased funding requested by ZetTrans from Shetland Islands Council. Probable reduced ferry travel would relate to the publicly funded Northern Isles Ferry contract.** **This is ultimately not a transport policy question, but relates to what benefits should begin at retirement age.**

1

Options to change the National Concessionary Travel Scheme

Raise the age of eligibility for men and women to the female State Pension age in one step	
What is it?	Women's State Pension age is being equalised with men's, so that they will reach State Pension age at 65 from November 2018. In addition, both men's and women's State Pension age is due to increase to 66 by 2020 and to 67 between 2026 and 2028. The proposal would set the age of eligibility for free bus travel at female State Pension age from 2018.
What does it mean for me?	The UK Government provides a handy calculator to check when you will reach State Pension age:- www.gov.uk/state-pension-age
What will it cost or save?	If age eligibility is raised immediately to female State Pension age from April 2018 onwards, it would reduce costs by around £10 million in the first year, increasing to around £65 million by 2022-23. The State Pension age will increase to 66 by 2020 and 67 between 2026 and 2028. In 2023-24, this would result in savings of around £83 million each year, increasing up to reduced costs of around £111 million in 2026-27.
What is the justification for claimed costs/savings?	Raising the eligibility age reduces the number of cardholders, resulting in fewer journeys which also reduces the cost to the Scottish Government. In 2022-23, there would be around 350,000 fewer people eligible compared to what would happen if the current age of 60 was to be maintained. In 2026-27, this would increase to around 520,000 people

Question 2			
Are you in favour of raising age eligibility to female State Pension age in this way?	Yes ☐		No ☒
Please explain your answers.			

Raise the age of eligibility to the female State Pension age over a number of years

What is it?	Women's State Pension age is being equalised with men's, so that they will reach State Pension age at 65 from November 2018. In addition, both men's and women's State Pension age will increase to 66 by 2020 and to 67 between 2026 and 2028. Age eligibility could be increased towards the (female) State Pension age either:- • by one year per year; or • by six months per year
What does it mean for me?	A slower introduction might mean that people affected by the change in the early years will be eligible for their bus passes after age 60 but before the female State Pension age. If raising the age of eligibility is done progressively for those who are currently in their mid to late fifties, it might be done in one of two ways:- (A) If the eligible age was raised by **one year annually**, this would increase the age at which people in their late 50s would receive their bus pass but will not mean that they will have to wait until they are at State Pension age. A person who reaches age 59 in 2017 would become eligible for their bus pass on their 61st birthday in 2019, a person who reaches age 58 in 2017 on their 62nd birthday in 2021, a person who reaches age 57 in 2017 on their 63rd birthday in 2023 and so on. A person aged 54 or under in 2017 would become eligible on their 66th birthday. (B) If the eligible age was raised by **half a year annually**, this would again increase the age at which people in their late 50s will receive their bus pass, but at a slower pace. A person who reaches age 59 in 2017 would become eligible six months after their 60th birthday, a person who reaches age 58 in 2017 on their 61st birthday, a person who reaches age 57 in 2017 six months after their 61st birthday and so on. A person aged 48 or under in 2017 would become eligible on their 66th birthday. If the age of eligibility is simply raised without any adjustments or phasing, then someone who is 59 in 2017 would become eligible in 2024 when they reach the State Pension age. This approach would seek to address the issue raised by WASPI and mitigate the effects of the changes on people close to the current age of eligibility by striking a better balance between the size of the change and the period of notice.

3

What will it cost or save?	Raising age eligibility from April 2018 by one year per year to female State Pension age would reduce costs by around £11 million in the first full year, increasing to around £40 million by 2022-23. The slower of the two progressive approaches would reduce costs by around £5 million in the first full year, increasing to around £27 million by 2022-23.
What is the justification for claimed costs and savings?	Raising the eligibility age reduces the number of cardholders and hence the number of journeys and also costs to the Scottish Government. For example, if the age is raised by half a year per year, there are projected to be around 157,000 fewer people eligible by 2023-24 compared to what we would see if the current age of 60 was maintained.

Potential annual cost reductions (£million)	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Age eligiblity + 1 year	£11m	£11m	£24m	£25m	£40m
(B) Age eligiblity + 0.5 year	£5m	£11m	£12m	£19m	£27m

Question 3

Are you in favour of raising age eligibility to female State Pension age gradually over time?	Yes ☒	No ☐
At what rate?	By 1 year per year ☐	By half a year per year ☒

Please explain your answers.

Changes should be made as slowly as possible.

4

Free bus travel for Modern Apprentices

What is it?	Young people undertaking Modern Apprentice frameworks registered with Skills Development Scotland would be able to get free bus travel. The offer might be targeted at those Modern Apprentices under age 21.
What does it mean for me?	If you are a qualifying Modern Apprentice you would be able to get free bus travel.
What will it cost or save?	It would cost approximately £8m per year to provide free bus travel to Modern Apprentices under 21. Applying it to all Modern Apprentices would roughly double that figure.
What is the justification for claimed costs/savings?	There are around 20,300 Modern Apprentices aged 16-20. Based on the travel behaviour of people in this age group and the estimated uptake of the card, this would cost an estimated £8 million per year.

Question 4

Are you in favour of providing free bus travel to Modern Apprentices?	Yes ☒	No ☐
Should this be targeted at Modern Apprentices under Age 21?	Yes ☐	No ☒
Is there a better way to provide support to help with the travel costs of Modern Apprentices?	Yes ☒	No ☐

If so, please specify below.

Please explain your answers.

If the aim is to assist those on a known low wages, it seems unjust to have an age cut-of at all – all modern apprentices should be eligible.

Those without access to suitable public transport remain disadvantaged, and potentially excluded – those in rural areas or working shifts for example. Supporting 'wheels to work' type projects may be worthy of consideration in such cases.

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Companion cards for disabled children under age 5

What is it?	Allow disabled under 5s to get a companion card where this is needed so that their parent/carer can travel for free. Under 5s cannot get a disabled persons bus pass as they generally travel for free.
What does it mean for me?	The parent or carer accompanying the child currently has to pay for their own travel until that child qualifies for a companion card on their 5th birthday. This would allow the parent or carer to travel with an eligible disabled child under 5 for free.
What will it cost or save?	We believe that there around 3,210 disabled children under 5 who might benefit from a companion card. This will cost just over £600,000 per year.
What is the justification for claimed costs/savings?	There currently are around 3,210 children in Scotland who are eligible for the Higher or Middle rate Care Award and/or the Higher rate mobility award of Disability Living Allowance (DLA). Based on the average numbers of journeys taken by bus pass holders and the current reimbursement cost this would cost just over £600,000 to provide equal access to companion cards for disabled children of all ages.

Question 5

Are you in favour of providing a companion card for disabled under 5s where this is needed?	Yes	☒		No	☐

Please explain your answer.

It would seem sensible to examine overlaps with the Blue Badge system. Functional merger may not be possible but having the same eligibility criteria would be worthy of consideration.

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Are there any other issues you wish to raise which are not covered above?

The Scottish Government welcomes any further comments and suggestions on the Scheme and how it might be improved or made more sustainable.

In a Shetland context, any measures which reduce the number of people traveling by bus, and therefore reduce the fare income taken by ZetTrans, will increase the cost of service delivery to the public purse.

Question 6

Do you have any other comments about any of the issues raised in this consultation?   Yes ☒   No ☐

If so, please use the box below to provide details.

My comments:

Air and ferry services are an integral part of Shetland's internal transport network. Ferry services are particularly vital in ensuring a coherent transport network and extending the NEC scheme to all surface public transport for island residents is worthy of consideration.

The scheme's principal shortfall remains that if there is no eligible service, there is no benefit. It provides a universal benefit that is unrelated to need.

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Part 3 - Assessing impact

Equality

1   In considering possible changes to the National Concessionary Travel Scheme in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;

- advance equality of opportunity between people who share a protected characteristic and those who do not; and

- foster good relations between people who share a relevant protected characteristic.

1.1   These three requirements apply across the 'protected characteristics' of:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion and belief; and
- sex and sexual orientation.

1.2   At this early stage it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

1.3   Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment (EQIA) to determine if any further work in this area is needed.

Question – Equality Impacts

Are there any likely impacts the proposals contained within this Consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above? Please be as specific as possible.

There is an age consideration if the scheme is extended to apprentices under 21 only.

Those 60-66 year-olds who would otherwise have received an NEC will also be affected.

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Question – Children and young people

Do you think the proposals contained within this Consultation may have any additional implications on the safety of children and young people?

No.

Business and Regulation

1.4   A Business and Regulatory Impact Assessment (BRIA) will analyse whether the proposals are likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question – Business impacts

Do you think the proposals contained in this Consultation are likely to increase or reduce the costs and burdens placed on any sector? Please be as specific as possible.

If NEC-derived revenue for operators is reduced, then this will likely have an impact on less robust businesses. This could have a significant impact in rural areas and may ultimately increase the public cost of providing essential public transport.

Privacy

1.5   A full Privacy Impact Assessment (PIA) will be conducted to ascertain whether our proposals on delivering a consistent approach to the Scheme may have an impact on the privacy of individuals.

1.6   At this early stage it is difficult to determine whether significant privacy impacts are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely privacy effects.

Question – Privacy impacts

Are there any likely impacts the proposals contained in this Consultation may have upon the privacy of individuals? Please be as specific as possible.

No

Transport Scotland
2017

Options not favoured by the Scottish Government

A number of those with whom we have engaged in preparing this Consultation indicated a first preference for maintaining the current age of eligibility or, if changes had to be made, for alternative approaches to be taken. For a variety of reasons the Scottish Government is not minded to adopt these but they are listed below for information: -

1   **Requiring card holders to make a small financial contribution towards the cost of each concessionary journey.**

A fixed contribution of, say, 20p, 50p or £1 would be required to be paid for each journey undertaken. This would be relatively simple to implement and would generate significant savings. For example, a contribution of 20p per journey could save up to £17 million annually if applied to all concessionary passengers, including disabled bus pass holders as well as those qualifying on age. (Requiring a contribution only from non-disabled pass holders would reduce savings by about 10%.)

2   **Levying an annual charge for access to free bus travel.**

The journeys themselves would be free but there would be a fixed annual fee, for example £10 or £20. In effect, this would be like having an annual very low cost season ticket valid on all buses. Based on current usage, annual savings could be up to £13 million with a £10 charge and proportionately more for higher charges. Excluding disabled bus pass holders from the requirement to pay a charge would reduce savings by about 10%.

The Scottish Government does not favour either of these two options because they would not be consistent with the commitment set out in the Programme for Government 2016-17 to provide <u>free</u> bus travel for older and disabled persons. Option 1 could additionally lengthen boarding times and Option 2 would require new administrative arrangements, for example to issue reminders and process forms.

3   **Restricting use of a bus pass during peak travel times.**

Limiting the use of the bus pass to off-peak travel might save costs by encouraging people to travel at times when bus services tend to be less busy. This can reduce costs for bus operators and possibly alleviate overcrowding at peak times. However savings might be limited if people simply travel at different times and there could be delays to boarding times if disagreements arise over whether a journey is peak or off peak.

4   **Having a cap on the value of individual journeys which can be free.**

For example, all journeys made in a year up to an overall limit, such as £250, would be free. Travellers would have to pay for any additional journeys beyond this point until the end of the year. The level of savings would depend on the limit set but such an arrangement would allow costs to be controlled without the need

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for the present reimbursement capping arrangements. However new systems would be required to administer such an arrangement, including enabling passengers to tell easily how much travel they were still entitled to.

The Scottish Government is not minded to pursue either of these options at this time given the potential implementation and operational issues.

You may wish to use the box below to provide comments on these or any other way in which you believe the long-term sustainability of concessionary travel could be achieved, as well as other comments you may wish to make for improvements to the scheme.

My comments:

Option 1 is easier to manage for ZetTrans as we retain bus fare revenue.

Option 2 has potential but its implementation and collection would create additional complexity and cost. It is less likely to deter applicants in Shetland as they receive ferry vouchers even if they don't travel by bus.

Option 3 is definitely NOT an option for rural areas where the only service could well be at peak times. Shetland's mainline services are predicated on getting people to work in Lerwick for 9 and back home after 5 to and from most of the county. These also provide access to shopping and essential services. Restrictions on NEC use would defeat the object of the NEC scheme in many rural areas

Option 4 would only really help people if the limit was a set number of journeys per week or month. Rural journeys are longer and dearer and an annual cap could soon be used up. As presented, this would NOT work in rural areas.

In addition, options 1 and 2 would only be beneficial in a local context if the revenue derived represents additional revenue for ZetTrans and is not subsequently be deducted from Transport Scotland's concessionary fare reimbursement. Otherwise, as the de facto publicly funded operator, we will simply arrive at a null sum.

The cost of Shetland's existing public bus services can only be lowered by increasing the amount of fare income ZetTrans collects - fewer people travelling on Shetland's buses means a higher cost to the public purse as it covers the cost of running the services net of the fares received.

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Consultation on Free Bus Travel for Older and Disabled People and Modern Apprentices
August 2017

Ministerial Foreword From Minister For Transport And The Islands, Humza Yousaf MSP

The Scottish Government is launching this Consultation to seek your views on the concessionary travel scheme for older and disabled people ("the Scheme").

This popular and valued scheme improves access for older and disabled people to essential services and opens up participation in family and other social activities that would otherwise not be affordable, ultimately offering independence to people who rely on bus travel.

Over 1.3 million bus pass holders benefit from the Scotland-wide free bus travel scheme for older and disabled people. They make around 145 million bus journeys each year representing around a third of all bus journeys made in Scotland. Free bus travel is delivering one of the Scottish Government's key commitments, one we believe brings important benefits for all our eligible older and disabled people.

We are committed to continuing to provide free bus travel for those who need it the most, and therefore want to look at options to ensure the longer-term sustainability of the scheme so that free bus travel can continue to benefit those who have the greatest need.

We are also aware of the particular challenges facing younger people and will be asking for your views on our proposal to provide free bus travel to Modern Apprentices and how that might be taken forward. We will also be looking to provide free companion travel for eligible disabled children under five who are not currently covered by the Scheme.

Whatever happens going forward let me make one thing clear and give you this absolute assurance, **if you already have a bus pass, or obtain one before any changes are made, you will not lose it!** Those with a bus pass will continue to access the benefits of the Scheme. In addition we will not be making any adverse changes to the existing eligibility criteria for those with a disability.

I look forward to receiving your views on our proposals.

Humza Yousaf
Minister for Transport and the Islands

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Contents

1 Responding to this Consultation

About this Consultation

1.1   Consultation is an essential part of the Scottish Government's policy making process. It gives us the opportunity to seek your opinions. This Consultation sets out the issues under consideration and asks you questions about what we are proposing. After the Consultation is closed we will publish responses where we have been given permission to do so.

1.2   Responses are analysed and used as part of the policy making process, along with a range of other available information and evidence. Responses to this Consultation will help to inform the development of future rules and guidance on the National Concessionary Travel Scheme in Scotland.

Deadline

1.3   The Consultation closes at midnight on 17 November 2017.

How to respond

1.4   To encourage wide participation, the Scottish Government has created a number of ways for you to engage in the Consultation. You can respond online, by email or by post.

1.5   The Consultation will also be available in alternative formats on request, including Large Print, Braille and Easy Read.

1.6   In addition to publishing this Consultation document, we have also produced an information leaflet which can be downloaded from the Transport Scotland website: www.transport.gov.scot/concessionary-travel/

Respond Online

1.7   To respond online please use the Scottish Government's Consultation Hub, Citizen Space, at www.consult.scotland.gov.uk.   You can save and return to your response at any time while the Consultation is open. But please ensure that your response is submitted before the Consultation closes at midnight on 17 November 2017.

1.8   You will automatically be emailed a copy of your response after you submit it. If you choose this method you will be directed to complete the Respondent Information Form. The Respondent Information Form lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.

1.9   You can also complete the response form at Annex B, and either scan this and send it by email, or send it by post to the address given on page 4 below.

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Table of response methods

Online	You can use the response form on the Scottish Government's Consultation Hub, Citizen Space, at www.consult.scotland.gov.uk/
Email	Send us your response in an email to concessionarytravelconsultation@transport.gov.scot Please include the Respondent Information Form.
Post	Send your response in English to: Concessionary Travel Policy Team Transport Scotland Area 2D-North Victoria Quay Edinburgh EH6 6QQ Please include the Respondent Information Form.

1.10   With each of these methods you need to include your Respondent Information Form because this lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.

1.11   You can find this in Annex B below.

Next Steps

1.12   After the Consultation has closed we will analyse all the responses received and use your feedback to help inform the development of future rules and guidance on the National Concessionary Travel Scheme. Where permission has been given, we will make all responses available to the public at www.consult.scotland.gov.uk. The responses to the Consultation and analysis will be published in due course.

Need assistance?

1.13   If you need support in answering this Consultation or alternatively have a query about the Consultation process, or a complaint about how this Consultation has been conducted, you can send your query:

- by email to concessionarytravelconsultation@transport.gov.scot

- or by writing to:

  Concessionary Travel Policy Team
  Transport Scotland
  Area 2D-North
  Victoria Quay
  Edinburgh
  EH6 6QQ

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2   Free bus travel for older and disabled people

2.1   The current scheme for older and disabled people provides free bus travel within Scotland and to Carlisle and Berwick-upon-Tweed on any registered bus service to anyone who lives in Scotland, who is aged 60 and over or meets certain disability criteria, and who has applied for and received a National Entitlement Card (or "bus pass"). In addition, residents of Orkney, Shetland and the Western Isles who meet these criteria are entitled to 2 free return ferry journeys to the mainland each year. A history of earlier concessionary travel schemes in Scotland is provided at Annex A.

Benefits of free bus travel

2.2   One of the stated objectives of the Scheme when it was set up in 2006 was to allow older and disabled people improved access to services, facilities and social networks by free scheduled bus services; and so promote social inclusion.

2.3   Research has been undertaken on the benefits of concessionary travel schemes, including a report by the bus industry group, Greener Journeys, "The costs and benefits of concessionary bus travel for older and disabled people"[1].

2.4   In Scotland, we undertook our own customer feedback research in 2013[2] and 2014[3] to gather the views of bus pass holders on the scheme.

2.5   The research demonstrates that the Scheme is greatly valued and works well for bus pass holders for a number of reasons including financial savings, reducing isolation, giving a sense of greater independence and increasing confidence in their own ability to travel. It also highlights how bus pass holders see the Scheme as having improved their mental and physical well-being and has encouraged modal shift from car to public transport and increased use of the bus. Almost half of respondents in our survey said they now made journeys they would not previously have done, in particular for day trips and visiting friends and relatives.

Objectives of the Scheme

2.6   The key objectives for the Scheme include:-

- allowing older and disabled people improved access to services, facilities and social networks; and so promoting social inclusion;

- improving health by promoting a more active lifestyle;

- promoting modal shift from private car to public transport;

- maintaining a "no better, no worse off" position for bus operators with a standard reimbursement rate;

- providing opportunity for improvements to public transport;

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[1] www.greenerjourneys.com/wp-content/uploads/2014/09/Concessionary-travel-costs-and-benefits-September-2014.pdf

[2] www.transport.gov.scot/publication/concessionary-travel-customer-feedback-research-year-one-report/

[3] www.webarchive.org.uk/wayback/archive/20160104171742/http:/www.transportscotland.gov.uk/system/files/j329860.pdf

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- stimulating the introduction of smart cards.

2.7   Since the Scheme was introduced there have been minor modifications, such as simplifying the application process for eligible armed forces veterans in 2012 and changes in 2013 to include people receiving the new Personal Independence Payments (PIP).

2.8   In addition, between 2014 and 2016 new bus passes were issued to replace all existing ones. This was to ensure that they would be smart enabled in order to take advantage of the advances in technology since 2006. The new "*saltire*card" branded bus passes ensure that card holders are able to make greater use of smart technology.

Eligibility

2.9   The current eligibility criteria are set down in legislation[4].

How free bus travel is funded

Bus Operators
56.9% of the Adult Single Fare

Older and Disabled People
Free Travel

Figure 1 - Reimbursement rate

2.10   Bus pass holders travel for free. Travel through the national scheme is paid for directly by the Scottish Government. It is a principle of the Scheme that operators should be no better and no worse off as a result of their participation.

2.11   The Scottish Government reimburses bus operators for carrying bus pass holders at an agreed rate negotiated with representatives of the bus industry. This is called the reimbursement rate. In 2006-7 the rate was set at 73.6% of the adult single fare for each concessionary journey and, thanks largely to refinements in the economic model used to calculate the rate, has since gradually reduced to 56.9% of the adult single fare in 2017-18.

2.12   So, for every journey made on a bus by a bus pass holder under the Scheme, the bus service operator is currently paid 56.9% of the adult single fare for that journey by the Scottish Government.

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[4] www.legislation.gov.uk/ssi/2006/117/contents/made

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Number of bus pass holders

2.13   In the first year of the Scheme, around 900,000 people obtained a National Entitlement Card enabling them to travel for free by bus. This number has gradually increased so that there are now over 1.3 million bus pass holders under the Scheme. Of these around 1.13 million are eligible by age and around 167,000 meet one or more of the disability criteria. Of these 167,000, around 120,000 are eligible for a companion to travel with them free of charge.

1.3 million people have
National Concessionary Travel
Scheme cards in Scotland

2.14   The following graph sets out the increase in numbers of bus pass holders since 2006.

Numbers of Bus Pass Holders
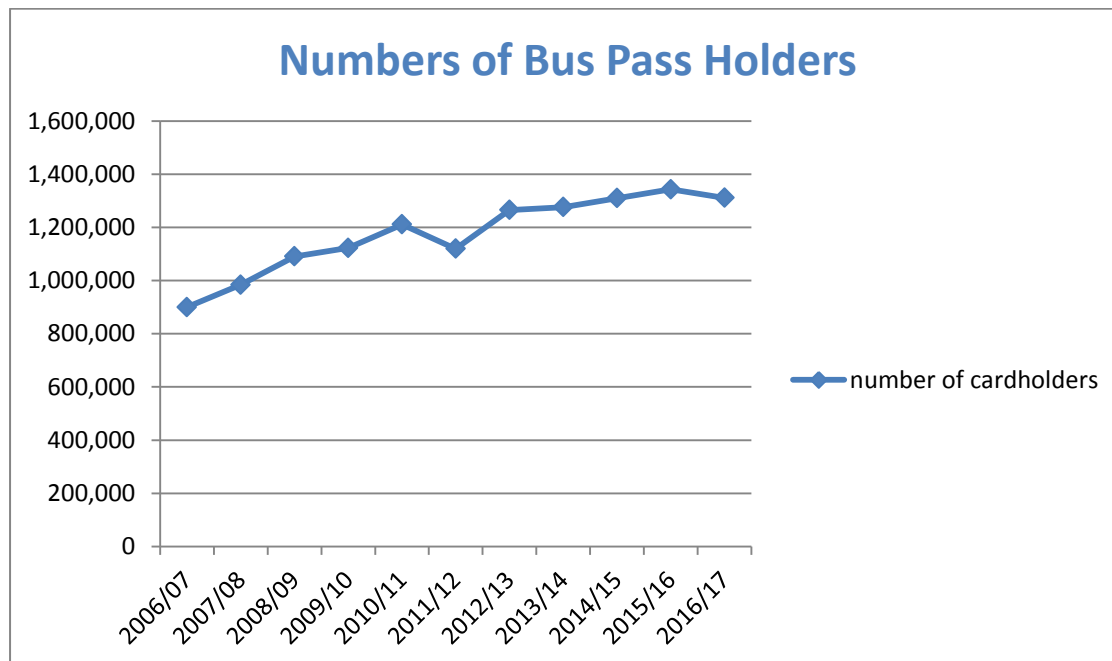
Figure 2 - Trend in concessionary card holders numbers

Journeys made by free bus travel

2.15   Scheme bus pass holders have made over 1,640 million journeys by bus since 2006. There was a small decline in usage between 2007-08 and 2012-13, partly coinciding with the move from "show and go" to smart ticketing. This has since stabilised to around 145 million journeys per year, almost one third of all bus journeys made in Scotland.

2.16   For a variety of reasons, including greatly increased car ownership, bus patronage in general has been continually declining since at least the 1960s. Between 2006-7 and 2014-15 (the most recent year for which we have figures) the number of bus journeys in Scotland fell from 476 million a year to 414 million. The most pronounced decline coincided with the economic downturn and the position has been a little more steady in the past few years. The graph below illustrates this trend over the past decade.

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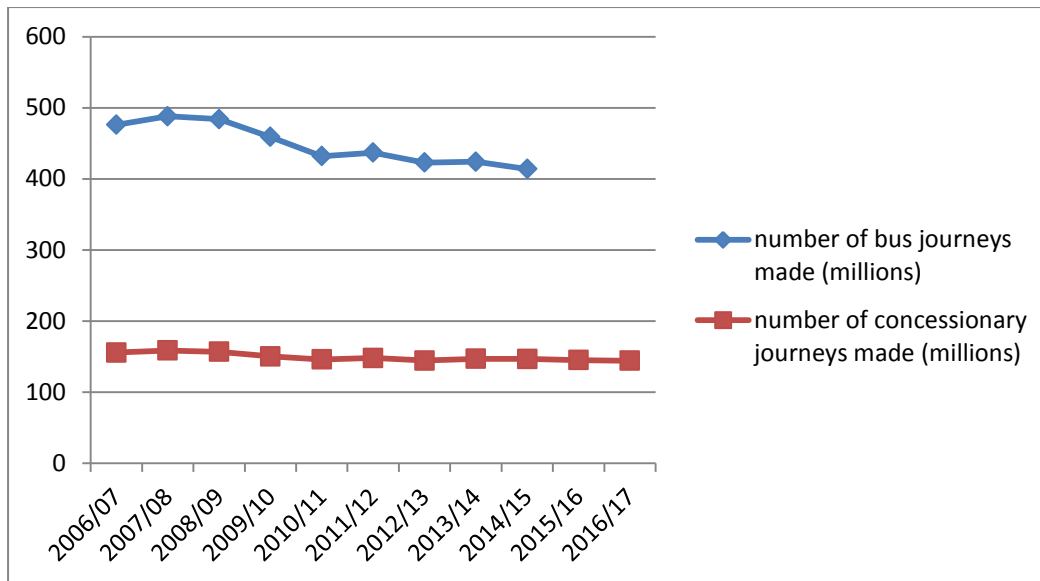
Figure 3 - Trend in bus journeys

Projected future costs of free bus travel

2.17   Each year around 70,000 people in Scotland reach the age of 60. At this point they are entitled to a National Entitlement Card that provides free bus travel on local and long distance routes throughout Scotland.
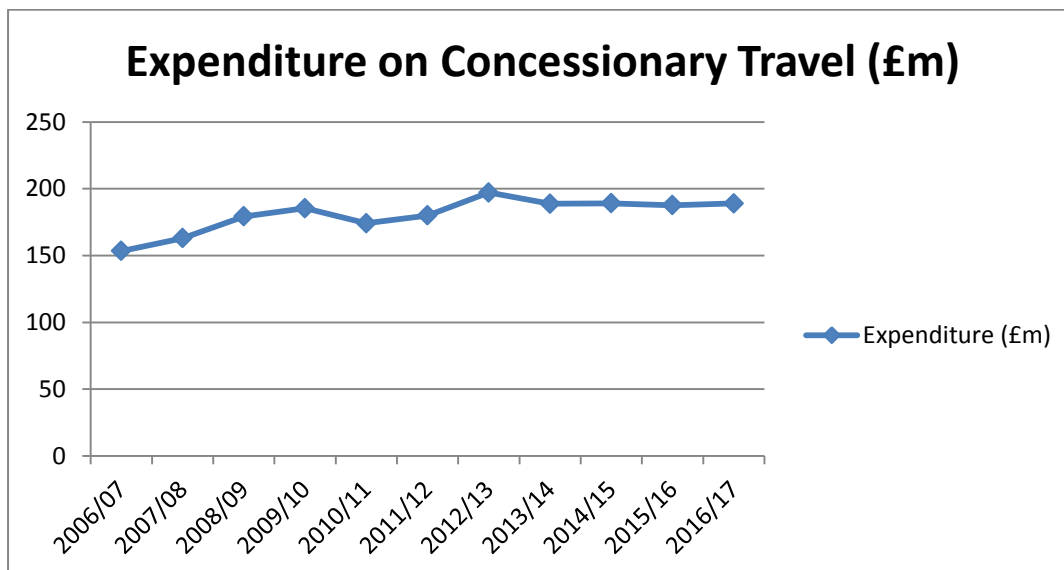
Figure 4 - cost of providing free bus travel

2.18   The fact that people are living longer and leading healthier, more active lives is to be celebrated. However, the fact that there will be more older people year on year does mean that costs for the Scheme are likely to increase further.

2.19   This is why we are looking at options on how best to make sure that the Scheme remains affordable in the coming years.

Options covered

2.20   The Scottish Government is committed to providing access to free bus travel for older and disabled people. The options for change which are consistent with this

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commitment involve raising the age of eligibility for older people. In this paper, we invite views on whether such changes should be considered at this time, either by raising the age in one go or gradually to bring it into line with the State Pension age, which will be equalised for men and women in 2018.

2.21   In our early engagement with stakeholders a number of other options were raised. These were either inconsistent with our commitment to provide free bus travel or raised practical implementation issues and the Scottish Government is not therefore minded to pursue these. We are, however, open to alternatives and this paper, therefore, invites respondents to offer views on additional or alternative options to improve the scheme and its sustainability. The alternatives raised in early engagement are listed at Annex C along with the reasons why we are not in favour of these.

Proposals at a glance

What are the options for change?

The Scheme currently costs around £192m a year, and around 70,000 Scots turn age 60 each year.

If changes are to be made to the Scheme, the preferred options, in line with our commitment to continue to provide free bus travel for those that need it the most, involve raising the age of eligibility towards the State Pension age. We can therefore:-

- make no change to the scheme, leaving the eligibility rules as they are; or
- raise the age of eligibility for both men and women in one step from 60 to the (female) State Pension age at the time the change is made, thereafter keeping pace with further changes in the State Pension age, which is set to increase to 67 over the period 2026 to 2028; or
- raise the age of eligibility for men and women progressively towards the State Pension age by annual increases of one year or half a year to the age of eligibility, taking longer to get there but lessening the impact on the expectations of individuals close to 60.

Please see Questions 2 and 3 in Annex B below for further details.

The rising state pension age

2.22   We recognise that the timing and pace of any change to the age of eligibility is as important as the change itself. This point has been raised by the campaign group Women Against State Pension Inequality (WASPI) and others, who have pointed out the inequality for women in the way changes to the female State Pension age are being made. The 1995 State Pension Act included plans to increase the state pension age for women from 60 to 65, to make it the same as for men.

2.23   WASPI agrees with the principle of equalisation but not with the unfair way the changes were implemented. Because of the way the increases were brought in, hundreds of thousands of women born in the 1950s, who would be affected by the changes, were not informed of them at the time and have only recently become

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aware that they would have to work for up to five years longer than they had planned. A large percentage of these women received a letter advising them of significant increases to their State Pension age only a year or two before they had expected to receive their State Pension at the age of 60.

2.24   The Scottish Government supports WASPI in pressing their case with the UK Government. This means that if we were to make changes to the age of eligibility to free bus travel for older people, we would consider carefully how to do this in a fair and equitable way. In the options below, we have suggested how a change might be phased in to deal with the issue around the period of notice given to any change in age. In this instance, this is relevant to both men and women since the qualifying age for free bus travel is already aligned.

2.25   The diagram below shows the difference to people of various ages in 2017 between the present situation (getting your bus pass at age 60) and moving either directly to the State Pension age, or moving progressively towards the State Pension age by phasing the arrangements by increments of either +6 months, or +12 months for people in their 50's in 2017.
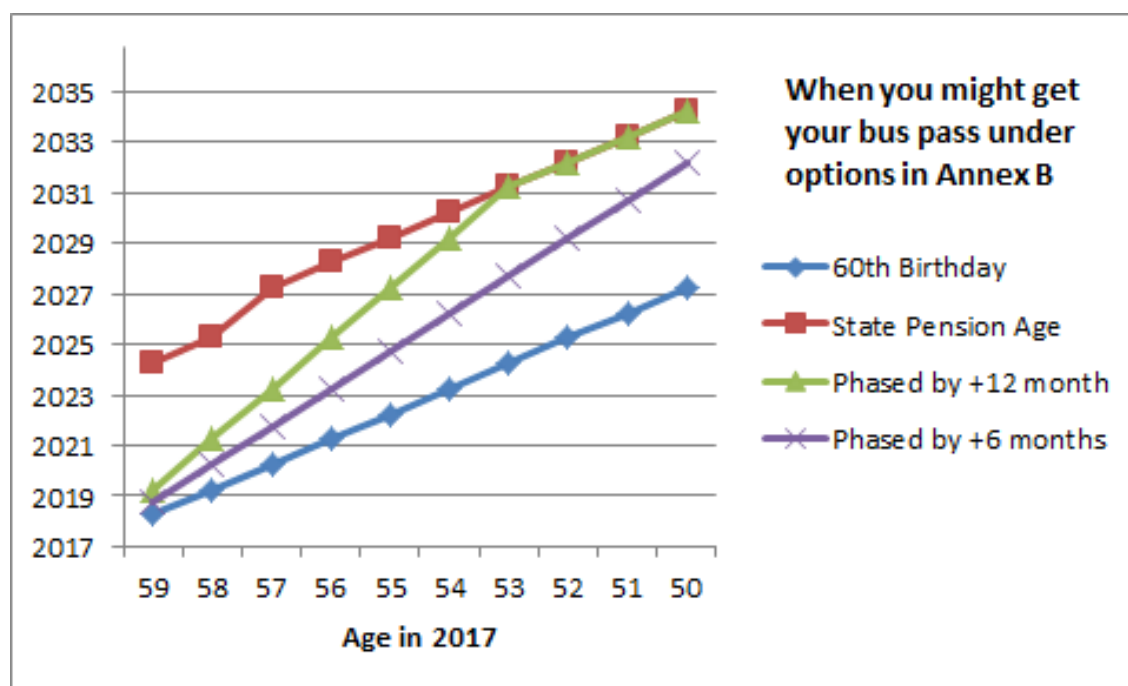
Figure 5 - Effect of proposed changes on 50+ year olds in 2017

Pre-consultation engagement

2.26   The options set out below in Annex B have been arrived at following discussions in the past few months with a number of stakeholder groups. In these discussions a number of ideas were raised as to how we could ensure that the Scheme remains sustainable in the longer term. Some are inconsistent with our commitment to free bus travel and others appear likely to be difficult to implement or operate.

2.27   However, we do not want to close down discussion and we invite alternative or additional suggestions, including whether to make any changes at all to the current eligibility for the Scheme.

2.28   We thank the various organisations and individuals for their participation and help in formulating this Consultation.

2.29   We welcome your views on the Scheme. Annex B contains questions asking if the Scheme age eligibility should stay as it is (Question 1), or if we should change age eligibility towards the State Pension age either at once or progressively (Questions 2 and 3) and on whether you have alternative suggestions (Question 6).

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3   Free Bus Travel for Modern Apprentices

Proposal at a glance

The Scottish Government is proposing free bus travel for young Modern Apprentices and we have suggested this might be targeted at those under age 21. The introduction of free bus travel will make Modern Apprenticeships more accessible for all young people. We believe this will make the Modern Apprenticeship route more attractive to young people and potentially to employers.

Question 4 in Annex B below seeks views on offering free bus travel to Modern Apprentices, on whether this should be targeted on those Modern Apprentices aged under 21 and on alternative ways to help Modern Apprentices with transport costs.

3.1   In September 2016 the First Minister announced in the Programme for Government the commitment to work to deliver free bus travel for Modern Apprentices aged under 21.

3.2   Modern Apprenticeships are recognised as an excellent way to gain skills, experience and a qualification while in employment. They allow individuals to earn while they learn and support the development of our collective skills base and in doing so contribute to economic development.

3.3   The Scottish Government is committed to growing, widening and enhancing Scotland's Modern Apprenticeship programme as part of its commitment to the delivery of 30,000 new Modern Apprenticeship opportunities each year by 2020. This commitment includes continuing to focus on higher level apprenticeships, particularly in Science, Technology, Engineering and Mathematics Frameworks. This expansion is likely to be focused on young people.

3.4   In 2016-17 there were 26,262 Modern Apprenticeship starts. On 5 March this year we set a target of 27,000 new Modern Apprenticeship starts for 2017-18.

3.5   However, in order to make the Modern Apprenticeship an attractive option for young people looking to enter the world of work, we must ensure we do what we can to make available support where it is needed. The commitment to free bus travel for young Modern Apprentices is part of this.

3.6   We recognise that the transition into the workplace can be a real challenge and can place unforeseen expenses on what are likely to be limited budgets. The pledge of free bus travel is designed to take at least one of those worries away from the young apprentice looking to improve their skills. But we must ensure that what we offer is what is needed by young Modern Apprentices.

3.7   Question 4 in Annex B below seeks your views on the proposal to provide free bus travel to Modern Apprentices. It also invites views on the proposition that the offer should be restricted to those Modern Apprentices aged under 21 and on whether there might be better options for helping with Modern Apprentices' travel costs.

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4   Companion Cards for Disabled Children under Age Five

Proposal at a glance

Children under 5 generally travel for free on the bus. As a result access to a disabled bus pass starts at age 5. However, this means that the parents and carers of otherwise eligible disabled under 5s have to pay for their bus travel when at age 5 the disabled child may qualify for a companion card or bus pass. A companion bus pass is given to someone who is not able to safely travel on their own and allows the companion also to travel for free.

The Scottish Government is proposing to fix this anomaly by providing disabled under 5s with access to a companion bus pass where this is needed.

Please see Question 5 in Annex B below for further details

4.1   As part of this Consultation we are seeking to address the anomaly in the Scheme where disabled children under age 5 are not currently entitled to a companion bus pass.

4.2   As part of their commercial operations, most bus operators provide free bus travel for children under 5. The Scheme eligibility criteria do not, therefore, include those under age 5 whether disabled or not.

4.3   Under the Scheme, companion cards are available to disabled people of fare paying age (age five and over) who need assistance to travel and who

Figure 6 – Disabled children under 5 cannot get a Companion Card

are in receipt of (i) the higher or middle rate of the care component of Disability Living Allowance, (ii) the daily living component of Personal Independence Payment or (iii) Attendance Allowance or who are certified blind.

4.4   This means that disabled children under 5 who would satisfy the companion eligibility criteria if they were older are not entitled to a companion card.

4.5   We estimate that extending the coverage under the Scheme to provide companion cards to eligible disabled children under age 5, based on current eligibility criteria, would add up to an additional £623,000 to the cost of the Scheme for an estimated additional 3,210 bus pass holders.

4.6   Question 5 in Annex B below therefore invites your views on a proposal to extend the Scheme to disabled under 5s.

4.7   We have no plans to adversely change disability eligibility criteria.

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Annex A

Background to free bus travel in Scotland

1   The National Bus Travel Scheme for Older and Disabled People was introduced on 1 April 2006 after a public consultation exercise and discussions with stakeholders including local authorities, bus operators and the Mobility and Access Committee for Scotland (MACS). The Consultation considered the proposed Scheme's coverage and who should be eligible for free travel before it was agreed by the Scottish Parliament.

2   This built on an agreement reached by the Scottish Government and the Confederation of Passenger Transport (CPT), on behalf of bus operators, for the delivery of a free national bus travel scheme for eligible passengers at agreed levels of payment to the industry.

3   It was agreed that the aim of the Scheme would be to provide free bus travel throughout Scotland to those aged sixty and over and to people who had an impairment that severely affected their mobility and ability to carry out day to day activities.

History of earlier concessionary schemes in Scotland

4   During the 1980s and 1990s, local authorities in Scotland financed and operated concessionary travel schemes for specific groups of people including the elderly, disabled and the young. Latterly, there were 16 concessionary schemes covering all local authorities with different rules and levels of reimbursement.

5   The benefits and restrictions in these local schemes varied considerably as it was for each Council to determine how best to meet local needs. Some schemes offered free travel, some half-fare and in one instance a discount for the first 10 miles of any journey. Some schemes were limited to travel within the authority's own boundaries. Some were joint schemes of more than one Council and allowed travel within their combined area, and some allowed journeys to specific identified destinations outwith the Council's boundary. Some schemes had peak period restrictions and others did not.

6   From October 2002 a national minimum standard of free local off-peak bus travel was applied to the local schemes. On 1 April 2003 the schemes were extended to allow men aged 60-64 to receive the same travel benefits as women aged 60+. Previously, men became eligible at age 65.

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Annex B

Consultation Responses

Part 1 - Respondent Information Form

PLEASE NOTE THIS FORM MUST BE RETURNED WITH YOUR RESPONSE.

Are you responding as an individual or an organisation?

☐   Individual

☐   Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your Consultation response. Please indicate your publishing preference:-

☐   Publish response with name

☐   Publish response only (anonymous)

☐   Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this Consultation exercise?

☐   Yes

☐   No

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Part 2 – Questions on options

No change to age eligibility of the Scheme

Should scheme eligibility remain unchanged ?

Do you believe that age eligibility for the Scheme should remain as it is? At present everyone resident in Scotland can get the bus pass on their 60th birthday and be able to travel for free at any time of day, for any number of journeys, on local and long distance scheduled bus services throughout Scotland.

Scheme costs have risen over the years to a little over £190 million in 2016-17. In addition, some 70,000 of us reach age 60 each year and that figure is projected to rise to 76,000 by 2021. This adds further pressure to costs, raising questions about the longer-term sustainability of the Scheme in its present form.

Even if your first preference is to make no changes to age eligibility at this time, please consider the options set out in questions 2 and 3 below.

Question 1

Do you think that we should retain the existing age eligibility criteria for the Scheme?   Yes ☐   No ☐

Please use the box below to provide details.

My comments:

Options to change the National Concessionary Travel Scheme

Raise the age of eligibility for men and women to the female State Pension age in one step	
What is it?	Women's State Pension age is being equalised with men's, so that they will reach State Pension age at 65 from November 2018. In addition, both men's and women's State Pension age is due to increase to 66 by 2020 and to 67 between 2026 and 2028. The proposal would set the age of eligibility for free bus travel at female State Pension age from 2018.
What does it mean for me?	The UK Government provides a handy calculator to check when you will reach State Pension age:- www.gov.uk/state-pension-age
What will it cost or save?	If age eligibility is raised immediately to female State Pension age from April 2018 onwards, it would reduce costs by around £10 million in the first year, increasing to around £65 million by 2022-23. The State Pension age will increase to 66 by 2020 and 67 between 2026 and 2028. In 2023-24, this would result in savings of around £83 million each year, increasing up to reduced costs of around £111 million in 2026-27.
What is the justification for claimed costs/savings?	Raising the eligibility age reduces the number of cardholders, resulting in fewer journeys which also reduces the cost to the Scottish Government. In 2022-23, there would be around 350,000 fewer people eligible compared to what would happen if the current age of 60 was to be maintained. In 2026-27, this would increase to around 520,000 people

Question 2		
Are you in favour of raising age eligibility to female State Pension age in this way?	Yes ☐	No ☐
Please explain your answers.		

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Raise the age of eligibility to the female State Pension age over a number of years

What is it?	Women's State Pension age is being equalised with men's, so that they will reach State Pension age at 65 from November 2018. In addition, both men's and women's State Pension age will increase to 66 by 2020 and to 67 between 2026 and 2028. Age eligibility could be increased towards the (female) State Pension age either:- • by one year per year; or • by six months per year
What does it mean for me?	A slower introduction might mean that people affected by the change in the early years will be eligible for their bus passes after age 60 but before the female State Pension age. If raising the age of eligibility is done progressively for those who are currently in their mid to late fifties, it might be done in one of two ways:- (A) If the eligible age was raised by **one year annually**, this would increase the age at which people in their late 50s would receive their bus pass but will not mean that they will have to wait until they are at State Pension age. A person who reaches age 59 in 2017 would become eligible for their bus pass on their 61st birthday in 2019, a person who reaches age 58 in 2017 on their 62nd birthday in 2021, a person who reaches age 57 in 2017 on their 63rd birthday in 2023 and so on. A person aged 54 or under in 2017 would become eligible on their 66th birthday. (B) If the eligible age was raised by **half a year annually**, this would again increase the age at which people in their late 50s will receive their bus pass, but at a slower pace. A person who reaches age 59 in 2017 would become eligible six months after their 60th birthday, a person who reaches age 58 in 2017 on their 61st birthday, a person who reaches age 57 in 2017 six months after their 61st birthday and so on. A person aged 48 or under in 2017 would become eligible on their 66th birthday. If the age of eligibility is simply raised without any adjustments or phasing, then someone who is 59 in 2017 would become eligible in 2024 when they reach the State Pension age. This approach would seek to address the issue raised by WASPI and mitigate the effects of the changes on people close to the current age of eligibility by striking a better balance between the size of the change and the period of notice.

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What will it cost or save?	Raising age eligibility from April 2018 by one year per year to female State Pension age would reduce costs by around £11 million in the first full year, increasing to around £40 million by 2022-23. The slower of the two progressive approaches would reduce costs by around £5 million in the first full year, increasing to around £27 million by 2022-23.

What is the justification for claimed costs and savings?

Raising the eligibility age reduces the number of cardholders and hence the number of journeys and also costs to the Scottish Government. For example, if the age is raised by half a year per year, there are projected to be around 157,000 fewer people eligible by 2023-24 compared to what we would see if the current age of 60 was maintained.

Potential annual cost reductions (£million)	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Age eligiblity + 1 year	£11m	£11m	£24m	£25m	£40m
(B) Age eligiblity + 0.5 year	£5m	£11m	£12m	£19m	£27m

Question 3

Are you in favour of raising age eligibility to female State Pension age gradually over time?   Yes ☐   No ☐

At what rate?   By 1 year per year ☐   By half a year per year ☐

Please explain your answers.

Free bus travel for Modern Apprentices

What is it?	Young people undertaking Modern Apprentice frameworks registered with Skills Development Scotland would be able to get free bus travel. The offer might be targeted at those Modern Apprentices under age 21.
What does it mean for me?	If you are a qualifying Modern Apprentice you would be able to get free bus travel.
What will it cost or save?	It would cost approximately £8m per year to provide free bus travel to Modern Apprentices under 21. Applying it to all Modern Apprentices would roughly double that figure.
What is the justification for claimed costs/savings?	There are around 20,300 Modern Apprentices aged 16-20. Based on the travel behaviour of people in this age group and the estimated uptake of the card, this would cost an estimated £8 million per year.

Question 4

Are you in favour of providing free bus travel to Modern Apprentices?	Yes	☐	No	☐
Should this be targeted at Modern Apprentices under Age 21?	Yes	☐	No	☐
Is there a better way to provide support to help with the travel costs of Modern Apprentices? **If so, please specify below.**	Yes	☐	No	☐

Please explain your answers.

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Companion cards for disabled children under age 5

What is it?	Allow disabled under 5s to get a companion card where this is needed so that their parent/carer can travel for free. Under 5s cannot get a disabled persons bus pass as they generally travel for free.
What does it mean for me?	The parent or carer accompanying the child currently has to pay for their own travel until that child qualifies for a companion card on their 5th birthday. This would allow the parent or carer to travel with an eligible disabled child under 5 for free.
What will it cost or save?	We believe that there around 3,210 disabled children under 5 who might benefit from a companion card. This will cost just over £600,000 per year.
What is the justification for claimed costs/savings?	There currently are around 3,210 children in Scotland who are eligible for the Higher or Middle rate Care Award and/or the Higher rate mobility award of Disability Living Allowance (DLA).
	Based on the average numbers of journeys taken by bus pass holders and the current reimbursement cost this would cost just over £600,000 to provide equal access to companion cards for disabled children of all ages.

Question 5

Are you in favour of providing a companion card for disabled under 5s where this is needed?	Yes	☐	No	☐

Please explain your answer.

21

Are there any other issues you wish to raise which are not covered above?

The Scottish Government welcomes any further comments and suggestions on the Scheme and how it might be improved or made more sustainable.

Question 6

Do you have any other comments about any of the issues raised in this consultation?   Yes ☐   No ☐

If so, please use the box below to provide details.

My comments:

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Part 3 - Assessing impact

Equality

1   In considering possible changes to the National Concessionary Travel Scheme in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;

- advance equality of opportunity between people who share a protected characteristic and those who do not; and

- foster good relations between people who share a relevant protected characteristic.

1.1   These three requirements apply across the 'protected characteristics' of:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion and belief; and
- sex and sexual orientation.

1.2   At this early stage it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

1.3   Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment (EQIA) to determine if any further work in this area is needed.

Question – Equality Impacts
Are there any likely impacts the proposals contained within this Consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above? Please be as specific as possible.

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Question – Children and young people

Do you think the proposals contained within this Consultation may have any additional implications on the safety of children and young people?

Business and Regulation

1.4   A Business and Regulatory Impact Assessment (BRIA) will analyse whether the proposals are likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question – Business impacts

Do you think the proposals contained in this Consultation are likely to increase or reduce the costs and burdens placed on any sector? Please be as specific as possible.

Privacy

1.5   A full Privacy Impact Assessment (PIA) will be conducted to ascertain whether our proposals on delivering a consistent approach to the Scheme may have an impact on the privacy of individuals.

1.6   At this early stage it is difficult to determine whether significant privacy impacts are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely privacy effects.

Question – Privacy impacts

Are there any likely impacts the proposals contained in this Consultation may have upon the privacy of individuals? Please be as specific as possible.

Transport Scotland
2017

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Annex C

Options not favoured by the Scottish Government

A number of those with whom we have engaged in preparing this Consultation indicated a first preference for maintaining the current age of eligibility or, if changes had to be made, for alternative approaches to be taken. For a variety of reasons the Scottish Government is not minded to adopt these but they are listed below for information: -

1   **Requiring card holders to make a small financial contribution towards the cost of each concessionary journey.**

A fixed contribution of, say, 20p, 50p or £1 would be required to be paid for each journey undertaken. This would be relatively simple to implement and would generate significant savings. For example, a contribution of 20p per journey could save up to £17 million annually if applied to all concessionary passengers, including disabled bus pass holders as well as those qualifying on age. (Requiring a contribution only from non-disabled pass holders would reduce savings by about 10%.)

2   **Levying an annual charge for access to free bus travel.**

The journeys themselves would be free but there would be a fixed annual fee, for example £10 or £20. In effect, this would be like having an annual very low cost season ticket valid on all buses. Based on current usage, annual savings could be up to £13 million with a £10 charge and proportionately more for higher charges. Excluding disabled bus pass holders from the requirement to pay a charge would reduce savings by about 10%.

The Scottish Government does not favour either of these two options because they would not be consistent with the commitment set out in the Programme for Government 2016-17 to provide <u>free</u> bus travel for older and disabled persons. Option 1 could additionally lengthen boarding times and Option 2 would require new administrative arrangements, for example to issue reminders and process forms.

3   **Restricting use of a bus pass during peak travel times.**

Limiting the use of the bus pass to off-peak travel might save costs by encouraging people to travel at times when bus services tend to be less busy. This can reduce costs for bus operators and possibly alleviate overcrowding at peak times. However savings might be limited if people simply travel at different times and there could be delays to boarding times if disagreements arise over whether a journey is peak or off peak.

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4 Having a cap on the value of individual journeys which can be free.

For example, all journeys made in a year up to an overall limit, such as £250, would be free. Travellers would have to pay for any additional journeys beyond this point until the end of the year. The level of savings would depend on the limit set but such an arrangement would allow costs to be controlled without the need for the present reimbursement capping arrangements. However new systems would be required to administer such an arrangement, including enabling passengers to tell easily how much travel they were still entitled to.

The Scottish Government is not minded to pursue either of these options at this time given the potential implementation and operational issues.

You may wish to use the box below to provide comments on these or any other way in which you believe the long-term sustainability of concessionary travel could be achieved, as well as other comments you may wish to make for improvements to the scheme.

My comments:

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Scottish Government
Riaghaltas na h-Alba

Zetland Transport Partnership

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	ZetTrans Response to Transport Scotland's Consultation on: Local Bus Services in Scotland – Improving the Framework for Delivery	
Reference Number:	ZTP-37-17-F	
Author / Job Title:	Peter Mogridge – Transport Policy and Projects Officer	

1.0   Decisions / Action Required:

1.1   That the Partnership CONSIDER the ZetTrans Response to Transport Scotland's Consultation on: Local Bus Services in Scotland – Improving the Framework for Delivery, as contained in Appendix 1; and

1.2   Instruct the Lead Officer (or his nominee), taking account of comments from the Partnership, to issue a response in consultation with the Chair.

2.0   High Level Summary:

2.1   The Transport Scotland consultation invites opinions on:

2.1.1   Extending the powers of Transport Authorities to directly and/or indirectly deliver bus services.

2.1.2   Requiring transport operators to work in partnership with Transport Authorities.

2.1.3   Requiring transport operators to collect and share performance data.

3.0   Corporate Priorities and Joint Working:

3.1   ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016-2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0   Key Issues:

4.1   Appendix 1 contains the proposed response for comment.

4.2   Comments will be submitted to Transport Scotland in line with an agreed, extended deadline.

4.2   The response given should be in line with ZetTrans Vision, Strategic Objectives and Main Issues and must also encompass ZetTrans' dual strategic and

operational roles.

4.3   Appendix 2 contains Transport Scotland's background information on the consultation.

5.0   Exempt and/or Confidential Information

5.1   None.

6.0 Implications :	
6.1 Service Users, Patients and Communities:	Extensions to ZetTrans' powers could improve its ability to serve Shetland efficiently and effectively and increase value for money to the public purse.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	Certain proposals, if enacted, would require the creation of separate legal entities.
6.5 Finance:	There are no direct financial implications arising from this report.
6.6 Assets and Property:	None.
6.7 ICT and New Technologies:	None.
6.8 Environmental:	Certain proposals, if adopted, may enhance ZetTrans' capacity to reduce Green House Gas emissions.
6.9 Risk Management:	If a response to this consultation is not submitted, any changes which might ultimately be made may be less likely to be Islands-proof and of benefit to Shetland.
6.10 Policy and Delegated Authority:	ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006. The Partnership is responsible for engaging with Government on issues relating to transport national policy and strategy.
6.11 Previously considered by:	Not previously considered.

Contact Details:
Peter Mogridge – Transport Policy and Projects Officer
Phone: 01595 745802
E-mail peter.mogridge@shetland.gov.uk
5 December 2017

Appendices:

Appendix 1   ZetTrans response to Transport Scotland's Consultation on Local Bus
                    Services in Scotland – Improving the Framework for Delivery

Appendix 2   Transport Scotland's Consultation Background Document, August 2017

Background Documents: Transport Scotland Website

https://consult.gov.scot/transport-scotland/improving-bus-services/

ANNEX A – Response Form

Respondent Information Form

Please Note this form must be returned with your response.

Are you responding as an individual or an organisation?
☐   Individual
☒   Organisation

Full name or organisation's name

ZetTrans

Phone number	01595 744868

Address

6 North Ness Lerwick Shetland

Postcode	ZE2 9PL

Email	zetTrans@shetland.gov.uk

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:-

☒   Publish response with name
☐   Publish response only (anonymous)
☐   Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

☒   Yes
☐   No

1

Consultation Questions

The consultation questions are listed below. Respondents are asked to give an answer to the questions put on our policy proposals, this is typically to say whether you agree with them or not, and to explain that answer in a comment. There is a separate section at the end which looks at likely impacts.

Partnerships

Question 1 - Do you think that legislation (either via the existing sQP model or another) is required to secure the benefits of partnership working?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

> **With no commercially operated registered services in the ZetTrans area, the SQP model is not something we feel we can comment on. Any expenditure required by operators will ultimately be recouped by them through the contract price they offer to ZetTrans. Consequently, all elements of any quality partnership arrangement in Shetland would be paid for by the public purse.**

Question 2 - Do you feel that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 provide the right framework for partnership working?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

> **Please see question 1.**

Question 3 – Do you agree with our proposals for Service Improvement Partnerships as outlined in pages 32-35?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

> **With no commercially operated registered services in the ZetTrans area, partnership models are not something we feel we can comment on. Any investment made by operators will ultimately be recouped by them through the contract price they offer to ZetTrans. Consequently, all elements of any partnership arrangement in Shetland would be paid for by the public purse.**
> **Shetland has only a small market and the number of tenders received reflects this. Operators are all small, independent outfits with limited resources and subsequent limited capacity to invest.**

Question 4 – If a new form of statutory Partnership is introduced, do you agree that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 should be replaced (i.e. they would no longer be available as a tool for LTAs)?
Please answer Yes ☒, or No ☐.
Please explain your answer to this question:-

> **Neither is likely to be of relevance to Shetland but it would seem sensible to legislate for only one type of partnership. However, any legislation should take due account of ZetTrans' dual LTA and functional position and should ensure ZetTrans' ability to continue to exercise its duties.**

2

Local Franchising

Question 5 – Do you think that local authorities should have the power to franchise bus services (either via Quality Contract or another system)?
Please answer Yes ☒, No ☐.
Please explain your answer to this question:-

> **Assuming that 'Local Authorities' includes LTAs, ZetTrans is minded to approve new powers as an addition to the options it has available to enhance and improve Shetland's transport provision. Franchising may well offer a cost-efficient opportunity to improve services. In a Shetland context however, with limited local provision and 93,000 cruise ship visitors forecast for 2018, we must ensure that any such franchise continues to enable smaller operators to meet seasonal demand for transport services.**

Question 6 – Do you think that the existing Quality Contracts require change to make franchising a more viable option?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

> **ZetTrans has no experience of Quality Contracts but, as with question 4, the streamlining of legislation would appear to be a sensible course of action.**

Question 7- Considering the information on our proposal on pages 38-42

Question 7(a) – Do you think that there should be any consent mechanism for an authority to begin the process of assessment for franchising?
Please answer Yes ☐, or No ☒.
Please explain your answer to this question:-

> **For ZetTrans, its existing governance structure should be adequate to deal with this issue. Additional consent mechanisms would duplicate effort, raise costs and delay delivery.**

Question 7(b) – Do you think that there should be a requirement for independent audit of the business case for franchising?
Please answer Yes ☒, or No ☐.
Please explain your answer to this question:-

> **It is generally a good idea to seek external verification as this adds both rigour and independence to proceedings.**

Question 7(c) – Do you think that there should be an approval process beyond that of the local authority itself, before franchising can take place?
Please answer Yes ☐, or No ☒.
Please explain your answer to this question **including (if yes) what kind of approval process**:-

> **A combination of both 7a and 7b, should be sufficient to provide proper scrutiny of franchising decisions. A further, external element to the decision making process would add cost and time without adding material benefit to the process.**

3

Transport Authority Run Bus Services

Question 8(a) – Do you think that transport authorities (including 'model III' RTPs) should be able to directly run bus services?
Please answer Yes ☒, No ☐.
Please explain your answer to this question:-

> **ZetTrans is the *Operator of Last Resort* and can intervene in the case of market failure – whether due to excessive price or lack of market capacity. This status also serves to protect the local market from monopoly by effectively facilitating a meaningful *benchmark* cost to be established and delivered. In addition, the reduced marginal costs which an LTA / RTP can benefit from, may be used to provide additional services of benefit to the community.**

Question 8(b) – Please describe the circumstances in which this might be appropriate:-

> **In cases of market failure –through cost, capacity or both.**

Question 8(c) – What, if any, safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market?
Please explain your answer to this question:-

> **The capacity to package contract proposals which are sensitive to local market conditions must be retained. The bidding process must remain transparent as must any assistance offered to enable individual businesses to understand and comply with bidding requirements. There should also be a clear protocol for how decisions are made. Notwithstanding ZetTrans status as *Operator of Last Resort,* LTAs and RTPs should not take part in the bidding process.**

Question 9(a) – Do you think that transport authorities (including 'model III' RTPs) should be able to set up arm's length bus companies to operate local bus services?
Please answer Yes ☒, No ☐.
Please explain your answer to this question:-

> **ZetTrans is minded to approve new powers as an addition to the options it has available to enhance and improve Shetland's transport provision. Specifically, Arm's length companies could provide an opportunity to introduce a social enterprise model into local transport provision which may be better able to address the needs of rural, isolated and remote communities and individuals as part of a package of services supported by core, publicly funded contracts.**

Question 9(b) – Please describe the circumstances in which this might be appropriate:-

> **The different corporate structure of an arm's length company could enable access to additional funding sources. Such a company might also be able to enable a more consistent and integrated approach to transport delivery than individual, stand-alone, commercial enterprises are able to enable in isolation.**

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Question 9(c) – What if any safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market?

Any such company should operate under a governance structure which ensures transparency, community representation and the appropriate use of surplus funds.

Question 9(d) – What, if any, checks and balances do you think should be put in place for a transport authority looking to set up an arms' length company to run buses? Please explain your answer to this question.

These should be commensurate with the legal status of the company.

Open Data

Question 10 – Do you agree with our proposals to require the operators of local services to release open data on routes, timetables, punctuality and fares in a specified format?
Please answer Yes ☒, No ☐.
Please explain your answer to this question:-

Comprehensive data is vital for assessing progress and planning for change.

Question 11 (a) – Do you think that data provided by operators should be stored in a central data hub?
Please answer Yes ☒, or No ☐.
Please explain your answer to this question:-

Yes, it should be accessible by agreed parties and storing in one place is the best way to ensure data security.

Question 11(b) – if you do not support the use of a central data hub how do you think data should be stored/ made available? :-

Question 12 – Do you support proposals for transport authorities to have the power to obtain, information about revenue and patronage of services being deregistered, and where appropriate disclose this as part of a tendering process?
Please answer Yes ☒, or No ☐.
Please explain your answer to this question:-

Comprehensive data is vital for assessing progress and planning for change.

5

Other

Question 13 – Please provide any other comments or proposals around the regulation of bus services in Scotland that were not covered in the above questions.

> **As the LTA for Shetland, ZetTrans would welcome additional powers to enable it to enhance and improve Shetland's transport provision but ZetTrans also seeks to ensure that its existing powers should not be diminished by any changes to legislation that may be agreed in the future. ZetTrans further expresses its strongly held view that any changes to legislation must be fully compatible with the needs of rural, isolated and islands communities and the realities of the commercial provision available in places such as Shetland.**

Impacts

Equality

In creating a consistent approach to improve bus services in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;
- advance equality opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share a relevant protected characteristic.

These three requirements apply across the 'protected characteristics' of:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion and belief; and
- sex and sexual orientation.

At this early stage in our planning for improving bus services in Scotland it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment to determine if any further work in this area is needed.

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Question 14 - Are there any likely impacts the proposals contained within this consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above?
Please answer Yes ☐, No ☒.
Please be as specific as possible:-

Question 15 - Do you think the proposals contained within this consultation may have any additional implications on the safety of children and young people?
If yes, what would these implications be?
Please answer Yes ☐, No ☒.
Please be as specific as possible:-

Business and Regulation

In our work to improve bus services a Business and Regulatory Impact Assessment will analyse whether the policy is likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question 16 - Do you think the proposals contained in this consultation are likely to increase or reduce the costs and burdens placed on any sector?
Please answer Yes ☒, No ☐.
Please be as specific as possible:-

Proposals must, wherever practicable, be mindful of fragile businesses in rural areas. This is particularly true for proposals which may entail additional investment in skills or equipment that such businesses may not be able to deliver or sustain.

Privacy

We need to ascertain whether our proposals for improving bus services in Scotland may have an impact on the privacy of individuals.

Question 17 - Are there any likely impacts the proposals contained in this consultation may have upon the privacy of individuals?
Please answer Yes ☐, No ☒.
Please be as specific as possible:-

Environmental

The Environmental Assessment (Scotland) Act 2005 ensures those public plans that are likely to have a significant impact on the environment are assessed and measures to prevent or reduce adverse effects are sought, where possible, prior to implementation.

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Question 18 - Are there any likely impacts the proposals contained in this consultation may have upon the environment?

Please answer Yes ☐, No ☒.

Please be as specific as possible:-

This answer assumes a full Privacy Impact Assessment will be carried out in relation to data storage proposals.

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Local Bus Services in Scotland - Improving the Framework For Delivery

A Consultation

Contents

MINISTERIAL FOREWORD FROM MINISTER FOR TRANSPORT AND THE ISLANDS, HUMZA YOUSAF MSP

Buses are so important to thousands of people in terms of getting where they want to go. That might be going to work, to the hospital, to school or simply popping down to the shops or to visit friends or family. In our cities buses provide efficient mass transport; they link our towns and villages together and they provide public transport in rural areas, so that those without a car have an option to get where they need to.

Buses are getting greener and offering a high level of service quality, which is reflected in good overall satisfaction scores, but there are areas which face declining passenger numbers. For the bus industry that represents a threat in terms of revenue, but it also means a threat to the network of bus services across the country and therefore the travelling public. If passenger numbers continue to reduce there is a risk that communities will be cut off and I am not willing to sit by and let that happen.

We can also do better for bus passengers in terms of the information they have to plan and make a journey. If we want people to choose the bus it has to be convenient and straightforward so they know in advance when the bus will turn up, when it will arrive at the destination and how much it will cost.

Despite these challenges, bus does not have as loud a voice as you might expect. Three quarters of public transport journeys are by bus, but compared with other modes, bus does not get anywhere near its fair share of 'airtime'. I regard that as a democratic deficit, but my opinion is that we have a responsibility to improve bus services for passengers, and for those who would be bus passengers if we made improvements.
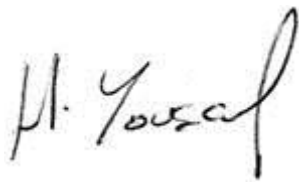
Bus does have a voice at the local level and buses are at heart a local service, but the feedback I get is that the existing set of options for transport authorities is not adequate and can be inflexible or overly bureaucratic. In those cases the interests of the passenger can get lost.

The issue is not who owns the buses, though there is a tendency by some to focus on that issue. A 'one size fits all' solution will not work and I am opposed to the wholesale re-regulation of buses.

We are presenting proposals to improve those options, be they partnership, local franchising or even local authorities running buses. We also propose to require bus operators to share information on routes, timetables, punctuality and fares so the bus travel is more accessible and attractive.

3

Legislation is not a silver bullet to the key challenges the industry faces, such as congestion, but we can set the framework for the right parties to work together on local solutions.

For many local authorities (or RTPs where relevant), with healthy patronage and a competitive market, the best approach may be to continue just as they are. I will not force transport authorities to adopt these proposals, but where one is looking for a way to improve their bus services, we want to ensure that they have a range of viable and flexible tools at their disposal. I welcome your comments on these proposals, and what checks and balances should be in place, to help shape them in the interests of the passenger.

Humza Yousaf
Minister for Transport and the Islands

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Responding To This Consultation

About this Consultation

Consultation is an essential part of the policy making process. It gives us the opportunity to seek your opinions. This consultation details issues under consideration and asks you questions about what we are proposing. After the consultation is closed we will publish responses where we have been given permission to do so.

Responses are analysed and used as part of the policy making process, along with a range of other available information and evidence. Responses to this consultation will help to inform the development of future laws and guidance on bus services in Scotland.

Deadline

The consultation will be published on 13 September 2017 and closes at **midnight on 5 December 2017**.

How to Respond

To encourage wide participation, the Scottish Government has created a number of ways for you to engage in the consultation. You can respond online, by email or by post.

The consultation will also be available in alternative formats on request, including Large Print, Braille and Easy Read.

Respond Online

To respond online please use the Scottish Government's Consultation Hub, Citizen Space. You can respond in English or British Sign Language (BSL) using this method. You can save and return to your response at any time while the consultation is open. But please ensure that your response is submitted before the consultation closes at midnight on **5 December 2017**.

You will automatically be emailed a copy of your response after you submit it. If you choose this method you will be directed to complete the Respondent Information Form. The Respondent Information Form lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.

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Table of Response Methods

Online	Through Citizen Space
You Tube	Upload your videos and paste the URL into the Citizen Space consultation.
Email	Send us an email with youtube links to a video of your response. **Please do not attach videos to the email as we cannot receive large files.** Please include the Respondent Information Form.
Post	Send your responses in English to: The Bus Policy Team Transport Scotland Victoria Quay EDINBURGH EH6 6QQ Please include the Respondent Information Form

With each of these methods you need to include your Respondent Information Form because this lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.
You can find this in Annex A in this document.

Next Steps

After the consultation has closed we will analyse all the responses received and use your feedback to help inform the development of future laws and guidance on bus services. Where permission has been given, we will make all responses available to the public at https://consult.scotland.gov.uk/. The responses to the consultation and analysis will be published in early 2018.

Need Assistance?

If you need support in answering this consultation or alternatively have a query about the consultation process, or a complaint about how this consultation has been conducted you can send your query by email to busconsultation@transport.gov.scot or by writing to:

The Bus Policy Team
Transport Scotland
Victoria Quay
EDINBURGH
EH6 6QQ

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1. Introduction

1.1. Bus services are important to the people of Scotland with three quarters of all public transport journeys made by bus[1]. However, the sector faces significant challenges with the overall number of passenger journeys decreasing and service cutbacks in some places which can leave communities without a public transport option. We believe that the legislative framework governing bus services requires improvement. This paper sets out why and describes our proposals for improving the legislation.

1.2. This consultation begins by setting out why bus is so important and outlining the state of the industry with key statistics showing how things have changed over the long term and in the recent past. We detail the existing regulatory and policy framework before highlighting areas which we think need to change.

1.3. Fundamentally, buses are a local service and work best when they are tailored to meet local needs and circumstances. Central government sets the framework of options for local authorities (and RTPs, where appropriate) to improve bus provision. We argue that this framework can be improved to make it more flexible and viable, whether a transport authority wishes to pursue partnership working, local franchising or even running their own buses.

1.4. We also believe that there is room for improvement in terms of the information that passengers receive to help them plan and make a bus journey. We have set out our intentions to require bus operators to share data openly.

1.5. Smart ticketing is another area where this Government is considering how to ensure operators participate in a nationwide smart ticketing scheme, not only by bus operators but also across other modes of transport. We will consult separately on that.

1.6. To secure the bus services we need to help grow our economy, meet the needs of individuals and communities and improve our environment, requires a collective effort with contributions from central and local government, commercial and not for profit providers and individuals, communities and representative organisations. Legislation alone will not solve problems such as congestion or the challenge of providing cost effective public transport services in more sparsely populated or remote communities. But we believe legislation can help drive and support the actions that are needed, and that the current legislative framework can be improved.

1.7. Section 5 sets out proposals for improving the regulatory framework and open data. Each sub section has a number of questions and those are all set out together in the response form in the Annex.

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[1] Scottish Transport Statistics (2016), p181.

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1.8. Your answers to those questions are important as we refine our thinking and consider the next steps. This consultation is your chance to have your say and influence the shape of the regulatory framework for bus.

1.9. Terminology around the authorities responsible for local transport functions can be confusing. In the main, local authorities carry out their own transport functions. However, some local authorities transfer functions on transport to so-called 'model III' Regional Transport Partnerships (specifically Strathclyde Partnership for Transport (SPT), SWEStrans and Zetrans). A 'local transport authority' is defined in the Transport (Scotland) Act 2001 and refers only to the relevant local authority or SPT. For the purposes of this document and to aid comprehension, we will use 'transport authority' as a convenient shorthand to mean any relevant local authority and any so-called model III RTP. In other areas where we specifically want to refer to a local authority, or to RTPs only, we will use the relevant term, for example where we are referring to wider LA functions such as planning or parking policy.

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2. Setting The Scene – Bus In Scotland

The Importance of Bus

2.1.   Buses form a fundamentally important part of the transport system in Scotland. In 2015-16, 409 million trips, 76% of all public transport journeys, were made by bus[2,3].

Figure 1: Rail and Bus Networks Comparison
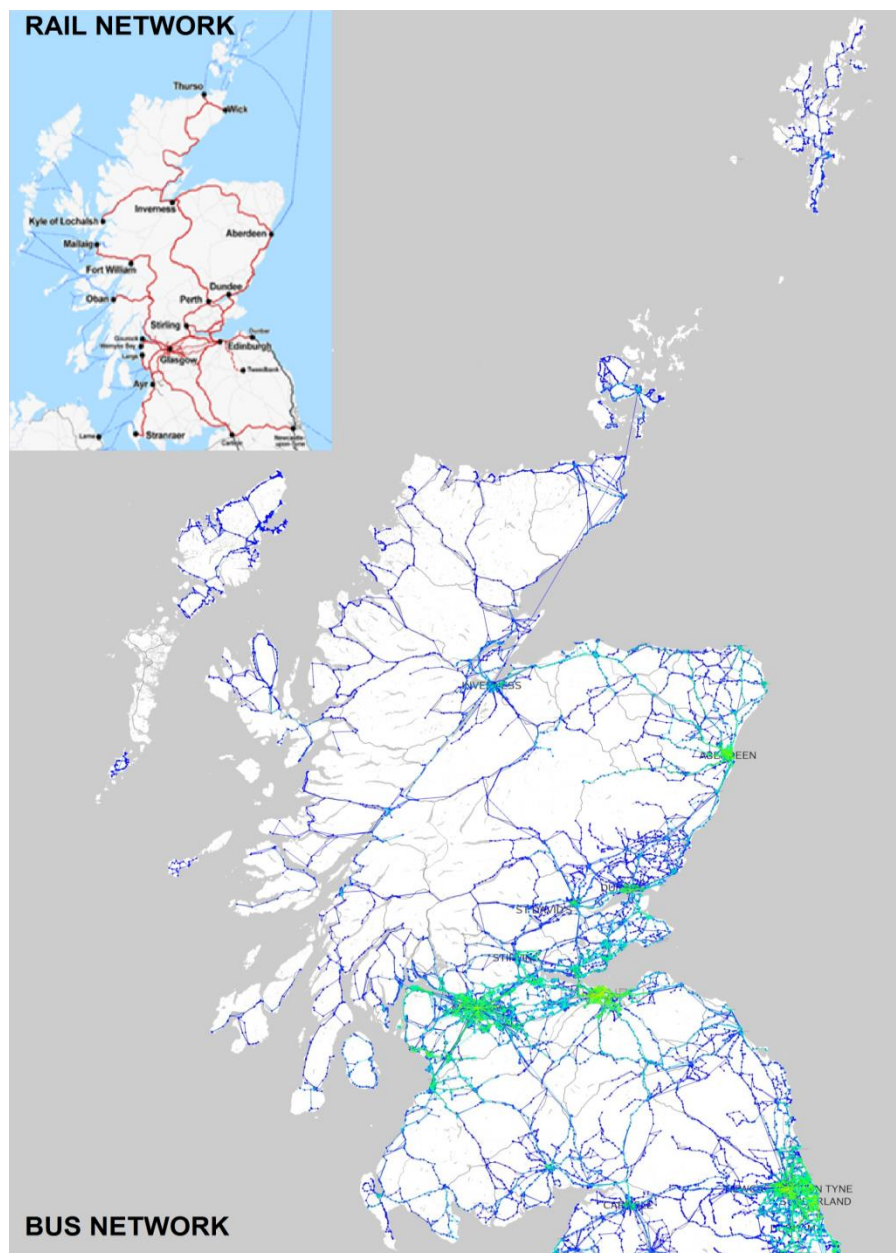
Source: Bus Network map supplied by Traveline Scotland (green = more frequent services)

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[2] Scottish Transport Statistics (2016), p181.
[3] Scottish Transport Statistics (2016), p55.

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2.2. The above map of the bus network gives an indication of its reach. From this we can see that buses are able to serve a much wider area than rail which is more restricted by geography and, of course, fixed infrastructure. Bus services are flexible and can be developed and introduced quickly where demand is identified.

2.3. The above comparison also highlights the importance of bus, particularly to rural areas where other options may be limited.

Figure 2: Scottish Access to Bus Indicator 2017 – Weekday Score
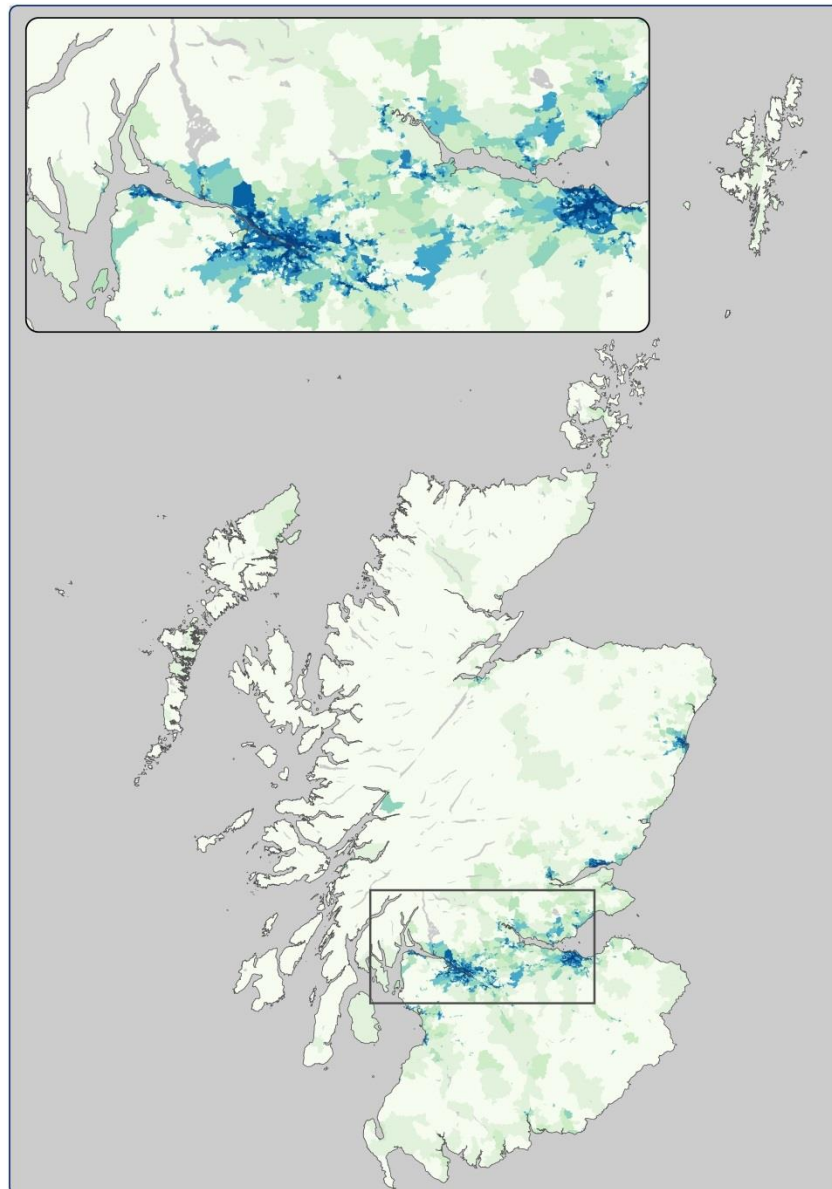
Source: Transport Scotland GIS analysis. The full results of this analysis will be published later this year.

2.4. Bus services in South West Scotland (which includes Strathclyde) and the South East account for 82% of overall bus journeys in Scotland[4].

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[4] Scottish Transport Statistics (2016), p62, table 2.2b.

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Unsurprisingly, as can be seen by the above map, urban areas are better served by more and more frequent buses (denoted by darker colours from greens into blues) when compared with rural areas, owing largely to the 'critical mass' of passengers making services commercially viable.

2.5. It is not just the geographical reach of bus that is important. When we look at the people that use buses it is clear that those from lower incomes use the bus relatively more than they use other modes of transport[5]. Car ownership is lower in lower income groups[6] making bus relatively more important owing to the lack of alternatives.

2.6. It is important not to think of bus only as the mode for the less well off. More than a quarter of bus journeys are by the two most prosperous groups in the country[7]. 11.2% of people use the bus as their mode of travel to work[8]. Given the current employment levels, this means that around 290k people take the bus to work in Scotland. A University of Leeds report[9] identified a number of significant linkages between bus services and the wider economy including access to jobs, shopping and leisure facilities. The conclusion of that report was that people place value upon having bus as an option for them and/or their community.

Alternative Transport Solutions

Scheduled bus services are not always the right public transport solution, even where a train service is not possible. Whilst this consultation focuses on local bus services, an increasing number of transport authorities, particularly in more rural areas, are looking into employing options such as car share or demand responsive transport via community transport or other means.

A good example is the award winning 'Dial M for Moray' service which has been operating for the last few years. The service is an accessible door-to-door bus service for those unable to use existing forms of transport, but where it differs from other schemes is that it is available for those who do not have access to a regular scheduled bus service, regardless of age or disability. The service currently covers the entire county of Moray operating between school and adult day service peaks with some vehicles operating post school peak.

Our view is not that a scheduled bus service is always the right answer, but that local authorities should be given the tools to make bus services work where appropriate.

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[5] Transport and Travel in Scotland (2016), table 28.
[6] Transport and Travel in Scotland (2016), table 18.
[7] TAS – The Economics of Bus Operation in Scotland
[8] Scottish Transport Statistics (2016), p17.
[9] Buses and the Economy II – University of Leeds, 2014. http://www.greenerjourneys.com/wp-content/uploads/2014/07/Buses-and-the-Economy-II.pdf

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2.7. Buses only contribute around 5% of road transport carbon emissions, compared to cars contribution of 60%[10]. However, with their large capacity per vehicle they have the potential to play an important role in encouraging modal shift, removing cars from the road, thereby reducing both overall emissions and congestion.

2.8. In addition, the latest 'Euro VI' diesel buses mark a substantial reduction in terms of NOx and particulate emissions, which is a big step forward for air quality[11]. The Low Carbon Vehicle Partnership confirms that a Euro VI diesel bus emits less NOx than a Euro 6 car and bus performs ten times better on a per passenger basis[12]. Operators are investing in low emission technologies, such as hybrid, full electric and hydrogen fuel cell powered vehicles, which can further reduce emissions.

2.9. Increasing the patronage of clean buses, by encouraging modal shift, therefore plays an important role in reducing both overall emissions and congestion.

2.10. Buses can also be supported, via a range of measures, to make a significant contribution to the Government's strategy to tackle Air Quality. For example, we have committed to implementing Scotland's first Low Emission Zone by 2018, to create a legacy on which other areas can build.

2.11. There are now around 500 low carbon buses in Scotland – over 10% of the overall fleet – and that number is increasing. The Government target is for 50% of the bus fleet to be low emission by 2032.[13]

The State of the Bus Sector

2.12. There is a widespread perception that bus in Scotland is in decline. Passenger numbers have been decreasing over the long term and the industry faces a number of external and internal challenges (these are covered later under Section 4: The Case for Change). This section provides a high level summary of the state of the sector.

<u>Patronage</u>

2.13. Bus passenger numbers in Scotland have been declining since at least the 1960s. The graph below shows the trend from 1960 to 2015. The decline between 1986 (when deregulation began) and 1998 generally followed the same trend as in previous years. Bus passenger numbers remained more stable at around 460 million passengers per year for around a decade prior to a further, slow decline since to around 409 million passengers in 2015.

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[10] Draft Climate Change Plan - the draft Third Report on Policies and Proposals 2017-2032, p63.
[11] The Journey of the Green Bus, LowCVP 2016
[12] Low CVP 2017 analysis using COPERT Factors at 25km/h average speed, using average passenger loading (DfT)
[13] Draft Climate Change Plan - the draft Third Report on Policies and Proposals 2017-2032

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Figure 3: Scotland Bus Passenger Numbers
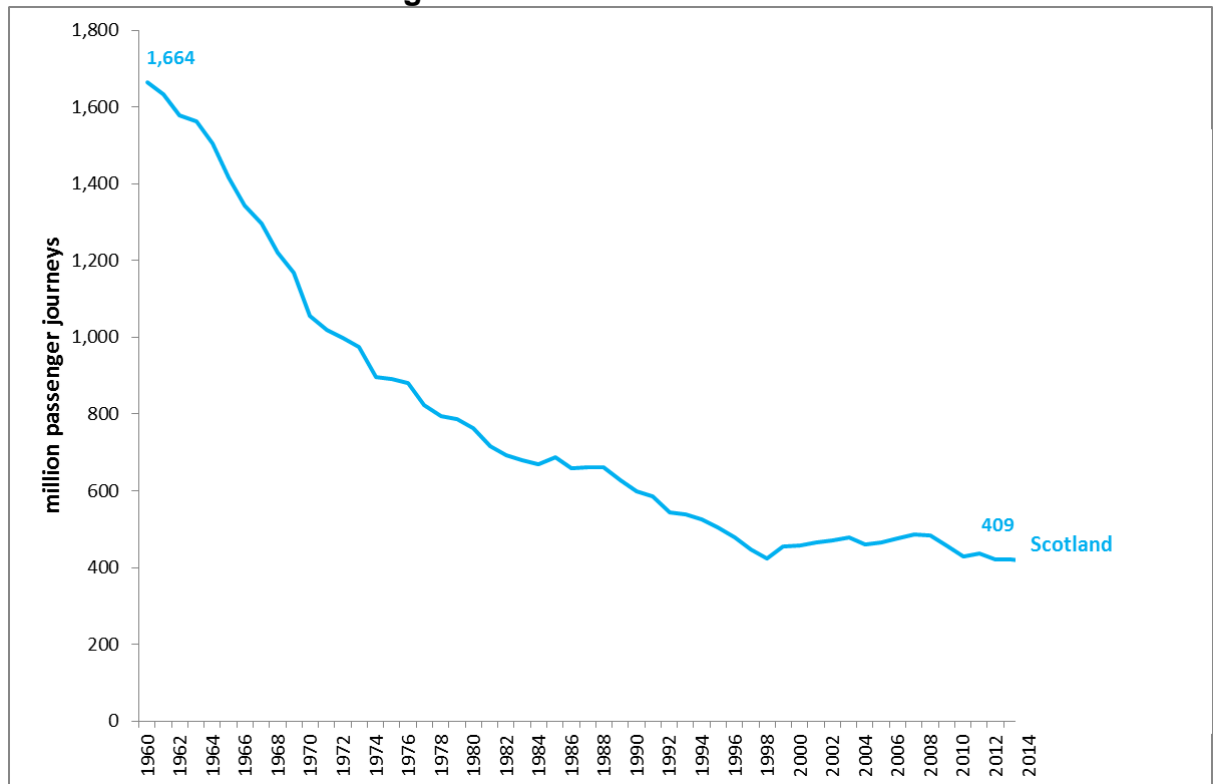
Source: Scottish Transport Statistics 2016

2.14. Rates of decline in England (excluding London), Wales and Scotland have been similar. London has seen patronage increasing with a more recent levelling off.

2.15. Along with passenger figures in Scotland, vehicle kilometres, bus fleet sizes and staff numbers have been decreasing over the last five years, indicating a general contraction in the industry.

2.16. The overall decline in Scotland has been dominated by that in the South West, which in turn is dominated by Strathclyde and Glasgow, as the graph below shows. There has been a small increase in the South East and a decline of over 10% in the North East, Tayside and Central. Patronage in the Highlands, Islands and Shetland has grown by a proportionally large amount (27%), albeit from a relatively low base.

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Figure 4: Regional Patronage Over the Last Decade
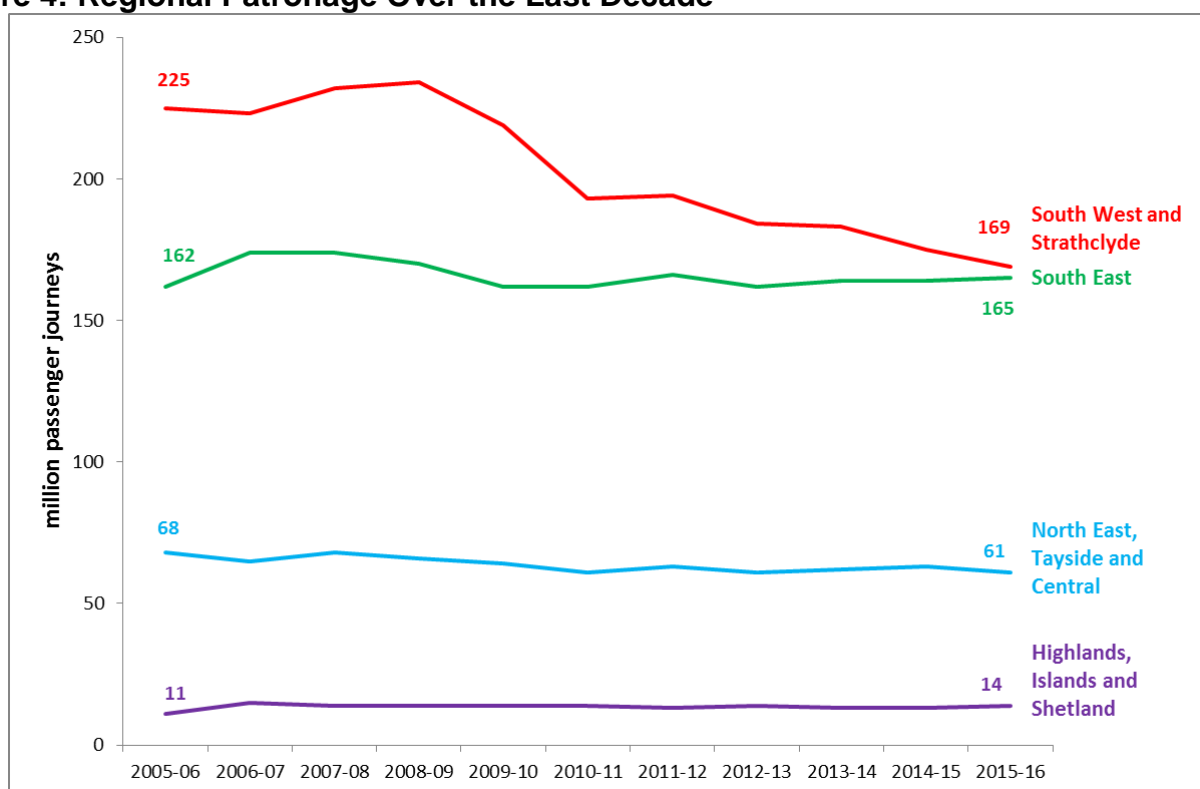
Source: Scottish Transport Statistics (2016)

Transport Authority Supported Services

2.17. 80% of bus services are commercially operated with the remaining 20% supported by transport authorities. This varies significantly across Scotland, particularly with some rural areas being more heavily subsidised owing to lower patronage.

2.18. Over a third (36%) of the transport authorities in Great Britain reduced funding for supported bus services in 2016/17, the Association of Transport Co-ordinating Officers' (ATCO) latest report on council passenger transport services shows[14].

Competition

2.19. The bus market in Scotland has matured since privatisation began in the mid-1980s. Competition now takes a variety of forms. The Competition Commission found in 2011[15] that head to head competition between bus operators was uncommon but that where it did exist (in a sustained form) it delivered significant benefits to customers. There were barriers to entering new geographic markets with established incumbents which made potential competition between operators less effective. Bus does however face

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[14] ATCO Local Authority Passenger Transport Survey (2016)
[15] Competition Commission – Local Bus Services Market Investigation (2011)

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competition from other modes – notably car and in some areas rail which constrain for example the fares which can be charged.

2.20. The level of competition differs by location with some areas enjoying a market with several significant operators and others where there were one or two dominant operators.

2.21. Bus operators compete directly for transport authority tendered services. Transport authorities in Britain report[16] that competition for local bus service contracts has reduced, with an average of 2.9 bids per contract (2.0 in Scotland). 30.9% of contracts had only one bid (48.7% in Scotland), and 1.8% had no bids (1.6% in Scotland), so almost a third of contracts had no competition. It should be noted that only ten Scottish local authorities responded to the survey. Where there is less competition, there is the risk of tender prices increasing, which in turn puts pressure on transport authority support budgets.

Bus Fares

2.22. Bus fares are set by the operator. Fares in Scotland have increased by 6% in real terms (adjusting for the effects of inflation) over the past five years. In current prices, i.e. viewing fare increases in the way that a consumer would, fares have risen by almost 19% over the past five years. The increase in current prices is lower than in Great Britain as a whole, which has seen an increase of 25% over the last five years.

Passenger Satisfaction

2.23. Overall satisfaction with bus services in Scotland was at 90% in 2016 according to the latest Bus Passenger Satisfaction Survey[17] and, though this was a slight reduction from the 92% found in 2014, this compares favourably with other parts of Great Britain. Journey time satisfaction was 86%, punctuality was 79% and value for money was 68%. The analysis in the study across Great Britain attributed worsening scores on journey time satisfaction and punctuality in part to congestion.

Bus Operators Costs, Revenue and Profits

2.24. There are roughly 200 commercial bus operators in Scotland which vary greatly in size from operators with only a few buses to those with several hundred. In addition, a number of bus services are operated by community transport providers in areas where there is no suitable public transport or where it is limited. Services are provided mainly by third sector organisations on a not for profit basis. As described below in Section 5 on transport authority run buses, some transport authorities provide services direct, under island-specific provisions. However, the vast majority of bus services are commercially operated by private businesses and they are our focus in this section.

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[16] ATCO Local Authority Passenger Transport Survey (2016)
[17] Transport Focus – Bus Passenger Survey Autumn 2016 Report

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Costs

2.25. The Confederation of Passenger Transport's (CPT) UK Cost Index[18] shows that wages, staffing and labor accounted for around 59% of operating costs, with fuel the next largest single area of cost, accounting for 16%. Operating costs have risen consistently over time with costs per journey rising by 15% over five years from £1.27 per passenger journey to £1.46[19] (Note that this is an average over a range of journey lengths and masks very significant variations between journeys).

Revenue[20]

2.26. Bus operators in Scotland received £671 million in revenue in 2015-16. Adjusting for the effects of inflation this was similar to five years ago.

2.27. Almost half (£301 million, 45%) of operator revenue came from Local or Central Government through concessionary travel reimbursement (£189 million), Bus Service Operators Grant (BSOG; £53 million) or payments from local transport authorities for supported services (£59 million). Passenger revenue (i.e. ticket sales to non-concessionary passengers) accounted for around 55 per cent of operators' revenue (£370 million).

2.28. In real terms (adjusting for the effects of inflation), funding from Local and National Government is now 5% lower than five years ago and passenger revenue is similar to 5 years ago. When looking at these figures it is necessary to consider the passenger number figures and the fares data. Passenger revenue over the last five years has not increased due to a 5% decrease in passengers, although fares have increased by 6% above general inflation over the same period.

Profitability

2.29. Scottish bus companies earned profit margins of 8.6% on average in 2016, a reduction of nearly a percent which is attributed to decreasing revenue against static costs[21]. The 2016 profit figure is higher than the figures for the English shires (7.3%) but lower than that for English metropolitan (10.3%) areas and Wales (9.9%). Note that profits here are Operating Profits, or earnings before interest and taxation. Published company reports from the larger operators suggest a recent downturn in profitability.

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[18] CPT Cost Index (December 2016)
[19] Scottish Transport Statistics (2016), p57
[20] Scottish Transport Statistics (2016), p57
[21] TAS – Bus Industry Performance (2017)

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Figure 5: Bus Industry Operating Profits, Scotland
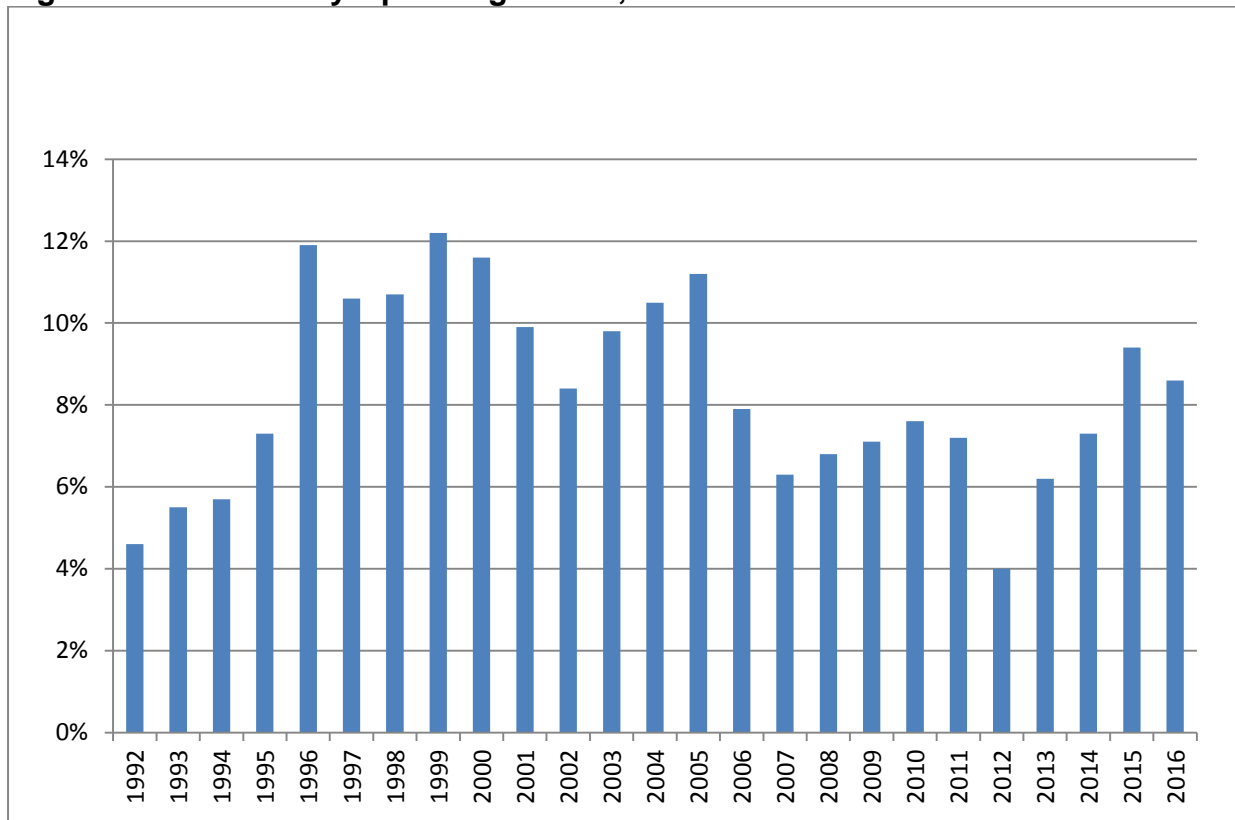
Source: TAS – Bus Industry Performance 2017

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3. The Current Regulatory and Policy Framework

3.1.   The regulation of the provision and funding of bus services in Scotland is largely devolved to the Scottish Parliament. The regulatory framework is similar to that in England (outside London) and Wales and is based on a commercial market with some government subsidy for bus services (via BSOG) and funding for concessionary travel (as described above) and with a range of transport authority powers including the ability to subsidise otherwise non-commercial services where necessary.

3.2.   The legal framework for bus services is primarily contained in the following Acts:
   • Transport Act 1968
   • Public Passenger Vehicles Act 1981
   • Transport Act 1985
   • Transport (Scotland) Act 1989
   • Transport (Scotland) Act 2001
   • Transport (Scotland) Act 2005

3.3.   There are numerous Statutory Instruments that sit below these pieces of legislation that set out the detail of the various regimes.

Regulation and Policy

3.4.   The Scottish Government's agency, Transport Scotland, sets the national policy framework and provides funding to support bus services (as set out below).

3.5.   The Traffic Commissioner for the Scottish Traffic Area is the independent licensing and regulatory authority. The Commissioner is a 'cross border public authority' with reserved and devolved responsibilities. Licensing of bus operators (Public Service Vehicles; PSV) and disciplinary action against PSV drivers are reserved to the UK. Registration of services is devolved and subject to the Public Service Vehicles (Registration of Local Services) (Scotland) Regulations 2001. The regulatory regime is designed to ensure that bus service operators are of good repute and that services are introduced, varied or cancelled in an orderly fashion and operated safely and reliably as registered.

3.6.   Provided that an operator registers a service with the Office of the Traffic Commissioner they can operate any route they wish to any timetable (subject to certain limitations where a quality partnership or contract scheme is in place or where the Traffic Commissioner has imposed a traffic regulation condition at the LTA's request). Bus operators use their commercial judgement to determine service routes and frequencies. This market based approach encourages innovation and entrepreneurship and provides incentives for operators to bear down on costs, provide new services and develop new types of service. The statutory process for registration of bus services was changed in January 2016

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to extend the time period for pre-registration engagement with communities. Guidance can be found on the Transport Scotland website[22].

3.7. Transport authorities (local authorities, or so-called 'model III' Regional Transport Partnerships for their regions) are responsible for ensuring that bus services in their area meet local needs. Under the Transport Act 1985, they have a duty to subsidise services that they deem to be socially necessary[23] and that would otherwise not be provided commercially.

3.8. Transport authorities are also responsible for infrastructure – including bus stations and stops, bus lanes and other priority measures – and ensuring the provision of passenger information. Through the planning system and management of roads and parking, local authorities also have a significant influence on the context in which services have to operate.

3.9. The Transport (Scotland) Act 2001 gives local authorities wide ranging powers to work with operators in improving bus services, including statutory Quality Partnerships (sQPs) and Quality Contracts (QCs). These are described in more detail below. The Transport (Scotland) Act 2005 allows for certain powers to be transferred to, or exercised concurrently by, RTPs.

Statutory Quality Partnerships

3.10. The Transport (Scotland) Act 2001 currently provides transport authorities with powers to influence bus services in their area. sQPs allow local transport authorities to use investment in infrastructure in a specified geographical area to secure improvements in services. They do this by setting standards which bus services using the infrastructure must satisfy.

Quality Contracts

3.11. The Transport (Scotland) Act 2001 also introduced QCs, which allow transport authorities to introduce local franchising arrangements. They enable transport authorities to specify a wide range of standards such as frequency, fares, vehicle types, customer service and routes in the QC area. Exclusive contracts are then awarded by competitive tender, through a public procurement process, to an operator or operators for a period of between 3 and 7 years.

3.12. The current tests which a transport authority would need to satisfy in order to introduce a Scheme are:

- the Scheme must be necessary to implement the transport authority's general policies;
- the implementation of policies needs to be economic, efficient and effective;
- Scottish Ministers need to give approval for the QC scheme, applying a public interest test.

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[22] https://www.transport.gov.scot/public-transport/buses/bus-policy-and-guidance/#45540
[23] The expression 'socially necessary' is commonly used to paraphrase text in section 63(1) of the Transport Act 1985.

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3.13. There has been no instance of a Quality Contract Scheme being introduced or even attempted in Scotland. A number of large authorities in England have considered introducing QC Schemes under the similar E&W legislation, often as a fall back if a suitable QP Scheme or voluntary arrangements could not be secured, but only one – NEXUS – developed a formal proposal. In the event, this was abandoned following an adverse report from the Independent Board provided for in the E&W legislation.

Competition

3.14. Effective competition helps ensure that passengers get the best possible bus services. As commercial undertakings, bus operators are subject to normal competition law provisions to prevent practices that harm passengers' interests, such as colluding to raise prices or geographic market sharing. The primary competition legislation in the UK is the Competition Act 1998, which contains prohibitions on actions which could prevent, restrict or distort competition.

3.15. Passengers can benefit from effective partnerships and close cooperation between transport authorities and operators, including through the introduction of better integrated networks, multi-operators ticketing schemes and integrated information management. Legislative mechanisms are in place to ensure that competition law does not prevent consumers benefitting from such improvements that can only be secured through partnership working. The general principle is that, where agreements or cooperation might limit competition in order to deliver socially desirable benefits, a fair share of those benefits should go to users and the agreements should be no more restrictive of competition than is necessary to achieve their objectives.

3.16. The Competition and Markets Authority (CMA), a non-Ministerial department of the UK Government, recognises that the perceived threat of enforcement action can be a significant barrier to closer partnership working. The CMA has discretion in which competition cases it pursues so it has published prioritisation principles[24] that determine which cases they will pursue where there could be competition or consumer issues.

3.17. There are some competition specific transport statutory provisions in primary legislation and secondary legislation. The Transport (Scotland) Act 2001 creates a specific competition test that applies in certain circumstances, for example it could potentially apply in a voluntary partnership. It sets out bus improvement objectives, which should be balanced against effects on competition. Transport Scotland has published guidance in relation to that[25].

3.18. The Competition Act 1998 (Public Transport Ticketing Schemes Block Exemption) Order 2001, which are UK wide Regulations, were introduced to allow operators to form agreements on ticketing schemes that would otherwise be subject to prohibitions. The Order was amended in 2005, 2011 and 2016.

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[24] https://www.gov.uk/government/publications/cma-prioritisation-principles
[25] http://www.gov.scot/Publications/2010/07/16112649/0

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The CMA has provided guidance[26] on the block exemption to help operators, local authorities and scheme administrators when assessing new and existing ticketing schemes.

Transport Authority Procurement of Bus Services

3.19. Transport authorities tendering bus services must comply with relevant European and domestic procurement legislation. The three 2014 European Directives in relation to public procurement have been transposed into national legislation by Regulations:

- Directive 2014/24/EU on public procurement, transposed by the Public Contracts (Scotland) Regulations 2015;
- Directive 2014/25/EU on procurement of entities operating in the water, energy and transport and postal services sectors, transposed by The Utilities Contracts (Scotland) Regulations 2016; and
- Directive 2014/23/EU on the award of concession contracts, transposed by The Concessions Contracts (Scotland) Regulations 2016.

3.20. The Procurement Reform (Scotland) Act 2014 focuses on a small number of general duties on Scottish public authorities regarding their procurement activities and some specific measures aimed at promoting good, transparent and consistent practice in procurement processes. It requires contracts to be advertised on Public Contracts Scotland[27] and provides for regulation of public procurements above specified thresholds[28].

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[26] https://www.gov.uk/government/publications/public-transport-ticketing-schemes-block-exemption-guidance-cma53
[27] The Scottish Government's official national portal for public sector contract opportunities: https://www.publiccontractsscotland.gov.uk/)
[28] For further information see: http://www.gov.scot/Topics/Government/Procurement/policy/10613

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The UK Bus Services Act 2017

The UK Bus Services Act received Royal Assent on 27 April 2017. With very limited exceptions, the Act applies only in England and is designed to fit the specific issues and governance there, including for example combined authorities and elected mayors. However, many of the challenges faced by bus in Scotland are the same as England and the UK Act contains a number of elements which could be potentially useful in Scotland. The Act contains measures as follows:

- Automatic access to franchising powers for Mayoral combined authorities, with other authorities having access on a case-by-case basis.
- New powers to encourage partnership working between local authorities and bus operators.
- Requirements on bus operators to provide LAs with information on services being withdrawn in order to assist the LAs identify and deal with any consequential requirements for supported services.
- Open data powers to provide increased information to bus passengers.
- A restriction on local authorities setting up their own bus companies.
- A section which will require bus operators to provide audio and visual information, such as next stop announcements, on buses in Great Britain (this element is a reserved policy area and therefore will apply to Scotland and Scottish Ministers and stakeholders will be consulted on associated Regulations).

Our approach is to utilise elements that fit with Scottish bus policy, ensuring that they work in a Scottish context. In the sections below on our proposals we refer to the UK Act where appropriate.

Funding

3.21. The Scottish Government provides funding to support bus services via the Bus Service Operators Grant (BSOG). Bus operators can claim BSOG at 14.4 pence per km. Operators of low carbon buses are eligible to claim an additional amount of 10.1 pence per km. There is also an incentive rate for buses that run on biodiesel. The 2017-18 budget for BSOG is £53.5 million.

3.22. BSOG aims to benefit passengers, by helping operators to keep their fares down and enabling them to run services that might not otherwise be commercially viable, thus contributing to the maintenance of the overall bus network as well as incentivising the use of green buses.

3.23. Local authorities receive funding from the Scottish Government via the block grant and have a duty to consider supporting socially necessary services which are otherwise not commercially viable. Local authorities spent £59 million on these services in 2015-16.

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3.24. We also fund free bus travel throughout Scotland to those aged sixty and over and to people who have an impairment that severely affects their mobility and ability to carry out day to day activities.

3.25. We reimburse bus operators for carrying concessionary travel card holders at an agreed rate negotiated with representatives of the bus industry on the basis that they should be no better or no worse off as a result of their participation. In 2017-18 the reimbursement rate is 56.9% of the cost of the adult single fare for the journey undertaken. The capped budget set for concessionary journeys under the older and disabled persons scheme for 2017-18 is £196.16 million.

3.26. We are consulting separately on ways to ensure the longer-term sustainability of the scheme to ensure free bus travel is delivered to those who need it most.

3.27. We also provide capital funding to assist with the purchase of low carbon buses via the Scottish Green Bus Fund. The fund has paid out £14.8 million to date over six rounds and £3 million is available in 2017/18.

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4. The Case For Change

A Vital Service Facing Significant Challenges

4.1. We have demonstrated the importance of buses in terms of getting people where they need to go right across Scotland, serving a wide range of people, including those who do not own a car, and providing sustainable public transport in those areas that rail cannot reach.

4.2. Bus patronage is declining in Scotland and, although not universal across the country, this does present a challenge. Bus satisfaction scores are high but have reduced in recent years, particularly in relation to punctuality and reliability. It is clear that passengers expect more from their bus services in terms of better information and ticketing offers. For that reason we are looking at what could be done to improve the situation.

4.3. In more rural areas the low population density means it is becoming increasingly difficult for services to remain commercially viable and hence for the network to be maintained. Whilst some transport authorities are looking to non-bus solutions such as demand responsive transport, there is increasing concern over the availability of bus services in rural areas. Some transport authorities report challenges with reducing competition in their market pushing costs up and making services vulnerable. The importance of retaining bus networks across Scotland is clear.

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What Scottish Bus Passengers Want

Bus Users Scotland (BUS) aims to drive up standards in bus travel and put the needs of bus passengers at the heart of transport policy. They have a focus on four key areas:

- Compliance monitoring to check bus services are running where and when they should be;
- Complaints management, to ensure that complaints are handled efficiently and effectively;
- Good practice development: working with bus companies, acting on complaints and sharing best practice; and
- Advocacy: working with government, local authorities, special interest groups, Transport Scotland and bus companies to make sure the views and interests of passengers are properly represented.

BUS have conducted an analysis of the main areas where passengers were looking for improvements from complaints received by BUS and feedback from community 'Your Bus Matters' events and Focus Groups. Passengers look for more reliable services, friendlier drivers and other staff, bus services that continue to run into the evenings and on Sundays, and better specified and maintained buses.

Passengers look for clear and up-to-date information about bus services (including fares), at bus stops and stations, and on in-bus audio-visual next stop journey information. The standard of printed information available at the stops where passengers board their bus can vary widely throughout Scotland. Poor information if often cited as a reason why many non-users are reluctant to try buses.

There are some similar messages from Transport Focus's work across Britain and in Scotland. Both organisations continue to work to ensure that passengers are at

4.4. There is no single cause for the decline in passenger numbers. A number of research studies have been done to analyse the decline in passenger numbers across the UK[29] and specifically in Scotland[30]. There is no doubt that the increase in car ownership over an extended period and the recent low cost of car use – and in some cases parking – has had a direct impact on bus patronage. Other reasons include national lifestyle changes such as online and out of town shopping.

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[29] TAS study – 'The Bus Demand Jigsaw' (2017) (has to be purchased)
[30] The Factors Behind Scotland's Decline in Bus Patronage -
Professor David Begg (2017)

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4.5. Congestion is the single issue that is raised by the industry more than any other. Reducing bus speeds have been mapped against patronage and a correlation found[31] across the UK, notably in Glasgow. Congestion is also associated with reduced reliability and increasing costs as more vehicles and drivers are needed to offer a given level of service.

4.6. Legislation is not the sole answer to all of these issues. However, it can provide the framework for the right organisations to collaborate to improve bus services.

A Viable and Flexible Framework of Options for Local Solutions

4.7. Buses are a local service, tailored to meet the specific needs of each community that they serve. It is clear from our engagement with transport authorities and operators that the picture varies significantly across the country in terms of characteristics such as level of competition within bus and across modes, as well as the quality of service and patronage figures. As such, a 'one size fits all' approach is not appropriate. Rather, transport authorities require a usable set of tools to ensure that their bus services meet local needs. The right approach will differ from one transport authority to the next.

4.8. The Transport (Scotland) Act 2001 attempted to set such a framework, but the evidence has shown a disappointing level of uptake, with only four sQPs in place with limited success in improving bus services. Similarly, voluntary partnership arrangements vary and we have seen a number of vQPs begin in Scotland with good intentions but peter out with little or no evaluation of outcomes. The Bus Stakeholder Group, a group chaired by the Transport Minister and made up of the key interested stakeholders, has indicated that more flexibility should be worked into the partnership framework.

4.9. There have been no attempts to introduce a Quality Contract in Scotland, despite a number of recent calls for local franchising from some local authorities. Our feedback is that the QC system is felt to be too burdensome even to attempt.

4.10. A number of local authorities have also publicly stated their desire to run their own buses either directly or via an arm's length company much like Lothian Buses. They report that the existing legislation around this issue is unclear and that inhibits them pursuing this choice.

4.11. The general message from our early engagement is that elements of the existing legislation are unclear and/or may be over-burdensome and that they do not include the flexibilities that they ideally would. It is these issues that we are seeking comment on via this consultation.

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[31] Greener Journeys – The Impact of Congestion on Bus Passengers (2016)

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Requiring a Common Standard for Information Across Scotland

4.12. It is clear from Bus Users Scotland's work that information is not consistent and can be poor, leaving existing bus users confused and ensuring that potential passengers do not make the shift to bus. We intend to set clear requirements and a process for bus operators to provide information on routes, timetables, punctuality and fares so that passengers, via apps or other means, get the information they need to plan and make their journey.

4.13. As a separate area of consideration, when a bus operator deregisters a service, the transport authority can use information about revenue and patronage of services to enhance the process of tendering for supported services and ensure the incumbent operator does not have an unfair advantage. Some operators are already providing this to authorities on a voluntary basis, but legislation would ensure compliance across Scotland.

4.14. In developing all of our proposals, we have drawn upon legislation and practice from across the UK, including the new Bus Services Act 2017. The regulatory and policy framework that we are working from is different from that in England, both in terms of bus services and local government, and though many of the same issues exist, the same approach will not always be appropriate. However, we have sought to learn from these other approaches so that we can apply best practice in a Scottish context.

Objectives

4.15. The over-arching objective of our proposals is to ensure that there are tools that will help to arrest and reverse the decline in bus patronage and to maintain a sustainable bus network across Scotland. To achieve this we will:

- ensure that there is a flexible and effective partnership framework for transport authorities and operators to work together;
- ensure that franchising is a viable option for transport authorities, while retaining appropriate checks and balances;
- ensure that, where appropriate, transport authorities can run their own buses either directly, or by setting up an arms' length company, with the right checks and balances;
- ensure that operators share information openly so that it is easier for people to take the bus; and
- ensure that, where services are withdrawn, operators cooperate with transport authorities to assist the latter in determining whether and how to provide alternative services.

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5. Our Proposals

Partnership

Introduction

5.1. Transport authorities and operators have individual areas of responsibility which are complementary. Transport authorities are responsible in the main for local roads, use of road space, parking charges and the provision of infrastructure such as bus stops. Operators identify routes, service frequency and fares and provide the vehicles and staff to operate them.

5.2. The Scottish Government has sought to encourage partnership working between local transport authorities and operators to provide stability for investment, increase bus services which better meet local needs and to address shared areas of concern such as air quality and increasing congestion.

5.3. Partnership takes many forms, at its most basic level coming from good communication and joint working between organisations with aligned goals to improve bus services. This can be done on a voluntary basis. However there are limitations to that approach so to encourage partnership working statutory Quality Partnerships (sQPs) were introduced as part of the Transport (Scotland) Act 2001 for transport authorities to consider using. In effect, a sQP scheme allows the transport authority to determine appropriate local quality standards via a formal and legal partnership. In turn the transport authority can commit to infrastructure improvements. A sQP has a legal basis which gives it an advantage over voluntary arrangements and should give operators the confidence to invest.

5.4. However, the existing sQPs are not as flexible as they could be and they are led by the transport authority rather than as a true partnership where a shared understanding of the current and future needs for bus services is developed with operators. Our proposals attempt to address those issues.

5.5. This section explores partnership working, describes the legislative framework and gives evidence from existing partnership arrangements in Scotland. Finally, it outlines the case for change and gives proposals for a new type of statutory partnership which is more flexible and effective.

Current Status

Existing Legislation – Statutory Quality Partnerships

5.6. The Transport (Scotland) Act 2001 introduced Quality Partnerships Schemes. These are often referred to as 'statutory Quality Partnerships', or sQPs, to distinguish them from the voluntary arrangements which operators and authorities sometimes enter into. sQPs allow transport authorities to influence the bus services delivered in their area.

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5.7. A transport authority may make a sQP if it is satisfied that it will implement to any extent its relevant general policies and either improve the quality of local services and facilities so as to materially benefit users or reduce congestion, noise or air pollution.

5.8. A sQP is a formal arrangement whereby a transport authority provides specific infrastructure along the routes used by local bus services in a specific geographical area, for example bus lanes, upgraded bus shelters and stops, and makes its use by bus operators conditional on meeting specified service standards.

5.9. The sQP 'Scheme' must set out the specified facilities provided by the transport authority, the specified standards of local services to be delivered by operators, the date on which it will come into operation and the procedures for determining any dispute. A sQP Scheme must be in operation for a minimum period of three years and a maximum period of seven years. The facilities and services can be phased in.

5.10. A transport authority seeking to make a sQP is required to follow a consultation process laid out in the 2001 Act – including with bus operators, user representatives and other transport authorities whose areas might be affected. Following the consultation process, the transport authority decides whether to proceed with the proposed Scheme, as originally intended or in an amended form.

5.11. Unless subject to exemptions under the terms of the Scheme, operators who wish to use the facilities covered by the Scheme must undertake to the Traffic Commissioner to meet the specified standards when using the facilities. This is treated in effect as part of the service registration particulars for enforcement purposes.

5.12. *Service standards that could form part of an existing sQP:*

- Vehicle standards, particularly regarding air quality and carbon efficiency
- Marketing and promotion strategies
- Information provision
- Reducing delays to bus services
- Reducing journey times
- Cleanliness standards
- Reduction in air pollution
- Reduction in noise pollution
- Setting minimum frequencies
- Staff training

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Evidence of Use of Partnership Working in Scotland

Voluntary Quality Partnerships (vQPs)

5.13. Some transport authorities have tried to attain the benefits of the partnership approach without having to agree a legal process or make formal commitments, where agreements are entered into with local operators to deliver specific targets.

5.14. The experience of these voluntary agreements demonstrates that they are ambitious in setting targets such as for patronage growth, punctuality and journey times. However, these targets are rarely delivered. This is partly down to a lack of agreed processes on how to deliver the outputs required and regular monitoring of their status during the period of the vQP. There is no clear commitment on either party to deliver, or sanction, in the event that they fail to do so. There is nothing to stop non-partnership operators from benefitting from the transport authority's investment in the vQP and, in effect, getting a 'free ride' without having to make a similar investment to that made by vQP operators.

Bus Punctuality Improvement Partnerships

5.15. One specific type of partnership agreement is a Bus Punctuality Improvement Partnership[32] (BPIP). A BPIP is a voluntary agreement between a transport authority and bus operator designed to achieve improvements in, and maintain consistency of, punctuality and bus journey times in their area. It provides a framework for setting improvement targets, identifying issues and actions for addressing them within a monitoring regime. A BPIP can also be used as a part of a sQP.

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[32] BPIP Guidance: http://www.gov.scot/Publications/2009/03/30120224/0

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Dundee and Angus BPIP

Successful partnership working between local bus operators, Dundee City Council and Angus Council delivered significant enhancements to both Dundee and Angus's transport systems.

Both local authorities, along with the major operators in the area, Stagecoach Strathtay and National Express Dundee, committed to developing the first BPIP in Scotland.

The Dundee and Angus BPIP commenced on 1 January 2009 and operated for a period of five years. Initially, four services were covered under the agreement although the original aim was to expand the BPIP to cover all corridors and services in Dundee and other cross boundary services into Angus.

Initially a consultant was used to provide secretariat support and to arrange regular meetings. Results were positive in identifying areas for improvement but councils could not afford consultancy or staff time. The meetings lapsed over time as the process was found to be quite bureaucratic in relation to the benefits delivered.

sQPs

5.16. Strathclyde Partnership for Transport, in partnership with councils and operators, have made, so far, the only five sQPs in Scotland since 2012. These include schemes in Glasgow (Streamline & Fastlink sQPs), Ayrshire, Inverclyde and Renfrewshire (Paisley sQP now being time expired). The main aim of these partnerships was to improve the quality of bus service and infrastructure provision in an integrated way in line with the Regional Transport Strategy and Local Transport Strategies.

5.17. The Glasgow Streamline Quality Bus sQP was made by SPT, GCC and operators. SPT and GCC delivered a range of enhanced facilities and in return operators were expected, amongst other standards, to improve the quality, operation and efficiency of bus services operating on the Streamline routes and comply with the phased vehicle emissions standards set out in the sQP scheme.

5.18. The draft Glasgow Streamline sQP monitoring report for years one to five (2012 – 2017) states that: Euro 3 vehicles make up half the fleet, and the proportion of Euro 5s and 6s have increased; there was some improvement in air quality; bus service punctuality dropped from 95% to 90% within this period (factors such as road congestion will have affected this); and, that while bus patronage fell by 12% since the sQP's inception, the situation would have been significantly worse in its absence.

5.19. More recently, SPT has commented that the Fastlink sQP, although in its early days, already appears to be delivering an uplift in terms of bus service quality,

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provision, and infrastructure, alongside the most stringent emissions standards of any sQP to date.

5.20. Notwithstanding the above however, SPT has commented that the sQPs have not been as effective as they could have been, due to a variety of factors. They would like to see some form of more integrated, genuine partnership-focused model in place, and to have similar options on offer in Scotland that those in England and Wales have through the Bus Services Act 2017.

The Need for Change

5.21. Currently the sQP is made by the transport authority where it identifies a geographic area for the QP and specifies the infrastructure facilities that it has provided in the last five years. The transport authority then holds a consultation on a proposed list of standards that will apply to an operator's bus services which wish to use this facility.

5.22. The process is controlled by the transport authority which develops proposals ahead of any consultation and then reacts to points raised by operators. It is led by the transport authority but is not based on a shared understanding of the current and future local needs for bus services. Following the development of its own proposal it seeks ideas at consultation stage rather than at initial stages.

5.23. There are also problems with predicating the ability to enter into a partnership with the provision of relevant infrastructure (the infrastructure should be 5 years old or less or no more than ten years old if operators who customarily use it when the scheme is proposed give their consent). Transport authorities can find it difficult to budget for capital investment in infrastructure and could find themselves making nugatory investment in order to be able to make a sQP.

5.24. The range of standards in the sQP is not particularly wide compared with other models and, indeed, the Bus Stakeholder Group recommended that there was an increase in flexibility.

Our Proposal: 'Service Improvement Partnership'

5.25. In developing proposals for a new statutory partnership approach we have taken account, where relevant for Scottish interests, of the Bus Services Act 2017 and in particular its 'enhanced Quality Partnership' proposition.

5.26. Our proposals differ from the existing sQPs in three ways. Firstly they would not require the transport authority to invest in infrastructure (investment could be included, but instead the transport authority could implement policies on parking, for example). Secondly, we would extend the range of standards beyond that allowed in the sQP, including being able to agree frequencies on certain routes and/or setting maximum fare levels. Thirdly, and most fundamentally, we propose to encourage the development of a genuine

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partnership approach through joint working from the start and then throughout the partnership.

5.27. The new 'Service Improvement Partnership' (SIP) would be based on a joint review of the local bus service network. This would be conducted by the transport authority and those operators whose bus services run through the proposed area. It would focus on the bus network in the local area and require a joint analysis of the network to establish if it is delivering and meeting local needs.

5.28. The initial analysis, or '<u>Improvement Plan</u>' would:

- Specify the area and period of the Plan
- Set out an analysis of local services provided
- Set out policies relating to local services
- Set out objectives regarding the quality and effectiveness of local services
- Describe how the related Improvement Scheme is intended to assist in implementing those policies and achieving these objectives
- Describe the intended effect of related improvement schemes on neighbouring schemes.

5.29. Following the analysis, the transport authority and operators would work together to identify what needs to change in the network to meet local needs and how these changes might be incorporated into an 'Improvement Scheme'.

5.30. An <u>Improvement Scheme</u> would:

- Specify the area to which the scheme relates
- Impose requirements in relation to local services that have one or more stopping places in that area by specifying them in the scheme.

5.31. An Improvement Scheme may also:

- Require the authority to provide particular facilities in the area to which the scheme relates
- Require the authority to take particular measures in relation to routes in the whole or part of that that are served, or might be served by local services, and
- Include provision about its variation or revocation

5.32. An Improvement Scheme could only be made if the transport authority is satisfied that the scheme will:

- Contribute to the implementation of the policies set out in the Improvement Plan; or
- Bring benefits to persons using local services in the area by improving quality or effectiveness of services; or
- Reduce or limit traffic congestion, noise or air pollution.

5.33. Under this proposal the transport authority would have powers to request information from bus operators to assist in developing the plan and scheme and for monitoring and reviewing them once implemented.

5.34. The Improvement Scheme could include whatever combination of actions the transport authority considers appropriate having involved bus operators in its development. One Scheme could include only ticketing standards, another branding and vehicle requirements, a third a much wider set of actions.

Voting Mechanism and Consultation

5.35. Once the Plan and the Scheme and are drafted, the bus operators who operate services in the proposed area would be able to express a view. There would be a voting mechanism to determine how many operators with what extent of the network are required for an Improvement Scheme to be able to be made. If there were sufficient support then the transport authority would initiate a consultation exercise.

5.36. Consultation would be the responsibility of the transport authority and would ensure that passengers views are at the heart of the partnership. Consultees could include: all affected operators, bus passengers and passenger representatives, the CMA and other transport authorities.

5.37. Following consultation, the final version of the Improvement Plan and Improvement Scheme would need to be formally 'made' by the transport authority. Before that happens affected operators would be given a further chance to express a view. Without sufficient support from operators the plan or scheme could not be made.

5.38. We feel this would deliver specific actions in partnership linked to a clear analysis and shared understanding of the local bus network. This should lead to improved bus service quality and enable increased local use of the network.

5.39. It will be important to ensure that the new partnership system is not overly bureaucratic, noting the limits of transport authority resource. We intend to work with stakeholders on that point going forwards.

Bus Registration/Traffic Commissioner

5.40. Improvement Schemes could direct changes to bus services by creating, varying or cancelling bus services with the agreement of operator to deliver the policies set out in the Improvement Plan. This would require changes of powers to enable the Traffic Commissioner to be able to put these alterations into effect.

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Transition to Service Improvement Partnership

5.41. It is proposed that current sQPs would continue until they are time expired. At that time the transport authority with partners would decide whether they should move to develop, or have developed ready for implementing, a SIP.

Partnership Questions

Question
Q 1. Do you think that legislation (either via the existing sQP model or another) is required to secure the benefits of partnership working? Yes/No? Please explain your answer to this question.

Question
Q 2. Do you feel that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 provide the right framework for partnership working? Yes/No? Please explain your answer to this question.

Question
Q 3. Do you agree with our proposals for Service Improvement Partnerships as outlined in pages 32-35? Yes/No? Please explain your answer to this question.

Question
Q 4. If a new form of statutory Partnership is introduced, do you agree that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 should be replaced (i.e. they would no longer be available as a tool for LTAs)? Yes/No? Please explain your answer to this question.

Local Franchising

Introduction

5.42. Franchising is a system where the transport authority awards the exclusive right to run a bus route or routes for a set period to the most competitive bidder. The bus service is defined by the transport authority. Tendering is still a competitive process but is competition *for* the market rather than competition *in* the market.

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5.43. This section explores the option of franchising, from the existing 'quality contract' provisions in legislation in Scotland to proposals for enabling franchising in the forthcoming legislation.

5.44. The deregulation of the bus market began with the Transport Act 1985 and, in Scotland, the Transport (Scotland) Act 1989. Publically owned companies were split into geographical areas which were then sold to private operators and companies. The only exception in Scotland was Lothian buses, which remained a council-run bus operation. This model is considered in more detail later in the section on transport authority run bus services.

5.45. Bus services in Scotland have operated in a largely commercial market since deregulation, through the intense bus wars of the 1990s to the increasing consolidation of the market since 2000.

5.46. Since deregulation there have been arguments regarding the principle of whether, what many consider to be a public service, should be run for profit. There have been calls for 'reregulation' of bus service delivery, though at times what this would mean has not been well defined. We do not support wholesale reregulation of the industry in Scotland – i.e. buses owned and run nationally – as bus is a local issue and requires a solution tailored to the local situation.

5.47. However, there have also been specific calls for bus franchising at the local level, with the suggestion that the existing legislation does not allow this as a practical option. While the current legislation does allow for local franchising, we understand that many feel this is not effective. The following proposals seek to ensure that local franchising is a viable option for transport authorities that wish to progress it, with the right checks and balances in place.

Current Status

Existing Legislation – Quality Contracts

5.48. The Transport (Scotland) Act 2001 originated from UK legislation, primarily a white paper called 'From Workhorse to thoroughbred: a better role for bus travel' and sister documents in Scotland and Wales. These set out key themes for an integrated transport policy.

5.49. As part of a set of measures contained in the Transport (Scotland) Act 2001, Quality Contracts (QCs) are available for transport authorities to use. QCs are a form of franchising (exclusive rights to operate bus services through competition by tender).

5.50. To implement a franchise transport authorities in Scotland need to demonstrate that QCs would be *necessary* for the purpose of implementing their relevant general policies in the area to which the proposed scheme relates.

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5.51.   The precise definition of 'necessary' is not given but a reasonable explanation might be where it is not possible to achieve the bus service outcomes of local transport plans without a Quality Contract.

5.52.   The requirement for making the scheme is that the proposed scheme is economic, efficient and effective ('the three Es').

5.53.   The scheme also needs the approval of Scottish Ministers who must be satisfied that the scheme would be in the public interest.

5.54.   The main difference between other options (such as partnership) and QCs, is that QCs make the transport authority the specifier for all aspects of the bus network in a specific geographical area, as defined by the authority. Once the routes and standards have been agreed by the LTA the bus services would go out for public tender, probably in groups of bus service routes, also known as bundling, to enable smaller operators the opportunity to gain business and thus maintain the competitive environment in the area.

5.55.   Following the implementation of the Transport (Scotland) Act 2001, guidance[33] was produced in 2001 to help transport authorities understand how the powers in the Act might be used to implement franchising. The guidance makes clear that the aims in the Local Transport Strategy should be considered using good appraisal practice and satisfying the procedures in STAG (Scottish Transport Appraisal Guidance).

5.56.   Schemes should be appraised carefully to demonstrate that a QC framework is necessary to deliver the local scheme, before Ministerial approval is sought.

The Need for Change

5.57.   No QC has ever been developed in Scotland. The feedback that we have been given by transport authorities is that the process is over complex and resource intensive. For example, SPT[34] have said that the present system has proved unworkable and requires change.

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[33] Guidance on Part 2 (Bus Services) of the Transport (Scotland) Act 2001
[34] http://www.parliament.scot/S5_PublicPetitionsCommittee/Submissions%202017/PE1626C.pdf

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NEXUS Case

Only one Quality Contract scheme has been attempted in England by NEXUS. It is important to note that the English legislation (Transport Act 2008) differs from the Transport (Scotland) Act 2001. One key difference is that approval comes from an independent panel as opposed to Ministers.

The NEXUS scheme failed to obtain approval from the QCS board led by the Traffic Commissioner in that area of England. The process was costly and took around two years. The report contains the board's opinion on whether the scheme meets the public interest criteria and concludes that:

- NEXUS failed to comply with the statutory requirements on consultation
- the proposed scheme cannot demonstrate that it would increase use of bus services because its affordability is not demonstrated
- service quality would improve
- the proposed scheme would contribute to the implementation of the local transport policies
- the proposed scheme does not provide value for money
- the proposed scheme imposes disproportionate adverse effects on operators

More information can be found at: https://www.gov.uk/government/news/qcs-board-publishes-report-on-tyne-and-wear-scheme.

5.58. It is important to note that historically, the test that a transport authority needs to satisfy to be able to consider using the QC legislation has tended to be less stringent in Scotland than in England. In England at one stage it was compulsory for a QP to be attempted before considering a QCS.

Our Proposal: Local Franchising

Analysis of bus network

5.59. Our broad aim in Scotland is to enable transport authorities to be able to consider a range of policy options to influence the bus services in their local area to ensure they meet local needs.

5.60. To establish which options should be considered in delivering local bus services, a good first step would be a thorough analysis of the current and future local bus network. This would provide the transport authority with a clear understanding of whether local bus services meet local needs and what actions are required to fulfil any unmet needs.

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5.61. The resultant analysis would identify a set of actions to deliver their bus policies. It is then for the authority to consider how to implement the actions to deliver bus services.

5.62. If the action is to deliver a commercial route then identifying an operator might be sufficient.

5.63. If there appears to be extensive market failure then other options might be more appropriate. Local franchising of part or all of the local network could be considered an appropriate option.

Local Franchising

5.64. We will consider whether the current Quality Contract legislation can form the basis for a more flexible, simpler and more customised approach to franchising. The aim is to enable it to be used for smaller scale scenarios such as routes or small networks, whilst ensuring that the right checks and balances are in place.

5.65. A possible process is described in the paragraphs below to enable a clearer understanding of how transport authorities might consider and assess local franchising in their area.

Initiating a local franchise

5.66. As discussed earlier the condition required before considering a Quality Contract is that it is 'necessary' for the delivery of the transport authority's relevant general policies.

5.67. We think that the ability to consider any of the options for improving bus services in their area should apply to all transport authorities where they think it will to any extent deliver their policies.

5.68. On this basis it is proposed to remove the requirement to demonstrate that franchising is 'necessary' to deliver the relevant general policies.

Assessment of options

5.69. Any transport authority will need to be clearly satisfied that there is a strong overall business case for franchising bus services in their local area.

5.70. The purpose of the assessment is to ensure that a transport authority has thoroughly thought through the impacts, risks, and practical implications of its proposal to introduce franchising.

5.71. Rather than basing any assessment on the three E's: economical, efficient and effective, we propose that transport authorities use an analysis of the options for delivering the transport authorities bus policies, including franchising.

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5.72. The assessment process would describe the effects of a franchise and compare options to deliver the transport authority's policies for bus services.

5.73. The precise process will be set out in guidance but would be based on the principles of an Outline Business Case (OBC). The outcome from the OBC is to identify a preferred option and provide evidence regarding the costs and benefits.

5.74. It should contain a detailed assessment of the options together with full economic and financial appraisals including appropriate sensitivity tests. The OBC should include detail on how the preferred option would be procured and how risks to delivery would be managed.

5.75. To provide a clearer understanding of the work involved, the following example demonstrates what the business case could contain.

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Example approach

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Outline Business Case

This is composed of five parts:

- Developing the case for change
- Setting objectives
- Options generation and refinement
- Detailed assessment of options: *strategic, economic, financial, commercial, management*
- Selection of preferred option

Detailed assessment of options

The Outline Business Case should generate options and then analyse them to identify the preferred option which can deliver the desired outcomes and offer value for money.

Here are some examples of assessment considerations that would need to be applied to each option as part of the analysis:

Strategic - To establish the extent to which the proposed franchising scheme would contribute to the implementation of their local transport plan policies.

Economic - Does the proposed scheme represent value for money? Authorities would assess the economic, social and environmental costs and benefits rather than solely focussing on transport impacts.

Financial - Authorities would consider as part of their assessment whether the authority would be able to afford to make and operate the proposed scheme.

Commercial - The extent to which the authority is likely to be able to secure that local services are operated under local service contracts.

How the options could be procured competitively and what the contractual arrangements would look like.

Management - How the authority would make and operate the proposed franchising scheme. Consider how they successfully deliver the preferred options and manage risk effectively.

Preferred option

The authority should finally identify their preferred option based on the analysis suggested above clearly setting out the rationale for their decision.

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Assurance

5.76. We also propose an independent auditor is used to establish that processes were correctly followed, that the information used was accurate and that conclusions were based on evidence.

5.77. Suggested considerations by the auditor could include:
- The information relied on by the authority in producing the economic (value for money) and financial (affordability) cases of their assessment is of sufficient quality;
- The analysis of that information is of sufficient quality; and
- The authority has had due regard to guidance issued by the Scottish Government in preparing their assessment.

5.78. The auditor would need to be a qualified accountant with no conflicts of interest.

Approval

5.79. The existing QC process requires final approval from Scottish Ministers who decide whether a QC can be implemented based on a public interest test.

5.80. We believe that before a transport authority makes a local franchise that an element of approval is retained within the process to consider what the franchise delivers and its impact on the local and wider area.

5.81. This could be carried out by an independent panel, by Scottish Ministers or by another individual such as the Traffic Commissioner.

5.82. We propose at this stage that Scottish Ministers should continue to make a final decision based on a public interest test. The elements of the public interest test would be clearly set out in the legislation and guidance.

Local Franchising Questions

Question
Q 5. Do you think that transport authorities should have the power to franchise bus services (either via Quality Contract or another system)? Yes/No? Please explain your answer to this question.

Question
Q 6. Do you think that the existing Quality Contracts require change to make franchising a more viable option? Yes/No? Please explain your answer to this question.

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Question
- 205 -
Q 7. Considering the information on our proposal on pages 38-42,
a) Do you think that there should be any consent mechanism for an authority to begin the process of assessment for franchising? Yes/No? Please explain your answer to this question.
b) Do you think that there should be a requirement for independent audit of the business case for franchising? Yes/No? Please explain your answer to this question.
c) Do you think that there should be an approval process beyond that of the transport authority itself, before franchising can take place? Yes/No? Please explain your answer to this question, including (if yes) what kind of approval process.

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Transport Authority Run Bus Services

Introduction

5.83. A number of transport authorities have indicated a desire to run their own buses, typically where there are few or no commercial operators competing for the relevant service. The message that we get from conversations with authorities is that the existing legislative framework for this is unclear and serves as an impediment to following this route of action in the interests of bus passengers. The Scottish Government has no in principle opposition to transport authorities being able to run their bus services either directly or via an arms' length company, like Lothian Buses, subject to complying with relevant competition law.

5.84. This section outlines the existing legislation relating to transport authority run bus services, and explains the need for clarification, before outlining our proposals and questions around those.

Current Status

5.85. The Transport Act 1985 made substantial changes to the model for bus service delivery across the UK by deregulating bus service provision. The Act does not allow local authorities to provide bus services directly. It states that they shall not have the power to provide a service for the carriage of passengers by road which requires a PSV operator's licence (though this does not apply to Islands councils: Section 66, Transport Act 1985). The following authorities currently hold a PSV licence in Scotland: Argyll and Bute, Western Isles and the Shetland Islands.

5.86. Section 71 of the Transport Act 1985 does allow a small number of bus vehicles which require a PSV licence to be run by a council on application to the Secretary of State (the number is determined by the Secretary of State and is currently ten).

5.87. It has been suggested that Section 66 could prevent local authorities from either directly running bus services and/or setting up a bus company with an independent board. By bus company, we mean companies where the authority would be the major stakeholders but they would not directly instruct the company, rather the company would be managed at arms-length.

5.88. However, in Scotland, Lothian Buses operates using this model and there are around eight such operators in England and Wales.

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Lothian Buses

Lothian Buses is widely regarded as one of the most successful transport operators in Scotland. It is the only transport authority owned bus company operating in Scotland with City of Edinburgh Council, and the three neighboring councils as shareholders.

Lothian was previously known as Lothian Region Transport (LRT) and was the only former municipal company in Scotland not to be privatised in the deregulation era. More history of the company can be read here: http://www.scotsman.com/heritage/people-places/scottish-fact-of-the-day-lothian-buses-1-3612748

It is important not to attribute all of Lothian Buses' success to the fact that they are owned by local authorities. Whilst it arguably gives them a longer term investment horizon, there are a number of other reasons why they are successful owing to their management approach and external factors. Edinburgh has relatively favourable conditions for bus with high population density and expensive car parking. In contrast, Glasgow, for example, has a widespread rail network and the underground which compete with the bus offer, and parking is cheap.

Our conclusion is that forming an arm's length bus operation is unlikely to be a 'silver bullet' to falling bus patronage, particularly without associated action to improve the bus offer.

5.89. SPT, the Regional Transport Partnership for Strathclyde, as a former public transport executive, retains powers from that role including the ability to hold a PSV operators' licence.

5.90. Section 20 of the Local Government in Scotland Act 2003 (the power to advance well-being) gives a local authority the ability to act providing "it is likely to promote or improve the well-being of… its area and persons within that area". However, this legislation has yet to be used by a local authority to set up an arms-length council owned bus company. The feedback we are given is that the interaction between section 20 of the 2003 Act and section 66 of the 1985 Act is not clear and that this potentially forms a barrier to action.

5.91. Regional Transport Partnerships (RTPs) have such functions as have been transferred to them by order made by the Scottish Ministers under the Transport (Scotland) Act 2005. RTPs can also enter into arrangements, in relation to transport matters, with the Scottish Ministers or local authorities to do certain things or provide certain services such as are specified in those arrangements.

5.92. The functions which can be transferred to RTPs include some relating to bus services but only express statutory functions can be transferred to RTPs and,

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as described above, the current legislation does not contain an express power to directly run buses or establish a company to do so. The section 20 power to advance well-being in the 2003 Act does not apply to RTPs and is not a function that can be transferred.

The Need for Change

5.93. Patronage on bus services is declining in some areas of Scotland. This means there is increased pressure on the viability of bus services in areas of low population density.

5.94. Due to the consolidation of bus operators in Scotland over time, situations arise where only one bid is received for tenders for subsidised services. As there are no competitors there is less constraint on the tender cost, potentially resulting in the transport authority paying out more public money than otherwise. Some authorities have stated that they would like the ability to put in a bid for an in-house service which has the potential to reduce the level of public funding required for a service. In such a case checks would need to be developed to ensure the in-house bid included full costs and no hidden subsidy.

5.95. In some more remote areas there are occasions where there are no operators submitting tenders for transport authority subsidised services. However, there is still a need for the provision of public transport. Some authorities have also sought to clarify whether they can set up an arms-length bus company to manage their bus services and to consider the future development of services in the area.

5.96. An arms-length bus company manages bus service provision as an independent commercial organisation with its own management board. The main shareholder is the authority but it is not involved in the day-to-day running of the buses.

5.97. This could arise, for example, where over time the authority builds up a portfolio of directly run bus services to an extent where it makes economic sense to make the management of the services professional.

5.98. There could be considerable costs involved in such a venture but our view is that the option should be available to transport authorities. However, it would be expected that checks are in place regarding affordability, appropriateness and identifiable decision process. A business case (much as that in the previous section on local franchising) should form part of any process before any decision on pursuing establishment of a bus company, as would be the case for any other significant decision by a transport authority.

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Our Proposals – Allowing Transport Authority Run Bus Services

5.99. It is clear that the bus market has been consolidating in Scotland over the last 20 years. The situations where transport authority run bus services are an appropriate option are increasing and trends indicate this will continue to increase.

5.100. In order to clarify the powers of transport authorities in these situations we propose to legislate to enable them to be able to run bus services directly and/or to be able to set up arms-length companies.

Competition issues

5.101. The Competition Commission's 2011 local bus services market investigation[35] concluded that reducing the number of bidders for bus services can reduce competitive pressure and therefore reduce competitive (downward) pricing pressure. Therefore, allowing local authorities to set up bus companies to operate local bus services may help ensure competitive outcomes, including where franchising is being considered.

5.102. However, safeguards are required to ensure that no operator (authority owned or not) has an unfair operating advantage in a deregulated market or in the bidding process for a franchise.

5.103. Checks such as a business case would need to be in place before any decision is made by a transport authority to set up an arms-length bus company.

5.104. Having a genuine option to run bus services or to set up companies where appropriate, would help transport authorities to develop a bus network which meets the needs of the people in their area, enabling increased accessibility and social inclusion. We propose to remove ambiguity around these options for transport authorities.

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[35] http://webarchive.nationalarchives.gov.uk/20140402141250/http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2010/localbus/pdf/00_sections_1_15.pdf

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Transport Authority Run Bus Services Questions

Question
Q 8 (a) Do you think that transport authorities (including 'model III' RTPs) should be able to directly run bus services? Yes/No? Please explain your answer to this question.
Q 8 (b) Please describe the circumstances in which this might be appropriate.
Q 8 (c) What, if any, safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market? Please explain your answer to this question.

Question
Q 9 (a) Do you think that transport authorities (including 'model III' RTPs) should be able to set up arm's length bus companies to operate local bus services? Yes/No? Please explain your answer to this question.
Q 9 (b) Please describe the circumstances in which this might be appropriate.
Q 9 (c) What if any safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market? Please explain your answer to this question.
Q 9 (d) What, if any, checks and balances do you think should be put in place for a transport authority looking to set up an arms' length company to run buses? Please explain your answer to this question.

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Open Data

Introduction

5.105. Clear, high quality and up-to-date information is essential for the smooth running of bus services. Alongside members of the public (both bus users and non-users) who seek to understand the services available to them, accurate information is important to inform bodies such as transport authorities in supporting their local bus services.

5.106. This section outlines the current requirements for data provision in Scotland and the need for change to help take advantage of new technologies before outlining our proposals and questions around those.

Current status

5.107. The 2001 Act requires transport authorities to determine what local bus information should be available to the public and the way in which this should be provided. It also confers on them a duty to make the information available.

5.108. In order to obtain information transport authorities are first required to pursue a voluntary approach, however if this proves unsuccessful, the Act empowers them to require operators to supply information and to obtain from operators the costs of publishing and disseminating this information in the local authority area.

5.109. While it is a matter for transport authorities to decide what minimum standards of information should be made available to the public the document "Guidance on part 2 (bus services) of the Transport (Scotland) Act 2001"[36] states that the *minimum* level of provision should be:

"a paper-based timetable at every bus stop used by boarding passengers with some form of fares information, plus timetable and fares information available at community/public facilities such as libraries, information centres, community centres, hospitals/health establishments, education establishments and tourist information centres. On rural routes where stops do not currently exist, information should be made available at post offices, village shops and on community noticeboards."

5.110. The 2008 guidance document "Buses for Scotland - Progress Through Partnership: A Guide for Local Authorities, Regional Transport Partnerships and Bus Operators"[37] expands on this and recommends the following information provision at bus stops: route numbers, bus stop location/stop name, route details, stop specific departure times and an indication of journey times. While most of the guidance relates to printed information at bus stops it also makes some recommendations regarding provision of real-time information.

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[36] http://www.gov.scot/Resource/Doc/159202/0043316.pdf
[37] http://www.gov.scot/Publications/2008/09/26153659/0

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Traveline Scotland

Traveline Scotland is Scotland's national public transport information service and provides up to date journey planning and timetable information to passengers across Scotland. It provides free impartial travel information, including timetables, journey planning and travel updates, to passengers via telephone, website, smart phone apps, mobile internet and SMS on all modes of public transport in Scotland, including bus services.

Traveline Scotland operates as a partnership with public transport operators, Transport Scotland, and local authorities who together contribute funds, data and expertise towards the running and development of the service. By focusing on the passenger, this partnership approach ensures that Traveline continues to improve the services it offers.

Voluntary arrangements ensure that information on bus services is supplied to Traveline and made available to the public and 3rd party developers through the various Traveline services. In this way information is publicly available on bus routes and timetables across Scotland with provision of fares data and live bus tracking increasing.

5.111. In addition to sharing information publicly operators are also required to provide data to the Traffic Commissioner as part of the Bus Service Registration requirements. This data is shared with transport authorities during the registration process. Some operators are already using the Electronic Bus Service Registration (EBSR) system to register services with the Traffic Commissioner however uptake remains limited. The 2016 review of Bus Service Registration Procedures[38] highlighted a number of issues regarding EBSR and made suggestions for improvement. While we acknowledge that improvements are required to the existing system we wish to encourage the use of ESBR for all operators.

The Need for Change

5.112. Access to clear, accurate information is vital for bus users (both regular and occasional) as well as for tourists and other visitors, and for non-users who argue that a lack of suitable information prevents them from using buses. It Is also important for software developers seeking to create alternative services such as 3rd party smartphone apps or journey planning systems.

5.113. Historically the focus of information sharing has been physical timetables as opposed to digital platforms, however with the development of new technologies public expectations of the levels of information available to them have increased.

5.114. The quality of information available to passengers in Scotland is continuing to advance, however the current system is not subject to regulation, and there is

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[38] https://www.transport.gov.scot/media/35767/bus-registration-guidance-best-practice.pdf

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a risk that any future changes to the way operators share information could result in a reduction of the current levels of service.

Our proposals – Requiring Bus Operators to Share Information

Information for the Public

5.115. In Scotland we want to ensure that bus service users have access to the same levels of information as passengers on other transport modes (notably rail) making it easier for passengers to find out when their bus will arrive and how much it will cost.

5.116. In order to build on existing voluntary arrangements we propose to make provision to require the operators of local services to provide information on routes, timetables, punctuality and fares for public access. By building on existing voluntary arrangements we will seek to ensure consistency of approach across Scotland as well providing opportunities for innovative developments in both use and access to information.

5.117. In implementing this proposal we are of the view that that publication requirements should be phased in over several years to allow all operators time to develop appropriate systems.

5.118. Elsewhere in the UK it has been suggested that the data provided by operators would be stored on a central data hub or 'one-stop-shop' and made available to third parties. We are minded to take a similar approach in Scotland. This would ensure ease of access to information for all parties, subject to appropriate safeguards. It would also help reduce duplication and complexity for those operators with services both north and south of the border, as well as developers who will be working under multiple systems.

Provision of information on deregistered services

5.119. In 2011 the Competition Commissions Local Bus Services Market Investigation[39] recommended that transport authorities should be given powers to obtain, and where appropriate disclose, information about revenue and patronage of services being deregistered. This was to enhance the transport authorities ability to manage tenders for supported services and to prevent incumbent operators having an unfair advantage.

5.120. In line with this recommendation we propose to bring forward legislation to ensure that authorities have the power to obtain the information about revenue and patronage of services being deregistered where required. While some operators are already providing this to local authorities on a voluntary basis, legislation on this issue will ensure compliance across Scotland, and address those matters identified by the Competition Commission.

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[39]http://webarchive.nationalarchives.gov.uk/20140402141250/http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2010/localbus/pdf/00_sections_1_15.pdf

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Open Data Consultation Questions

Question
Q 10. Do you agree with our proposals to require the operators of local services to release open data on routes, timetables, punctuality and fares in a specified format? Yes/No? Please explain your answer to this question.

Question
Q 11 (a) Do you think that data provided by operators should be stored in a central data hub? Yes/No? Please explain your answer to this question.
Q 11 (b) if you do not support the use of a central data hub how do you think data should be stored/ made available?

Question
Q 12. Do you support proposals for transport authorities to have the power to obtain, information about revenue and patronage of services being deregistered, and where appropriate disclose this as part of a tendering process? Yes/No? Please explain your answer to this question.

Other

Question
Q 13. Please provide any other comments or proposals around the regulation of bus services in Scotland that were not covered in the above questions.

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6: Assessing Impact

Equality

6.1. In proposing to improve bus services in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;
- advance equality opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share a relevant protected characteristic.

6.2. These three requirements apply across the 'protected characteristics' of:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion and belief; and
- sex and sexual orientation.

6.3. At this early stage in our planning for improving bus services in Scotland it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

6.4. Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment to determine if any further work in this area is needed.

Question
Q 14. Are there any likely impacts the proposals contained within this consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above? Yes/no? Please be as specific as possible.

53

Question
Q 15. Do you think the proposals contained within this consultation may have any additional implications on the safety of children and young people? Yes/no? • **If yes, what would these implications be? Please be as specific as possible.**

Business and Regulation

6.5. In our work to improve bus services a Business and Regulatory Impact Assessment will analyse whether the policy is likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question
Q 16. Do you think the proposals contained in this consultation are likely to increase or reduce the costs and burdens placed on any sector? Yes/no? Please be as specific as possible.

Privacy

6.6. We need to ascertain whether our proposals for improving bus services in Scotland may have an impact on the privacy of individuals.

Question
Q 17. Are there any likely impacts the proposals contained in this consultation may have upon the privacy of individuals? Yes/no? Please be as specific as possible.

Environmental

6.7. In relation to our plans for delivering a consistent approach to improving bus services in Scotland the Environmental Assessment (Scotland) Act 2005 ensures those public plans that are likely to have a significant impact on the environment are assessed and measures to prevent or reduce adverse effects are sought, where possible, prior to implementation.

Question
Q 18. Are there any likely impacts the proposals contained in this consultation may have upon the environment? Yes/no? Please be as specific as possible.

ABBREVIATIONS LIST

ATCO – Association of Transport Co-ordinating Officers'

BPIP – Bus Punctuality Improvement Partnership

BSOG – Bus Service Operators Grant

BUS – Bus Users Scotland

CMA – Competition and Markets Authority

E&W – England and Wales

GCC – Glasgow City Council

LA – Local Authority

LRT – Lothian Regional Transport

LTA – Local Transport Authority

OBC – Outline Business Case

PSV – Public Service Vehicle

QC – Quality Contract

QCS – Quality Contract Scheme

QP – Quality Partnership

sQP – statutory Quality Partnership

vQP – voluntary Quality Partnership

RTP – Regional Transport Authority

SIP – Service Improvement Partnership

SPT – Strathclyde Partnership for Transport

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ANNEX A – Response Form

Respondent Information Form

Please Note this form must be returned with your response.

Are you responding as an individual or an organisation?
☐ Individual
☐ Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:-

☐ Publish response with name
☐ Publish response only (anonymous)
☐ Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

☐ Yes
☐ No

56

Consultation Questions

The consultation questions are listed below. Respondents are asked to give an answer to the questions put on our policy proposals, this is typically to say whether you agree with them or not, and to explain that answer in a comment. There is a separate section at the end which looks at likely impacts.

Partnerships

Question 1 - Do you think that legislation (either via the existing sQP model or another) is required to secure the benefits of partnership working?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

Question 2 - Do you feel that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 provide the right framework for partnership working?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

Question 3 – Do you agree with our proposals for Service Improvement Partnerships as outlined in pages 32-35?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

Question 4 – If a new form of statutory Partnership is introduced, do you agree that statutory Quality Partnerships as defined in the Transport (Scotland) Act 2001 should be replaced (i.e. they would no longer be available as a tool for LTAs)?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

57

Local Franchising

Question 5 – Do you think that local authorities should have the power to franchise bus services (either via Quality Contract or another system)?
Please answer Yes ☐, No ☐.
Please explain your answer to this question:-

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Question 6 – Do you think that the existing Quality Contracts require change to make franchising a more viable option?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

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Question 7- Considering the information on our proposal on pages 38-42

Question 7(a) – Do you think that there should be any consent mechanism for an authority to begin the process of assessment for franchising?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

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Question 7(b) – Do you think that there should be a requirement for independent audit of the business case for franchising?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

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Question 7(c) – Do you think that there should be an approval process beyond that of the local authority itself, before franchising can take place?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question **including (if yes) what kind of approval process:**-

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Transport Authority Run Bus Services

Question 8(a) – Do you think that transport authorities (including 'model III' RTPs) should be able to directly run bus services?
Please answer Yes ☐, No ☐.
Please explain your answer to this question:-

Question 8(b) – Please describe the circumstances in which this might be appropriate:-

Question 8(c) – What, if any, safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market?
Please explain your answer to this question:-

Question 9(a) – Do you think that transport authorities (including 'model III' RTPs) should be able to set up arm's length bus companies to operate local bus services?
Please answer Yes ☐, No ☐.
Please explain your answer to this question:-

Question 9(b) – Please describe the circumstances in which this might be appropriate:-

Question 9(c) – What if any safeguards do you think should be put in place to ensure that no operator has an unfair advantage in a deregulated market?

Question 9(d) – What, if any, checks and balances do you think should be put in place for a transport authority looking to set up an arms' length company to run buses? Please explain your answer to this question.

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Open Data

Question 10 – Do you agree with our proposals to require the operators of local services to release open data on routes, timetables, punctuality and fares in a specified format?
Please answer Yes ☐, No ☐.
Please explain your answer to this question:-

Question 11 (a) – Do you think that data provided by operators should be stored in a central data hub?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

Question 11(b) – if you do not support the use of a central data hub how do you think data should be stored/ made available? :-

Question 12 – Do you support proposals for transport authorities to have the power to obtain, information about revenue and patronage of services being deregistered, and where appropriate disclose this as part of a tendering process?
Please answer Yes ☐, or No ☐.
Please explain your answer to this question:-

Other

Question 13 – Please provide any other comments or proposals around the regulation of bus services in Scotland that were not covered in the above questions.

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Impacts

Equality

In creating a consistent approach to improve bus services in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;
- advance equality opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share a relevant protected characteristic.

These three requirements apply across the 'protected characteristics' of:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion and belief; and
- sex and sexual orientation.

At this early stage in our planning for improving bus services in Scotland it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment to determine if any further work in this area is needed.

Question 14 - Are there any likely impacts the proposals contained within this consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above?

Please answer Yes ☐, No ☐.

Please be as specific as possible:-

Question 15 - Do you think the proposals contained within this consultation may have any additional implications on the safety of children and young people?
If yes, what would these implications be?
Please answer Yes ☐, No ☐.
Please be as specific as possible:-

Business and Regulation

In our work to improve bus services a Business and Regulatory Impact Assessment will analyse whether the policy is likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question 16 - Do you think the proposals contained in this consultation are likely to increase or reduce the costs and burdens placed on any sector?
Please answer Yes ☐, No ☐.
Please be as specific as possible:-

Privacy

We need to ascertain whether our proposals for improving bus services in Scotland may have an impact on the privacy of individuals.

Question 17 - Are there any likely impacts the proposals contained in this consultation may have upon the privacy of individuals?
Please answer Yes ☐, No ☐.
Please be as specific as possible:-

Environmental

The Environmental Assessment (Scotland) Act 2005 ensures those public plans that are likely to have a significant impact on the environment are assessed and measures to prevent or reduce adverse effects are sought, where possible, prior to implementation.

Question 18 - Are there any likely impacts the proposals contained in this consultation may have upon the environment?
Please answer Yes ☐, No ☐.
Please be as specific as possible:-

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This document is also available on the Transport Scotland website: **www.transport.gov.scot**
Published by Transport Scotland, September 2017

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Scottish Government
Riaghaltas na h-Alba

	 Zetland Transport Partnership	Agenda Item **7**

Meeting(s):	Zetland Transport Partnership	14 December 2017
Report Title:	ZetTrans Response to Transport Scotland's Consultation on: The Future of Smart Ticketing	
Reference Number:	ZTP-38-17-F	
Author / Job Title:	Michael Craigie – Lead Officer	

1.0 Decisions / Action Required:

1.1 That the Partnership CONSIDER the ZetTrans Response to Transport Scotland's Consultation on: The Future of Smart Ticketing, as contained in Appendix 1; and

1.2 Instruct the Lead Officer (or his nominee), taking account of the comments from the Partnership, to issue the response in consultation with the Chair.

2.0 High Level Summary:

2.1 The Transport Scotland consultation invites opinions on key issues on the future of smart ticketing in Scotland.

3.0 Corporate Priorities and Joint Working:

3.1 ZetTrans' policy is to seek to have in place transport arrangements that are affordable and meet people's needs. To achieve this policy ZetTrans works closely with Shetland Islands Council. Shetland Islands Council's "Our Plan 2016-2020" states: 'There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term'.

4.0 Key Issues:

4.1 Appendix 1 contains the proposed response for comment.

4.2 Comments will be submitted to Transport Scotland in line with an agreed, extended deadline.

4.3 The response given should be in line with ZetTrans Vision, Strategic Objectives and Main Issues and must also encompass ZetTrans' dual strategic and operational roles.

4.4 Appendix 2 contains Transport Scotland's background information on the consultation.

5.0 Exempt and/or Confidential Information

5.1 None.

6.0	Implications :
6.1 **Service Users,** **Patients and** **Communities:**	Development of smart ticketing in Scotland will provide public transport users with more effective means of linking together journeys across different modes which in turn should encourage greater use of public transport.
6.2 **Human Resources** **and Organisational** **Development:**	None.
6.3 **Equality, Diversity** **and Human Rights:**	None.
6.4 **Legal:**	Certain proposals, if enacted, would place obligations on ZetTrans to adopt particular practices to support development of smart ticketing capacity in Scotland.
6.5 **Finance:**	There are no direct financial implications arising from this report.
6.6 **Assets and Property:**	None.
6.7 **ICT and New** **Technologies:**	None.
6.8 **Environmental:**	Certain proposals, if adopted, may enhance ZetTrans' capacity to reduce Green House Gas emissions through greater use of public transport.
6.9 **Risk Management:**	If a response to this consultation is not submitted, any changes which might ultimately be made may be less likely to be Islands-proofed and of benefit to Shetland.
6.10 **Policy and Delegated** **Authority:**	ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006. The Partnership is responsible for engaging with Government on issues relating to transport national policy and strategy.
6.11 **Previously** **considered by:**	Not previously considered.	

Contact Details:
Michael Craigie – Lead Officer
Phone: 01595 744160
E-mail Michael.Craigie@shetland.gov.uk
5 December 2017

Appendices:

Appendix 1   ZetTrans response to Transport Scotland's Consultation - The Future of Smart Ticketing

Appendix 2   Transport Scotland's Consultation Background Document, August 2017

Background Documents: Transport Scotland Website

https://consult.gov.scot/partnerships-and-concessionary-travel/national-concessionary-travel-scheme/

The Future of Smart Ticketing Consultation

Annex A - Consultation Responses

Part 1 - Respondent Information Form

Please Note this form **must** be completed and returned with your response.

Are you responding as an individual or an organisation?

☐   Individual

☒   Organisation

Full name or organisation's name

Zetland Transport Partnership	01595 744868

Phone number

Address

6 North Ness Lerwick Shetland

Postcode | ZE1 0LZ |

Email | zettrans@shetland.gov.uk |

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

> **Information for organisations:**
>
> The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.
>
> If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

☒   Publish response with name

☐   Publish response only (without name)

☐   Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

☒   Yes

☐   No

Part 2 – Questions on Key Issues

Key issues on the future of smart ticketing in Scotland

Availability of smart ticketing schemes in Scotland	
What is it?	In addition to individual smart ticketing schemes currently offered by individual transport operators (eg Stagecoach Megarider, SPT Bramble product for Glasgow subway or Lothian Buses Ridacard), our intention is to ensure that there is a consistent smart payment option (epurse) available across all of Scotland and on all main public transport modes, and to ensure that regional multi-modal schemes are fully supported.
What does it mean for me?	It would mean that, when fully delivered, at least one smart ticketing or payment option was available for passengers – and would remain available - across all of the main public transport modes in Scotland.
What will it cost or save?	It is not intended that Scottish Government should interfere in or influence fares setting, so it will remain a decision (as now) for transport operators about how to price the various smart tickets and products on offer. In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the national epurse.
What is the justification for claimed costs/savings?	For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries.

Question 1

Do you think our intention to have a consistent smart payment option available across Scotland and on all main public transport modes would promote use of public transport in Scotland?   Yes ☒   No ☐

Please explain your answer.
A consistent smart payment option will make it easier for travellers to pay for travel regardless of geography or mode. If combined with online methods of topping up it would increase convenience (both for individuals and those with dependents such as parents or social care providers).

Transport modes and services to be included in national and regional smart ticketing schemes

What is it?	As well as the obvious transport modes such as bus and rail, there are a number other transport offerings that could conceivably be included in such smart ticketing schemes. Our intention is that, for now, our smart ticketing plans should be limited to local bus services in Scotland, scheduled rail journeys entirely within Scotland, foot passengers on scheduled ferry services entirely within Scotland, the Glasgow subway and the Edinburgh tram. Other things such as air services, taxis, coach tours and heritage rail/tram/bus services, as well as peripheral offerings like car hire and cycle hire, and cars and freight vehicles on ferries, are proposed - for now – to be outside of scope.
What does it mean for me?	By focusing on a manageable number of services and modes, we believe that we will increase the likelihood that our plans can be delivered within a reasonable timescale.
What will it cost or save?	By focusing on modes that mostly have existing smart infrastructure, additional costs will be kept to a minimum.
What is the justification for claimed costs/savings?	As well as avoiding spending extra money on widening the scope of smart ticketing, it should also ensure a faster route to delivery.

Do you agree that the scope of smart ticketing should – for now – be limited to the modes and services outlined above?	Yes	☒	No	☐

Please explain your answer.
At this stage it seems overly complex to include vehicles and travel outside Scotland bringing risk to deliverability. The scope should focus at this stage on the passenger journey and integration across modes and operators in Scotland where there are more realistic opportunities for buy in from operators and transport authorities.

Scheme Compliance

What is it?	In addition to the provision of a national epurse that is accepted by bus, rail, ferry, tram and subway operators across Scotland, we also envisage a number of regional multi operator, multi modal smart ticketing schemes, based on Scotland's main city regions. These regional schemes could be based on existing regional ticketing legislation provision within The Transport (Scotland) Act 2001. There are a number of considerations ranging from defining the requirements to take part in national or regional smart ticketing schemes, monitoring and controlling compliance, through to whether and how to apply sanctions for non-compliance by operators – and, indeed, what these sanctions might look like.
What does it mean for me?	We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them.
What will it cost or save?	In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the epurse.
What is the justification for claimed costs/savings?	For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries.

Question 3 - epurse

a) Are you in favour of a clearly defined national epurse scheme?? Yes ☒   No ☐

b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a national epurse scheme? Yes ☒   No ☐

c) Should participation in a national epurse scheme be monitored and controlled? Yes ☒   No ☐

d) Should sanctions be imposed for non-compliance in a national epurse scheme? Yes ☒   No ☐

Please explain your answers.

If a national e-purse scheme is to be attractive to the widest range of users then is must be universally usable. To achieve this with the highest level of certainty means that all operators must be obliged to have in place infrastructure and practices to ensure there are no gaps in the network.

Monitoring is essential to measure success of any scheme and sanctions (although hopefully not necessary) provide a back stop to non-compliance.

Question 4

a) Are you in favour of a clearly defined multi-modal, multi operator regional smart ticketing scheme?	Yes	☒	No	☐
b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a multi-modal, multi operator regional smart ticketing scheme?	Yes	☒	No	☐
c) Should participation in a multi-modal, multi operator regional smart ticketing scheme be monitored and controlled?	Yes	☒	No	☐
d) Should sanctions be imposed for non-compliance in a multi-modal, multi operator regional smart ticketing scheme?	Yes	☒	No	☐

Please explain your answers.

For the customer it is important that they know what to expect from any scheme so clear definition and consistency is important.

Also, any scheme has to have full participation from all modes if the customer is to have a seamless experience and therefore trust in their travel opportunities.

Monitoring and control within regions and across regions is essential for ensuring consistency and also to ensure best practice is captured and shared.

Non-compliance by operators could have a significantly disruptive effect on the effectiveness of any scheme and therefore sanctions may be necessary to ensure compliance.

Legislation vs voluntary participation or other means of ensuring participation in smart ticketing schemes	
What is it?	New legislation would, on the face of it, be a clear cut and attractive means of specifying what is expected of operators in respect of participation in the national epurse and regional smart ticketing schemes, and ensuring they have available the appropriate smart ticketing infrastructure. However, for example, a combination of encouraging voluntary participation, making – for bus – provision of appropriate ticketing equipment a condition of their service registration, or a requirement of the Bus Service Operator Grant might be considered an effective alternative.
What does it mean for me?	We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them.
What will it cost or save?	For those operators – typically a few smaller bus operators and the Scottish ferry industry - who have still to invest in smart ticketing equipment there will be some costs. A new bus smart enabled ticket machine might cost £3,000.
What is the justification for claimed costs/savings	Most operators have already invested in, or have plans to invest in, appropriate ticketing equipment, so the cost of achieving full infrastructure provision across Scotland is already largely addressed.

Question 5

Are you in favour of new legislation that requires transport operators to participate in national and regional smart ticketing schemes?

Yes ☐   No ☐

Please explain your answer.

The consultation question recognises that for smaller operators the costs of replacing hardware may be difficult for some. In ZetTrans for example we take responsibility for the entire ticketing estate and the cost of replacement is circa £180K (against a software upgrade of existing hardware of £20K to maintain ITSO compliance) and the annual fare income is circa £500K. It is easy to see that replacing hardware with "Smart" capable hardware may be a difficult choice.

Governance of smart ticketing in Scotland

What is it?	A recurring theme in this consultation document is that to deliver interoperable smart ticketing requires a common and proven infrastructure to be in place. Currently that is ITSO, the interoperable smartcard standard in the UK. However, alternative technologies are at various stages of being available and proven. At some point in the future the more progressive transport operators will wish to adopt one or more of these alternatives, while their passengers may increasingly expect to see greater use of, for example, mobile phones and contactless bank cards.

Transport operators have already invested significantly in smart ticketing infrastructure and, understandably, any shift to a newer technology – a further outlay for operators – needs to be carefully planned for, to ensure that systems remain fully interoperable and consistent with passenger expectations.

It therefore seems important that public transport operators should play some role in decision making, or at least advising, moving forward, probably working in partnership with Scottish Ministers and other public bodies. The best way of approaching governance of both smart ticketing infrastructure and national and regional smart ticketing schemes is therefore a key consideration. |
| **What does it mean for me?** | From a passenger perspective an orderly and planned migration to newer technologies, as these emerge, will ensure that all of the benefits of smart ticketing and payment are retained, and remain easy to use and understand. |

From an operator perspective, investment decisions can be planned for and, collectively, a migration to newer technology platforms can be implemented in such a way that passengers are both able to benefit from technology advances and remain confident and informed about the integrity of the smart offering.

It seems essential that governance arrangements are in place to oversee all of this, and that these arrangements are effective as well as – as far as possible – establishing, representing and implementing the consensus view of transport operators in Scotland, regardless of mode or size.

What will it cost or save?	It is not envisaged that governance arrangements will place any burden on costs for either the passenger, the public purse or for operators.
What is the justification for claimed costs/savings?	No costs to consider.

Question 6

To ensure delivery of a consistent approach to meet the expectations of passengers now and in the future, should we establish a single governance group so that the technology implemented across Scotland for smart ticketing schemes is controlled?	Yes	☒	No	☐
Should such a governance group be established formally and supported by legislation?	Yes	☒	No	☐
Should such a governance group have a role in advising on development, implementation or administration of smart ticketing schemes?	Yes	☒	No	☐
Are there any other areas that a governance group should have a role in?	Yes	☐	No	☐

Please explain your answers.

Recognising that the Scottish public transport sector comprises a range of providers covering public and private sector and also a range of providers from small to large, it is essential that a governance group is established and that it comprises a sufficiently representative membership.

Are there any other issues you wish to raise which are not covered above?

The Scottish Government welcomes any further comments and suggestions on smart ticketing schemes or governance, and how these might be improved or made more sustainable.

Question 7

Do you have any other comments about any of the issues raised in this consultation?

Yes ☐   No ☒

If so, please use the box below to provide details.

My comments:

Part 3 - Assessing impact

<u>Equality</u>

1   In considering possible changes to the delivery of smart ticketing in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;

- advance equality of opportunity between people who share a protected characteristic and those who do not; and

- foster good relations between people who share a relevant protected characteristic.

1.1   These three requirements apply across the 'protected characteristics' of:

- age;

- disability;

- gender reassignment;

- marriage and civil partnership;

- pregnancy and maternity;

- race;

- religion and belief; and

- sex and sexual orientation.

1.2   At this early stage it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

1.3   Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment (EQIA) to determine if any further work in this area is needed.

Question – Equality Impacts
Are there any likely impacts the proposals contained within this Consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above? Please be as specific as possible.
No

Question – Children and young people

Do you think the proposals contained within this Consultation may have any additional implications on the safety of children and young people?

No

Business and Regulation

1.4 A Business and Regulatory Impact Assessment (BRIA) will analyse whether the policy is likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question – Business impacts

Do you think the proposals contained in this Consultation are likely to increase or reduce the costs and burdens placed on any sector? Please be as specific as possible.

Some of the proposals that include monitoring and compliance are likely to need additional public sector resources (with in Transport Scotland or Transport Authorities) although at an initial glance may not be execessive.

Privacy

1.5 A full Privacy Impact Assessment (PIA) will be conducted to ascertain whether our proposals on delivering a consistent approach may have an impact on the privacy of individuals.

1.6 At this early stage it is difficult to determine whether significant privacy effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely privacy effects.

Question – Privacy impacts

Are there any likely impacts the proposals contained in this Consultation may have upon the privacy of individuals? Please be as specific as possible.

It appears likely that some of the process will require the collection of personal information. The application of a robust Privacy Impact Assessment, however will identify the issues, if any, which will then have to be addressed by operators to ensure public confidence.

Transport Scotland
2017

TRANSPORT SCOTLAND
CÒMHDHAIL **ALBA**

The Future Of Smart Ticketing In Scotland

A Consultation

MINISTERIAL FOREWORD FROM MINISTER FOR TRANSPORT AND THE ISLANDS, HUMZA YOUSAF MSP

Smart ticketing and payment are exciting parts of Scotland's future public transport service and I am pleased to present this consultation paper asking for your views on how we should continue to develop smart ticketing in Scotland.

There has already been considerable progress in delivering smart ticketing on public transport in Scotland. Our National Concessionary Travel Scheme has been fully smart since 2010, the Glasgow subway fully smart since 2013 and a number of bus companies already offer a range of smart products on their services. We also have successful multi operator smartzones in Aberdeen and Dundee, and bus operators have committed to deliver similar smartzones in Glasgow and Edinburgh.

In addition we are working with all transport operators to introduce a national epurse in the near future and the Scottish Government has set both ScotRail and CalMac Ferries Ltd very challenging smart ticketing targets as part of their contractual obligations.

However, I would like to see even more progress. Our vision is that all journeys on Scotland's bus, rail, ferry, subway and tram networks can be made using some form of smart ticketing or payment, and this consultation focuses not only on how we achieve this, but sustain and build upon it as new technology evolves and matures.

This vision highlights our manifesto and Programme for Government objectives for a more connected, sustainable Scotland.

We believe that we must put in place robust ways of continuing to improve the smart offering in Scotland to meet passenger expectations, whether regular users or not, whether residents of Scotland or visitors, as part of delivering a public transport network that is fit for the 21st century - one that we can truly be proud of.

I look forward to receiving your views.

Humza Yousaf
Minister for Transport and the Islands

TABLE OF CONTENTS

A.   Responding to this Consultation

About this Consultation

1.1   Consultation is an essential part of the Scottish Government's policy making process. It gives us the opportunity to seek your opinions. This Consultation sets out the issues under consideration and asks you questions about what we are proposing. After the Consultation is closed we will publish responses where we have been given permission to do so.

1.2   Responses are analysed and used as part of the policy making process, along with a range of other available information and evidence. Responses to this Consultation will help to future of smart ticketing in Scotland.

Deadline

1.3   The Consultation closes at midnight on 05 December 2017.

How to respond

1.4   To encourage wide participation, the Scottish Government has created a number of ways for you to engage in the Consultation. You can respond online, by email or by post.

1.5   The Consultation will also be available in alternative formats on request, including Large Print, Braille and Easy Read. In addition to publishing this Consultation document, we have also produced an information leaflet which can be downloaded from the Transport Scotland website:-
https://www.transport.gov.scot/

Respond Online

1.6   To respond online please use the Scottish Government's Consultation Hub, Citizen Space at http://consult.scotland.gov.uk/. You can save and return to your response at any time while the Consultation is open. But please ensure that your response is submitted before the Consultation closes at midnight on 05 December 2017.

1.7   You will automatically be emailed a copy of your response after you submit it. If you choose this method you will be directed to complete the Respondent Information Form. The Respondent Information Form lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.

1.8   You can also complete the response form at Annex A, and either scan this and send it by email, or send it by post to the address given below.

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Table of response methods

Online	You can use the response form on the Scottish Government's Consultation Hub, Citizen Space at https://consult.scotland.gov.uk/transport-scotland/smart-ticketing-in-scotland
Email	Send us your response in an email to SmartTicketingConsultation@transport.gov.scot Please include the Respondent Information Form.
Post	Send your responses in English to: Smart and Integrated Ticketing Team Transport Scotland Buchanan House 58 Port Dundas Road Glasgow G4 0HF Please include the Respondent Information Form

1.9 With each of these methods you need to include your Respondent Information Form because this lets us know how you wish your response to be handled, and in particular whether you are happy for your response to be made public.

1.10 You can find this in Annex A below.

Next Steps

1.11 After the Consultation has closed we will analyse all the responses received and use your feedback to help inform the development of future rules and guidance on the National Concessionary Travel Scheme. Where permission has been given, we will make all responses available to the public at https://consult.scotland.gov.uk/. The responses to the Consultation and analysis will be published later this year.

Need assistance?

1.12 If you need support in answering this Consultation or alternatively have a query about the Consultation process, or a complaint about how this Consultation has been conducted you can send your query by email to SmartTicketingConsultation@transport.gov.scot or by writing to:

Smart and Integrated Ticketing Team
Transport Scotland
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

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B.   What is Smart Ticketing?

1.   Smart ticketing is an important element of a modern public transport system and is increasingly prevalent in major cities and countries around the world.

2.   For the purposes of this document smart ticketing means an electronic travel ticket which can be loaded onto a micro-chipped smartcard or mobile phone.

3.   The document will also refer to smart ticketing *systems* which means the infrastructure – both software, and hardware such as ticket machines –used to manage smart ticketing.

4.   The Scottish Government intends to introduce an epurse in Scotland and this can be defined as; the store of monetary value on a smartcard which can be used in the same way as cash to pay for travel.

5.   The document will also explore other forms of smart payment, for example, using a contactless bank card to pay for travel, and mobile apps which may, for example, involve a digital representation of a travel ticket.

6.   Finally, there are references to smart ticketing *schemes*, which may involve single operators or several operators, and a single mode (eg bus) or several modes (eg bus, rail, ferry).

7.   A glossary is included at Annex B, to explain not only the acronyms and organisations referred to throughout this consultation, but also to explain some of the key terms used.

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8. Some successful examples of smart ticketing include:

Scotland-Wide Free Bus Travel for Older and Disabled People

When Scottish Government commenced this scheme in 2006, a commitment was made to equip every bus operator in Scotland with smart enabled ticketing equipment and provide all eligible residents with a smart card to access the scheme.

Transport Scotland funded the entire rollout of around 7,000 ITSO smart ticket machines between 2006 and 2010, covering almost every current operator of local bus services in Scotland.

Currently, over 1.3m eligible residents of Scotland use a product loaded onto their *saltire*card to access the scheme, making around 145M smart journeys each year.

OV-Chipkaart (Netherlands)

The OV-chipkaart is a contactless smartcard system, essentially an epurse, for use on all modes of public transport across the whole of the Netherlands. The OV-chipkaart is available in disposable and reusable forms to suit most passengers, and is now widely used for travel in the Netherlands with good levels of passenger satisfaction.

Leap Card (Ireland)

The Leap card is a successful smart ticketing scheme on bus, tram and rail services launched initially in and around Dublin, and now being extended across the rest of the country. It is a smartcard that can be used to store prepaid tickets (singles, weekly, annual and monthly) as well as top up credit and pay as you go for journeys on a number of rail, tram and bus operators. There are now over 2 million users.

The transport operators are a mix of state owned and private companies. Prior to Leap being introduced, there were three non-compatible ticketing schemes for travel around Greater Dublin.

To ensure competitive value, capping is applied (for example max €10 each day across all services, plus other multiple journey caps) in addition any one journey using two or more modes gets a €1 discount, and journeys bought using the Leap card are cheaper than paper or cash bought tickets. The initial purchase of the card is €10, however this comes with a €5 credit on it.

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9. The Oyster scheme in London is also very successful but, for a range of financial, technical and operational reasons, cannot readily be replicated in other parts of the UK. This is explained in more detail in paragraphs 81-84.

C. Benefits of Smart Ticketing

10. The Smart and Integrated Ticketing Business Case produced on behalf of Transport Scotland by PWC in March 2011[1] found that there are a number of benefits for users, transport operators and society and these are summarised below:

For Passengers

11. The use of a common smartcard across transport modes offers choice in how travellers pay for their travel which means that travellers do not need to carry money for the purchase of the ticket.

12. The common *saltire*card brand means that users and operators can clearly identify cards that can be used to access travel in Scotland.

13. Travellers are able to load travel products and/or credit onto their smartcard in advance of travelling, speeding up boarding times and reducing queuing.

14. Smartcards are hard to replicate and can be blocked when they are reported lost or stolen, with the potential for any residual cash balance to be refunded.

15. Operators would be able to run their own loyalty schemes and offer ticket types to suit individual customers' needs.

16. It will be possible to top-up some smart products on the mode of transport or at bus or rail stations, or even remotely eg via home PC or mobile phone.

17. In the longer term, smart tickets should enable operators to offer a more flexible range of products to travellers that are better suited to the way people work and travel. ScotRail, for example, have already recognised this with their smart flexi-pass.

For the Operator

18. Operators will gain access to a cost-effective, efficient and trusted service through which they are able to sell their products and receive payment while increasing revenue through growing the overall market as travel becomes easier to access.

19. Smart ticketing can also help manage fraud with resultant proportionate savings. The move to smartcards for the National Concessionary Travel scheme resulted in significant savings through fraud reduction, demonstrating the potential to utilise travel data to identify, manage and reduce fraud.

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[1] https://www.transport.gov.scot/publication/smart-integrated-ticketing-report-for-scotland/

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Furthermore, data collected via the smart tickets can be analysed to identify suspicious patterns. This information can then be used to prevent, detect and address fraudulent travel.

20. The access to data that is enabled through smart ticketing also has other benefits. The data should enable operators to greatly enhance the knowledge they have of their customers preferences and therefore enable them to improve customer relationships and develop marketing opportunities.

21. Access to data on the use made of transport by the traveller is a key benefit in respect of transport operators, who generally tend to have a more limited relationship with their core customers compared to other retail operators. Limitations in this knowledge may be currently preventing them from maximising their markets, increasing loyalty and/or tailoring services to meet core customer needs. It should be stressed that access to any personal data is subject to appropriate safeguards and restrictions, and this aspect will also be picked up in the Privacy Impact Assessment.

For the Government

22. A single smart ticketing system to support both commercial and concessionary travel delivers economies of scale and efficiencies that will benefit both the Scottish Government and commercial operators.

23. This will also help bring about a consistent experience for passengers using smart ticketing, thus increasing the likelihood of modal shift onto public transport.

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D.   Policy Goal

24. The Transport Scotland Smart Ticketing Delivery Strategy, first published in October 2012[2] and now updated to help with this consultation, set out the vision "***That all journeys on Scotland's bus, rail, ferry, subway and tram networks can be made using some form of smart ticketing or payment".***

25. The UK (outside of London) has a relatively unusual approach to the organisation of public transport. In most countries around the world and indeed, even in London, most public transport operations are either owned by, or tightly controlled by the state. Here in Scotland, the Government controls only the ScotRail franchise and ferry services operated by CalMac and by Northlink. While this has some merit in other aspects of public transport delivery, it makes the delivery of the above vision for smart ticketing a degree harder.

26. So, with that in mind, delivery of the policy vision may look like:

- A common smart ticketing system across Scotland, which enables both interoperability and integration. The core interoperable system we are currently seeking to have in place is the UK standard for smart ticketing, ITSO. It is proven as a concept and much of the necessary infrastructure is already in place across Scotland, particularly for bus, rail and subway.
- ITSO smartcards being used where possible as the media for delivering smart ticketing with the *saltire*card branding being visible on all cards
- Larger operators across all modes progressing their own smart ticketing and payment schemes, but on a common and interoperable infrastructure platform or system. This should deliver a common or similar experience for passengers
- A national and interoperable epurse scheme that all public transport operators participate in. All of Scotland's major public transport operators have committed to participate in the national epurse, and Transport Scotland's preference is that all operators, of all sizes, across all modes, participate in it. It is envisaged that the epurse will be launched during 2018.
- A series of regional multi operator interoperable smart ticketing schemes e.g. around Glasgow, Edinburgh, Aberdeen and Dundee that all relevant transport operators participate in
- Appropriate governance arrangements to ensure that each scheme endeavours to offer a good passenger experience and, through time, as technology develops, there is an orderly migration path to new or alternative technologies for smart ticketing and payment

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[2]https://www.transport.gov.scot/publication/smart-ticketing-delivery-strategy/

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27. We recognise that this standard can co-exist with other solutions such as contactless bank card payment (also known as EMV), apps for mobile phones or barcodes. We are not seeking to block any of these alternatives.

28. To ensure that the vision outlined in para 24, and the multi-modal smart ticketing commitments in the Programme for Government can be achieved and sustained, there are 2 key themes that need to be further developed.

29. Firstly, based on all of the positive progress so far, we need to establish what further work will be needed to meet the vision and how and by whom this can be delivered.

30. Secondly, once this is established, we need to consider what governance mechanism is best to ensure that Scotland-wide Smart ticketing can be developed and maintained to meet evolving passenger needs. We must also continue to embrace the best technical solutions on offer while, as far as possible, future-proofing investment from public bodies and transport operators.

31. Before we can do this, we need to explore what the current situation in Scotland looks like, and this is outlined in the next section.

E.   Current Status/Existing Situation/Challenges

Existing Legislation

32. We have already described the proposed national epurse, and made reference to regional smart ticketing schemes. We are seeking views on whether public transport operators should participate in the national epurse and in regional multi operator schemes, and how best to achieve this.

33. While there is no existing legislation covering smart ticketing, there is legislation which enables the creation of regional ticketing schemes on bus.

34. Section 28 of The Transport (Scotland) Act 2001 gives local authorities a duty to determine what ticketing arrangements should be made available on local bus services for their area. If those arrangements are not made, the local authority has a duty to seek to secure the agreement of the operators of the services in question to making those arrangements.

35. Where the local authority are unable to secure that agreement, section 29 of the same Act states that the local authority, or two or more local authorities, may make a ticketing scheme covering the whole or any part of their area, or combined area, if they consider that the proposed scheme:

     (a) would be in the interests of the public; and
     (b) would to any extent implement their relevant general policies.

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36. While there are schemes of the type laid out above across Scotland, such as Zonecard in west central Scotland and the Grasshopper scheme in Aberdeen and Aberdeenshire, these scheme came about on a voluntary basis and did not require the use of the provisions in the 2001 Act referred to above, nor has any other scheme used these powers. Governance arrangements for these schemes also arise from voluntary agreements between the participants.

Financial Investment

37. The Scottish Government has committed financially to the delivery of smart in Scotland through:

   - major investment over recent years in smart ticketing infrastructure. £37 million was spent between 2006 and 2010 ensuring that every bus operator providing commercial services in Scotland had smart ticketing equipment.

   - ensuring that delivery of smart ticketing is a central feature of both the current ScotRail franchise and the contract with CalMac for ferry operations along Scotland's west coast.

   - Investing in the provision of the public sector National Entitlement Card (also variously branded Young Scot and *saltire*card).

38. All the major bus operators and most smaller ones have either invested in, or are committed to investing in, up to date ticketing equipment. The current ScotRail franchisee inherited a largely smart-ready infrastructure, and has therefore been able to make good progress in developing rail smart ticketing in the first years of the franchise.

39. Accordingly, relatively little additional investment is required to deliver smart ticketing throughout Scotland although it is recognised that, in relative terms, some of the investments may be significant for smaller operators or local authorities. In the main, bus operators are expected to fund their own ticket machines although Transport Scotland are currently running a series of smart ticketing challenge fund initiatives aimed at helping local authorities with the cost of upgrading ticketing equipment in respect of financially supported services.

40. Transport Scotland is also currently procuring the capability to operate and manage a national epurse, as an important Scotland-wide product within smart ticketing. Considerable effort is being made to ensure that this new offering works in a way that is not only easy for the customer, but is efficient and effective from the operators' perspective. It is envisaged that the epurse will be rolled out over the next 12 months or so, with no undue financial implications for operators, who will only have to pay a small transaction fee (as is the case for any other payment methods.

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Current Situation Across Each Mode

    i.   Smart on Bus

41. Somewhere close to 80% of public transport journeys in Scotland are taken by bus. Bus is a deregulated market in the UK (outside of London), so operators cannot currently be compelled to introduce smart ticketing.

42. In Scotland there are around 200 operators providing local bus services. They range from a few very large operators such as Stagecoach and First to a much greater number of small operators. Many of these operators only have a few buses and are often dependent on their local authority for work, typically through contracts for the operation of financially supported local bus services or school transport services.

43. The large operators generally have some expertise and resource to develop and deliver smart ticketing, but the 190 or so smaller operators do not and mostly look to Transport Scotland for advice and support.

44. As previously noted, turning the Scotland-Wide Free Bus Travel Scheme for Older and Disabled People fully smart on the ITSO platform led to significant investment in Electronic Ticket Machines (ETMs) by Scottish Government.

45. Since 2011, it has been the responsibility of both existing and new operators to ensure they continue to have appropriate smart ticketing equipment.

46. Much of the original equipment is now nearing the end of its useful life, and needs replaced. All the major Scottish bus operators, plus most of the smaller ones have already replaced, or have plans to replace, old equipment. So, assuming remaining operators deliver on these plans, the infrastructure for bus necessary for interoperable smart ticketing will be largely in place for the foreseeable future.

47. There is also an opportunity for Local Authorities or Regional Transport Partnerships to bid to the Smart Ticketing Challenge Fund (STCF).[3] This funding will support capital funding for ITSO ticketing equipment, primarily for bus services that the local authority financially supports. It should be noted that the STCF is only open to public sector bodies such as local authorities.

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[3] 1.   The STCF is one part of the Scottish Government Low Carbon Travel and Transport Programme (LCTT) which has been awarded up to £13.9 million from the European Regional Development Fund (ERDF) 2014-2020 Programme. The LCTT aims to encourage a modal shift to forms of transport with lower carbon emissions and is available for projects which are delivered up to December 2018.

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48. Some commercial bus operators have also developed their own successful smart ticketing offerings, for example:

   - Stagecoach has progressively introduced ITSO smart ticketing across their entire network of services in Scotland, stretching from Orkney to Dumfries & Galloway.

   - Lothian Buses has had a smart ticketing scheme in place since 2002, although it is a proprietary system and is therefore not interoperable with any other scheme or card.

49. In March 2016, Scotland's five largest bus operators – Stagecoach, First, Lothian Buses, McGills and Xplore Dundee – made a series of smart ticketing related commitments to the then Transport Minister. These were:

   - The launch of interoperable, bus-to-bus, smart ticketing across Scotland's largest cities (Aberdeen, Dundee, Glasgow and Edinburgh) and the surrounding areas

   - support for the introduction of a single standard national epurse

   - support for a common saltirecard logo displayed on the various smartcards that individual operators use

   - a plan to see EMV contactless bank card technology installed on buses in Scotland by 2022

   Some progress has been made on delivering on these commitments, but there is still more work to do.

ii.   Smart on Rail

50. The ScotRail franchise is let by Scottish Ministers, and covers all passenger rail services in Scotland apart from services by other operators that cross the Anglo-Scottish border (Virgin, East Coast, TransPennine, Cross Country and the Caledonian Sleeper). The current franchise was awarded in April 2015, to Abellio ScotRail Limited (ASL), and runs for 7 years with an option to extend to 10.

51. There are a series of smart ticketing requirements within the franchise agreement between the Scottish Ministers and ASL, which are binding on ASL. These include:

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- The majority of ticket types will be smart by 2017. All ticket types will be available on smart by 2019, including some multi-modal tickets. Additional benefits for ScotRail Smartcard season ticket holders include discounted season rail tickets purchased online.

- ASL has committed to achieving a 60% uptake for the majority of ticket types and a 65% uptake for all ticket types, by 2019 and 2021 respectively.

52. While the franchise process should ensure that Scotland's railway is at the heart of the delivery of smart ticketing in Scotland, ASL only has limited ability to ensure delivery of multi modal smart ticketing products, where it has to get co-operation from, for example, bus or ferry operators.

53. The other Train Operating Companies (TOCs) providing services that call at Scottish stations e.g. Virgin East Coast, Virgin West Coast, Cross Country and Trans Pennine (under franchise agreements with the UK Government), are pursuing a similar but not identical approach to smart ticketing in terms of focus and timescale. Scotland is further ahead on the implementation of smart ticketing on rail than the rest of the UK outside of London, and details are still emerging around precisely what other TOCs will do, and by when.

54. It is anticipated that suitable agreements to participate in interoperable schemes can be reached with other TOCs via the close working relationship between the Scottish and UK governments.

55. The Caledonian Sleeper franchise, also let by Transport Scotland, has no binding commitments around smart ticketing and at this stage there are no plans to change this, as most journeys are pre-booked singles or returns. However, this approach will be kept under review.

iii.   Smart on Ferry

56. There are several ferry operators within Scotland, including CalMac Ferries Ltd, Serco Northlink Ferries, Shetland Ferries, Orkney Ferries, Pentland Ferries and Western Ferries. Both CalMac and Serco operate services under contract with the Scottish Ministers, while Shetland Ferries and Orkney Ferries – both relatively large operations – are Council owned and operated. Pentland Ferries and Western Ferries are privately owned commercial operations, and there are also a number of other small local authority and commercial operations.

57. There are some unique challenges associated with smart infrastructure on ferry services. Firstly, the front end devices such as ticket machines typically used in bus and rail operation are not robust enough for operation in the marine environment. There is only one supplier of a suitable handheld ticket device with an ITSO certificate, which was only issued in August 2017, so we are still at a very early stage of trialling ITSO ticketing for ferries.

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58. Secondly, ferry operation – unlike bus and rail – caters for cars and freight and also has a lot of pre-booked traffic. Certainly on the busier routes, where pre-booking is the norm, the operation is more akin to air travel than bus or rail. A central booking, reservations and ticketing system is integral to the smooth running of a larger ferry operator's network, and is an important additional component of the smart ticketing infrastructure for ferry operations.

59. Finally, unlike with bus and rail where there is already wide-spread use of smart ticketing, in particular for the concessionary travel schemes on bus and season tickets on rail, ferry will be starting from a point where interoperable smart ticketing is completely new. This will require close engagement with the relevant operators and local authorities to ensure that appropriate support is available to introduce the infrastructure required.

60. As a result, there is some uncertainty about how quickly ferry services might be able to adopt ITSO smart technology, and whether it is either practical or desirable to extend smart ticketing beyond foot passengers.

61. Additionally, for those ferry operators such as Pentland Ferries, Western Ferries and local authority services, which are not contractually committed to Scottish Government, it will be important to identify how participation from these operators can be achieved.

62. At this stage it is not proposed that services which do not both start and finish in Scotland, for example, Cairnryan to Northern Ireland, are included in the scope of the consultation.

iv.   Smart on Subway

63. SPT (Strathclyde Partnership for Transport) has undertaken a substantial modernisation programme for the Glasgow subway, largely funded by the Scottish Government. As part of this programme SPT took the opportunity to upgrade the subway ticketing system to be fully ITSO smart, and are now working closely with Abellio ScotRail to ensure smartcard interoperability between subway and rail. This will include the ability to load SPT subway tickets on ScotRail smartcards, and to load available ScotRail smart tickets on the SPT ITSO smartcard (the Bramble Card).

64. The Glasgow subway is already ITSO compliant and fully smart, and the issues are therefore around how it becomes fully interoperable with adjoining modes like bus and rail.

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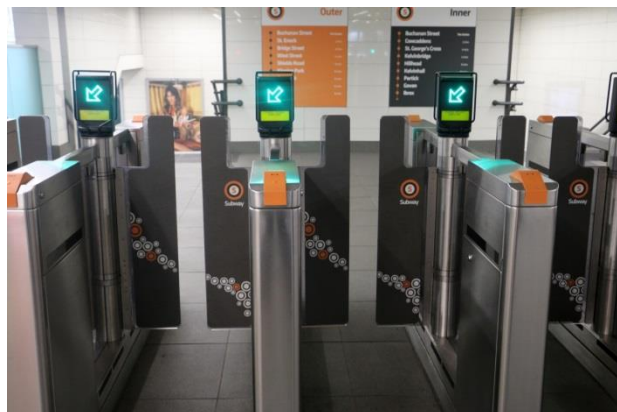
v.　　　Smart on Tram

65. The Edinburgh tram is an integral part of the local transport network in Scotland's capital city. It is often the first point of contact with the Scottish public transport system for visitors arriving at Edinburgh airport.

66. The tram network in Edinburgh is operated by Edinburgh Trams Ltd on behalf of Transport for Edinburgh (TfE). The TfE strategy for delivery 2017-2021 confirms support for the continued development of fully integrated, smart, electronic ticketing systems.

67. Edinburgh Trams smart ticketing ITSO platform is used to deliver the local concessionary travel scheme for City of Edinburgh residents using the *saltire*card on the tram network. Although their system is ITSO certified to the latest version of ITSO it is understood that some elements require upgrade before it is fully interoperable with rail and bus. While it works with the proprietary Lothian Buses Ridacard, as previously noted this is not an ITSO system and is therefore not interoperable with other smart ticketing initiatives across Scotland.

vi.　　　Smart on Other Transport Modes - Air

68. Air travel, even for domestic journeys entirely within Scotland, tends to be based on scanned barcodes from either paper tickets or on phones. The infrastructure is therefore not in any way set up to deal with ITSO smartcards either for individual carriers or at airports generally.

69. That said, Transport Scotland in partnership with Orkney Island Council and Loganair, has successfully introduced a scheme to deliver a local air travel concession scheme using the *saltire*card. It is envisaged that, in due course, a scheme such as this could be replicated in other rural areas and to commercial travellers on similar routes e.g. inter-island travel on Orkney or Western Isles.

70. However, such plans would need considerable discussion, planning and investment. Air services are not therefore a part of this consultation.

vii.　　　Smart on Other Transport Modes - Taxi

71. Taxi, and indeed other smaller vehicles like 8 seat minibuses used for community transport or social services transport, could benefit from smart ticketing in a number of ways. However, for the time being, the cost of the infrastructure is somewhat prohibitive for these very small operations.

72. Taxi services are not therefore a part of this consultation.

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viii. <u>Account Based Ticketing</u>

73. Account Based Ticketing (ABT) is where a traveller does not pay for transport at the point of consumption but "on account", for example a monthly billing for all travel undertaken, with potential capping and discounts applied so that the passenger always gets the best deal. There is some evidence that other European countries with more mature smart ticketing offerings, such as Ireland, Netherlands and Denmark see this as the next major thing to be developed and delivered.

74. ScotRail has already committed to deliver an ABT pilot in 2018 and, in more general terms, ABT is an example of a future development that might be best determined by a governance group once the parameters of ABT are better understood.

ix. <u>Mobility as a Service (MaaS)</u>

75. MaaS is an emerging concept aimed at providing a comprehensive package of account based journey planning and transport services, and not limited to conventional public transport. Assuming the concept matures into something tangible and substantial in the years ahead, smart ticketing will certainly be an element of the services on offer, and the most obvious overlap between the two areas may well be Account Based Ticketing.

76. Once again, MaaS is a topic that is not a part of the immediate considerations around smart ticketing, but has some overlap with smart ticketing. It may be another consideration for any governance moving forward to ensure that MaaS is integrated with smart ticketing.

x. <u>Passenger Expectations</u>

77. UK public transport passengers have often experienced the very successful Oyster smart ticketing scheme in London and, understandably, sometimes ask why Scotland cannot simply replicate Oyster.

78. There are a number of reasons for this, the main ones of which are cost (Oyster is a very expensive system and scheme to run), control (Transport for London has complete control over the London bus and tube transport network, unlike in Scotland where bus services operate in a deregulated market), a far simpler fares structure (there are only 6 tube zones and one flat rate bus fare) and, as a result of the control and simpler fares structure allied to a fully gated tube network, passengers never need to state their destination (this could not be replicated in Scotland).

79. Indeed, Transport for London (TfL) are now trying to move away from Oyster and encourage passengers to instead use contactless bank cards (also known as EMV) to pay for travel. Once again, while this is viable for London, the full benefits of using contactless bank cards for transport are much harder

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to realise outside of London due to the sheer number of different operators and the hugely complex fares systems.

80. That said, Oyster in its simplest form is an epurse, which is something that Scottish Ministers intend to introduce across the Scottish public transport network within the next 12 months or so. It is envisaged that the Scottish epurse will work in a similar fashion to Oyster in its most basic form, but it will not be able to offer daily or weekly capping, while passengers will need to state their destination.

xi.   Current Governance Arrangements

81. In January 2016 Transport Scotland led the formation of an Operator Smart Steering Group (OSSG). It is a strategic decision making group for smart ticketing in Scotland, and comprises senior representatives from bus, rail, ferry and subway operators in Scotland. In its current form it would advise, for example, on interoperability priorities and on future technologies.

82. The group meets regularly to consider the current status of smart ticketing delivery in Scotland and oversee the outputs of a number of working groups on subjects such as the national epurse and the regional smartzone schemes.

83. Whilst the group is, overall, both committed and well intentioned with many strengths, it is also apparent that relying purely upon a collaborative approach has some limitations. The group is made up of operators with a range of sometimes conflicting commercial imperatives, across all transport modes, all sizes of operator and in a geographically varied country.

84. Perhaps, inevitably, this makes it difficult to easily reach consensus and agreement on the best way forward on a number of elements of smart ticketing.

85. However, unless there is something approaching a consistent, simple and easy to use customer offering around smart ticketing across Scotland, then passengers and potential passengers are less likely to be persuaded to use it.

86. Accordingly, future governance arrangements are a key consideration of this consultation.

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F.   Overcoming these Challenges

Moving towards a Scotland-wide Smart Ticketing Solution

87.   The passenger is the end user of smart ticketing and it is critical that they see benefits in a consistent experience across Scotland from multi-modal smart ticketing.

88.   As already outlined, several leading transport operators in Scotland have already started to adopt some form of smart ticketing. These schemes, understandably, tend to be shaped around the individual operator's view of what works best for both their business and their core customers.

89.   While the Smartzones (ABC and GrassHOPPER) have shown that operators can work together to deliver successful schemes, it is less clear that transport operators' individual offerings – where these exist – facilitate consistency of experience or ease of travel on other operators' services or other modes of transport, or can be easily understood by occasional travellers.

90.   Simply put, if the market is left to develop smart by itself, there is a concern that it may deliver relatively fragmented solutions that fall well short of what passengers and potential passengers expect.

Governance – Delivering and Managing Smart Ticketing in Scotland

91.   To truly achieve the Scottish Government's vision for smart ticketing across Scotland, there must firstly be an agreed common infrastructure in place, adopted by all participating operators and, secondly, a consistent, simple and easy to use customer offering.

92.   Then, once that is in place, there needs to be some means of ensuring that the integrity and relevance of national and key regional smart ticketing schemes is maintained and, furthermore, that there is an orderly and planned migration in due course to more advanced technologies as these emerge.

93.   Dealing with the first element of this, only a relatively small number of bus operators have not made any commitment to moving to the agreed common infrastructure. There is also on-going work to identify a ticket machine for ferries that can handle smart ticketing in the challenging marine environment.

94.   But, in essence, the necessary infrastructure to deliver smart ticketing across Scotland is already largely in place, and the immediate challenge is around how to encourage or ensure the few remaining uncommitted operators address this.

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95. However, while there are relatively few technical barriers to delivering smart ticketing in Scotland, it has proved much more challenging to agree a reasonably common and easy to understand set of arrangements across Scotland on:

- how a customer might obtain a smartcard,
- how they might purchase a smart product,
- how they might fulfil that product (ie get it loaded onto their smartcard),
- who a customer should contact in the event of a problem and how they would do so

96. It is also worth clarifying at this point that it is not the Scottish Government's intention for any of these changes to impact on the operators' ability to set and determine commercial fares and also that, for now, it is proposed that the focus of smart ticketing should continue to be on bus, rail (other than the sleeper), ferry, tram and subway.

97. There are a number of different ways in which smart ticketing and payment can be delivered or operated. At the front end, the most common, and proven, way of doing so currently in the UK outside of London is on an ITSO smartcard loaded with ITSO ticket product(s) and presented to an ITSO reader, typically a ticket machine, reader or gate.

98. However, technology already offers a wide range of other possibilities – contactless bank cards, barcodes, mobile phone technology and beacon technology – which will continue to grow and develop, and it is unlikely that today's preferred and proven technology will be the most attractive or appropriate solution in five or ten years' time.

99. The key point is that a common interoperable technology platform is at all times a vital pre-condition of introducing interoperable smart ticketing schemes that are both multi-operator and national or regional.

100. We therefore need to be collectively clear about what smart ticketing system is to be adopted and made available by transport operators at any given time. This should include consideration of how to ensure a well-managed and planned migration onto newer technology platform(s) as these become proven and affordable.

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101. It seems important that public transport operators should play some role in decision making, or at least work in partnership with Scottish Ministers and other public bodies. The best way of approaching governance of both smart ticketing infrastructure and national or regional schemes will therefore be a key consideration.

102. Regardless of whether this is done on a voluntary basis (as now with OSSG), a legislative basis or some other approach, there will be some challenges about fairly representing the views and interests of around 200 bus operators, 12 ferry operators, 5 rail operators (includes cross border operators), 32 local authorities and 7 Regional Transport Partnerships all with an interest on how smart ticketing should be delivered, including incorporating the views of the end user, the passenger.

G. Conclusion

103. All public transport passengers in Scotland, whether regular users, occasional users or simply visitors to Scotland, should be able to enjoy the benefits of modern ticketing and payment technology, making their journeys simpler and easier. We believe that this will help encourage modal shift onto public transport and contribute to growth in usage of Scotland's public transport services.

104. For now, a smartcard-based approach using ITSO seems like the best way to achieve this – the infrastructure is largely in place, and it is proven, interoperable and secure. Smartcard based systems are still very much prevalent in other countries, and even Transport for London have recognised that it will take a long time before they can phase out Oyster in favour of contactless bank card payment.

105. That said, technology continues to develop rapidly, and that is why we believe that identifying the appropriate approach to governance will be essential to ensure an orderly and planned migration between technologies, as well as overseeing the operation of, and participation in, key national and regional smart ticketing schemes.

106. We are approaching this consultation on smart ticketing on the basis that legislation may be necessary to achieve full operator participation in national and regional smart ticketing schemes, and that some form of recognised and formalised governance may be necessary to support this on an on-going basis. However, we also recognise that legislation is not necessarily the only way to achieve these outcomes, and look forward to the feedback from consultation in helping us determine the best way forward.

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Annex A - Consultation Responses

Part 1 - Respondent Information Form

Please Note this form **must** be completed and returned with your response.

Are you responding as an individual or an organisation?

☐   Individual

☐   Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

☐   Publish response with name

☐   Publish response only (without name)

☐   Do not publish response

Information for organisations:
The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.
If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

☐   Yes

☐   No

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Part 2 – Questions on Key Issues

Key issues on the future of smart ticketing in Scotland

Availability of smart ticketing schemes in Scotland

What is it?	In addition to individual smart ticketing schemes currently offered by individual transport operators (eg Stagecoach Megarider, SPT Bramble product for Glasgow subway or Lothian Buses Ridacard), our intention is to ensure that there is a consistent smart payment option (epurse) available across all of Scotland and on all main public transport modes, and to ensure that regional multi-modal schemes are fully supported.
What does it mean for me?	It would mean that, when fully delivered, at least one smart ticketing or payment option was available for passengers – and would remain available - across all of the main public transport modes in Scotland.
What will it cost or save?	It is not intended that Scottish Government should interfere in or influence fares setting, so it will remain a decision (as now) for transport operators about how to price the various smart tickets and products on offer. In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the national epurse.
What is the justification for claimed costs/savings?	For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries.

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Question 1

Do you think our intention to have a consistent smart payment option available across Scotland and on all main public transport modes would promote use of public transport in Scotland?	Yes ☐	No ☐

Please explain your answer.

Transport modes and services to be included in national and regional smart ticketing schemes

What is it?	As well as the obvious transport modes such as bus and rail, there are a number other transport offerings that could conceivably be included in such smart ticketing schemes. Our intention is that, for now, our smart ticketing plans should be limited to local bus services in Scotland, scheduled rail journeys entirely within Scotland, foot passengers on scheduled ferry services entirely within Scotland, the Glasgow subway and the Edinburgh tram. Other things such as air services, taxis, coach tours and heritage rail/tram/bus services, as well as peripheral offerings like car hire and cycle hire, and cars and freight vehicles on ferries, are proposed - for now – to be outside of scope.
What does it mean for me?	By focusing on a manageable number of services and modes, we believe that we will increase the likelihood that our plans can be delivered within a reasonable timescale.
What will it cost or save?	By focusing on modes that mostly have existing smart infrastructure, additional costs will be kept to a minimum.
What is the justification for claimed costs/savings?	As well as avoiding spending extra money on widening the scope of smart ticketing, it should also ensure a faster route to delivery.

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Question 2

Do you agree that the scope of smart ticketing should – for now – be limited to the modes and services outlined above?	Yes ☐		No ☐

Please explain your answer.

Scheme Compliance

What is it?	In addition to the provision of a national epurse that is accepted by bus, rail, ferry, tram and subway operators across Scotland, we also envisage a number of regional multi operator, multi modal smart ticketing schemes, based on Scotland's main city regions. These regional schemes could be based on existing regional ticketing legislation provision within The Transport (Scotland) Act 2001. There are a number of considerations ranging from defining the requirements to take part in national or regional smart ticketing schemes, monitoring and controlling compliance, through to whether and how to apply sanctions for non-compliance by operators – and, indeed, what these sanctions might look like.
What does it mean for me?	We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them.
What will it cost or save?	In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the epurse.
What is the justification for claimed costs/savings?	For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries.

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Question 3 - epurse

a) Are you in favour of a clearly defined national epurse scheme??   Yes ☐   No ☐

b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a national epurse scheme?   Yes ☐   No ☐

c) Should participation in a national epurse scheme be monitored and controlled?   Yes ☐   No ☐

d) Should sanctions be imposed for non-compliance in a national epurse scheme?   Yes ☐   No ☐

Please explain your answers.

Question 4

a) Are you in favour of a clearly defined multi-modal, multi operator regional smart ticketing scheme?   Yes ☐   No ☐

b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a multi-modal, multi operator regional smart ticketing scheme?   Yes ☐   No ☐

c) Should participation in a multi-modal, multi operator regional smart   Yes ☐   No ☐

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ticketing scheme be monitored and controlled?				
d) Should sanctions be imposed for non-compliance in a multi-modal, multi operator regional smart ticketing scheme?	Yes	☐	No	☐

Please explain your answers.

Legislation vs voluntary participation or other means of ensuring participation in smart ticketing schemes

| **What is it?** | New legislation would, on the face of it, be a clear cut and attractive means of specifying what is expected of operators in respect of participation in the national epurse and regional smart ticketing schemes, and ensuring they have available the appropriate smart ticketing infrastructure.

However, for example, a combination of encouraging voluntary participation, making – for bus – provision of appropriate ticketing equipment a condition of their service registration, or a requirement of the Bus Service Operator Grant might be considered an effective alternative. |
| --- | --- |
| **What does it mean for me?** | We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them. |
| **What will it cost or save?** | For those operators – typically a few smaller bus operators and the Scottish ferry industry - who have still to invest in smart ticketing equipment there will be some costs. A new bus |

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	smart enabled ticket machine might cost £3,000.
What is the justification for claimed costs/savings	Most operators have already invested in, or have plans to invest in, appropriate ticketing equipment, so the cost of achieving full infrastructure provision across Scotland is already largely addressed.

Question 5

Are you in favour of new legislation that requires transport operators to participate in national and regional smart ticketing schemes?	Yes ☐	No ☐
Please explain your answer.		

Governance of smart ticketing in Scotland

| **What is it?** | A recurring theme in this consultation document is that to deliver interoperable smart ticketing requires a common and proven infrastructure to be in place. Currently that is ITSO, the interoperable smartcard standard in the UK. However, alternative technologies are at various stages of being available and proven. At some point in the future the more progressive transport operators will wish to adopt one or more of these alternatives, while their passengers may increasingly expect to see greater use of, for example, mobile phones and contactless bank cards.

Transport operators have already invested significantly in smart ticketing infrastructure and, understandably, any shift to a newer technology – a further outlay for operators – needs to be carefully planned for, to ensure that systems remain fully interoperable and consistent with passenger expectations.

It therefore seems important that public transport operators should play some role in decision making, or at least advising, moving forward, probably working in partnership with Scottish Ministers and other public bodies. The best way of |
|---|---|

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	approaching governance of both smart ticketing infrastructure and national and regional smart ticketing schemes is therefore a key consideration.
What does it mean for me?	From a passenger perspective an orderly and planned migration to newer technologies, as these emerge, will ensure that all of the benefits of smart ticketing and payment are retained, and remain easy to use and understand. From an operator perspective, investment decisions can be planned for and, collectively, a migration to newer technology platforms can be implemented in such a way that passengers are both able to benefit from technology advances and remain confident and informed about the integrity of the smart offering. It seems essential that governance arrangements are in place to oversee all of this, and that these arrangements are effective as well as – as far as possible – establishing, representing and implementing the consensus view of transport operators in Scotland, regardless of mode or size.
What will it cost or save?	It is not envisaged that governance arrangements will place any burden on costs for either the passenger, the public purse or for operators.
What is the justification for claimed costs/savings?	No costs to consider.

Question 6

To ensure delivery of a consistent approach to meet the expectations of passengers now and in the future, should we establish a single governance group so that the technology implemented across Scotland for smart ticketing schemes is controlled?	Yes ☐		No ☐
Should such a governance group be	Yes ☐		No ☐

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established formally and supported by legislation? **Should such a governance group have a role in advising on development, implementation or administration of smart ticketing schemes?**	Yes ☐	No ☐
Are there any other areas that a governance group should have a role in?	Yes ☐	No ☐

Please explain your answers.

Are there any other issues you wish to raise which are not covered above?

The Scottish Government welcomes any further comments and suggestions on smart ticketing schemes or governance, and how these might be improved or made more sustainable.

Question 7

Do you have any other comments about any of the issues raised in this consultation? **If so, please use the box below to provide details.**	Yes ☐	No ☐

My comments:

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Part 3 - Assessing impact

Equality

1   In considering possible changes to the delivery of smart ticketing in Scotland the public sector equality duty requires the Scottish Government to pay due regard to the need to:

- eliminate discrimination, victimisation, harassment or other unlawful conduct that is prohibited under the Equality Act 2010;

- advance equality of opportunity between people who share a protected characteristic and those who do not; and

- foster good relations between people who share a relevant protected characteristic.

1.1   These three requirements apply across the 'protected characteristics' of:

- age;

- disability;

- gender reassignment;

- marriage and civil partnership;

- pregnancy and maternity;

- race;

- religion and belief; and

- sex and sexual orientation.

1.2   At this early stage it is difficult to determine whether significant effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely equality effects, including the impact on children and young people.

1.3   Once completed the Scottish Government intends to determine, using the consultation process, any actions needed to meet its statutory obligations. Your comments received will be used to complete a full Equality Impact Assessment (EQIA) to determine if any further work in this area is needed.

Question – Equality Impacts

Are there any likely impacts the proposals contained within this Consultation may have on particular groups of people, with reference to the 'protected characteristics' listed above? Please be as specific as possible.

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Question – Children and young people

Do you think the proposals contained within this Consultation may have any additional implications on the safety of children and young people?

Business and Regulation

1.4   A Business and Regulatory Impact Assessment (BRIA) will analyse whether the policy is likely to increase or reduce the costs and burdens placed on businesses, the public sector and voluntary and community organisations.

Question – Business impacts

Do you think the proposals contained in this Consultation are likely to increase or reduce the costs and burdens placed on any sector? Please be as specific as possible.

Privacy

1.5   A full Privacy Impact Assessment (PIA) will be conducted to ascertain whether our proposals on delivering a consistent approach may have an impact on the privacy of individuals.

1.6   At this early stage it is difficult to determine whether significant privacy effects are likely to arise and the aim of the Scottish Government is to use this Consultation process as a means to fully explore the likely privacy effects.

Question – Privacy impacts

Are there any likely impacts the proposals contained in this Consultation may have upon the privacy of individuals? Please be as specific as possible.

Transport Scotland
2017

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H.   Annex B - Glossary of Terms

Term	Meaning
Back office system	There are different types of back office systems, but for this document, the main function is to securely communicate (electronically) key smartcard usage details from the mode of transport (such as from the ticket machine on board a bus, or a train station gate) to a centralised system to enable calculation of journey payment or travel history to the relevant operator or epurse provider. The Transport Scotland back office system is called HOPS (Host Operator Processing System).
Beacon technology	An infrastructure which interacts remotely with your mobile or other smart device, similar to Bluetooth, receiving and/or issuing information (eg reading tickets) as required.
BSOG	The Bus Service Operators Grant is a payment made by Scottish Government to operators based on an agreed rate for each kilometre of their commercial bus services. The aim of the grant is principally to benefit passengers by helping operators keep their fares down.
Capping	A process where an individual's multiple journey travel costs are evaluated (by back office software) and the best value journey fare is charged. Typically this would ensure a passenger did not pay more than the cost of a day ticket or weekly ticket when making several journeys in that time. It is exponentially more difficult to implement where fares are complex and/or there are several operators
EMV	Refers to contactless bank card payment, where a PIN does not need to be provided for transactions below £30. Actual acronym is Europay, Mastercard and Visa
ETM and TVM	Electronic Ticket Machine (typically on bus) and Ticket Vending Machine (typically at a rail station)
Governance	How people collectively organise, often through rules and regulations, to manage and deliver on a programme of work or project.

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Infrastructure	The equipment used for the ticketing system, for example ticket gates, machines on board buses, devices used by conductors to check tickets, ticket machines at stations, as well as back office systems.
Integrated ticketing	A ticketing system or scheme that works across modes and ticket types, it can also combine with events or attractions; for example transport to Olympic / Commonwealth venues. These can also be paper based.
Interoperable	A smartcard that can be used anytime, anyplace, anywhere. Can be used on different transport operators (for example with buses this would be, Stagecoach, First, McGills etc) also different locations (Edinburgh, Glasgow, Highlands) and different modes (train, ferry, bus, tram, subway).
ITSO	ITSO is a not for profit organisation that oversees technical, standardisation and interoperable smart ticketing services for the UK. It is supported by the UK Government, and ITSO is a technical platform on which interoperable smart ticketing and epurse schemes can be built. The national concessionary travel schemes across the UK are based on this technology. ITSO 2.1.4 is the current standard required for a smart ticketing service.
Legislation *Primary legislation* *Subordinate legislation*	The process of making or enacting laws Primary legislation consists of Acts of Parliament or statute. A subordinate legislation is a law which is enacted under delegated powers, such as statutory instruments (for example regulations or by-laws).
Multi-modal	Can be used on different modes of transport, for example on train, ferry and bus.
Multi-operator	Can be used on more than one operator but on one mode of transport (for example with buses this would be, Stagecoach, First, McGills etc).
National epurse	A pay as you go system, typically via a smartcard or mobile app. The smartcard or app is pre-credited via an online account or other means of topping up or buying credit.

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National concessionary travel scheme, national entitlement card	The Transport Scotland national concessionary scheme provides over 60 year olds and people with a disability with free bus travel. A National Entitlement Card, part of the *saltire*card family, is provided for recognition, and also to electronically enable the journey using smart ITSO infrastructure.
NFC	A mobile device that is able to read a smartcard through Near Field Communication (NFC) – often seen when a smartcard is held up to a mobile device on a train or similar. The reader will also often be able to indicate the ticket / money on the smartcard.
Proprietary system	A system that is in place already, usually owned by the person or company who developed it, but which cannot interoperate with other systems eg Lothian Buses Ridacard, or London's Oyster.
*Saltire*card	A smartcard that is capable of being used for smart ticketing or epurse with ITSO technology. It is branded with a saltire flag on the reverse, with the name '*saltire*card'. Each operator customises their own smart *saltire*card on the front, the card should also include a reference number and some operators include your pass photo .
Smart/Smart Payment	Non-paper technology - in this context using a micro-chipped smartcard, mobile or contactless payment for travel purposes.
Smartcard	A micro-chipped card that stores your travel ticket, or retains monetary credit to be deducted on use.
Smart platform	Similar to infrastructure (see above) and system (see below), and in the context of this document, this refers to any electronic or digital product or service that can interact with a smart ticket or smart payment. This could include a mobile app on android or apple, a card reading app, an online system or website, electronic ticketing machines etc.
Smart ticketing	An electronic travel ticket loaded on a micro-chipped card or mobile phone.
Smart ticketing system	A system that enables the use of an electronic ticket(s) on a smartcard or mobile app. These can be multi-modal and multi-operator.

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Smart ticketing scheme	A scheme can refer to any set of smart ticketing arrangements with a particular set of rules around availability, prices and validity. These can be single operator eg SPT subway, ScotRail season tickets, Stagecoach Megarider, multi operator eg the smartzones in Aberdeen and Dundee or the national bus concessionary travel scheme, or multi-modal eg the epurse which is under development – these are all examples of smart ticketing schemes.
Smartzone	A (usually urban based) region where transport operators agree to set up and participate in multi-operator smart ticketing, at locally set prices and validity rules. GrassHOPPER (based around Aberdeen) and ABC (based around Dundee) are current examples in Scotland.

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Scottish Government
Riaghaltas na h-Alba

		Agenda Item
	Zetland Transport Partnership	**8**

Meeting(s):	ZetTrans	14 December 2017
Report Title:	ZetTrans Business Programme 2017/18	
Reference Number:	ZTP-31-17-F	
Author / Job Title:	Secretary to ZetTrans/Executive Manager – Governance and Law	

1.0	**Decisions / Action required:**

1.1 That the Partnership **RESOLVES** to comment on and approve the attached Business Programme for 2017/18.

2.0	**High Level Summary:**

2.1 The purpose of this report is to present an updated Business Programme for ZetTrans for the period ending March 2018.

3.0	**Corporate Priorities and Joint Working:**

3.1 In order to fulfil the statutory duties with regard to the functions of ZetTrans, and in order to meet public governance principles, ZetTrans must make sure its Business Programme supports the Council's role in the planning and direction of services to meet the needs of our community, to ensure that the priorities of the Partnership are being monitored, and to set business in accordance with local and national reporting frameworks.

4.0	**Key Issues:**

4.1 The Business Programme for 2017/18 is attached as Appendix 1 and is presented to the Partnership for approval.   The Business Programme is intended to organise the business of the Partnership in accordance with the various administrative requirements to present key information, such as performance indicators, budget setting and outturn reports, as well as the statutory requirement to consider draft and final Audit of Account reports. The Business Programme enhances these requirements by publicising the plans for decision making and other public reporting requirements, in keeping with the principles of good governance.

4.2 The Business Programme and schedule of meetings was approved on 3 February 2017 (Min Ref. 03/17) with the timescales for ongoing and future projects and studies in mind.

4.3 The updated Business Programme will be presented regularly and will serve as an indication of the business that has been conducted and is yet to be undertaken during the year.

5.0 Exempt and/or confidential information:	
5.1 None.	

6.0 Implications	
6.1 Service Users, Patients and Communities:	The Business Programme will provide important information for stakeholders and communities as to the planned business throughout the year.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	a) There are no direct impacts on equality, diversity or human rights with regard to approval of the Business Programme, although individual items will have to have regard to those in terms of any outcomes and associated risks. b) The terms of this report does not require an Equalities Impact Assessment.
6.4 Legal:	a) There are no specific legal requirements however this report is good practice in developing and monitoring the Partnership's business. b) There are no direct legal impacts with regard to approval of the Business Programme, although individual reports will have to have regard to current and impending legislation and the impact these may have on ZetTrans, the Council, and the services which the Partnership delivers, in terms of outcomes and legal risks.
6.5 Finance:	The proposals in this report do not have any direct financial implications, but indirect costs may be avoided by optimising member and officer time.
6.6 Assets and Property:	There are no implications for major assets and property. Where possible, all meetings of the Partnership will be held in Shetland Islands Council premises and that such costs will therefore be covered by the Council.
6.7 ICT and new technologies:	There are no implications for ICT and technologies. Where possible, all meetings of the Partnership will be held in Shetland Islands Council premises and will have facilities to allow members to attend meetings remotely. Any associated costs will be covered accordingly by the Council.
6.8 Environmental:	There are no environmental issues arising from this report.
6.9 Risk Management:	The risks associated with setting the Business Programme are around the challenges for officers meeting the reporting timescales required, and any part of the business programme slipping and causing reputational damage to the Partnership.

	Equally, not keeping to the dates set would result in decision making being unplanned and haphazard.
6.10 Policy and Delegated Authority:	(a) Maintaining a Business Programme will ensure the effectiveness of the Partnership's reporting framework, and its planning and performance management, by monitoring and reviewing the achievement of key outcomes and objectives as set out in its strategic and operational plans. (b) The Partnership has authority to approve its own Business Programme for 2017/18, as set out in this report.
6.11 Previously considered by:	The last update of the Business Programme for 2017/18 was considered by the Partnership at its meeting on 2 November 2017 (Min. Ref. 29/17).

Appendices:
Appendix 1 - ZetTrans Business Programme 2017/18

Background Documents: None

			D= Delegated R=Referred
Quarter 1 1 April 2017 to 30 June 2017	**Date of Meeting**	**Business**	
	29 June 2017 Unaudited Accounts & Ordinary	Unaudited Accounts 2016/17	
		Appointment of Chairperson and Vice-Chairperson	
		Lead Officer Report	
		Business Programme 2017/18	
		Shetland External Transport Forum Minutes – 2 March 2017	
		Management Accounts – Draft Outturn	

			D= Delegated R=Referred
Quarter 2 1 July 2017 to 30 September	**Date of Meeting**	**Business**	
	21 September 2017 Final Accounts	Management Accounts – Quarter 1	
		Deloitte - Annual Audit Report on 2016/17	
Quarter 3 1 October 2017 to 31 December 2017	**Date of Meeting**	**Business**	
	5 October 2017 Ordinary	Meeting cancelled. Items to be presented to 2 Nov.	
	2 November 2017 Ordinary	Transfer of Functions to the Shetland Transport Partnership Order 2006. Implications and reappraisal of current understanding	
		Inter-island Air Services – Procurement Approach and Specification (Exempt)	
		ZetTrans Draft Annual Report 2016/17	
		Transport Strategy Refresh	
		Lead Officer Report	
		Business Programme 2017/18	
		Shetland External Transport Forum Minutes – 5 July 2017 & 28 September 2017	
	Date of Meeting	**Business**	
	14 December 2017 Ordinary	Management Accounts – Quarter 2	
		Audit Scotland Report on Transport Scotland's Ferry Services	
		Northern Isles Consultative Forum	
		Mandatory Annual Reporting of Climate Change Duties	
		ZetTrans Response to Transport Scotland's Consultation on Concessionary Travel for Older and Disabled People and Modern Apprentices	
		ZetTrans Response to Transport Scotland's Consultation on: Local Bus Services in Scotland – Improving the Framework for Delivery	

Quarter 4 1 January 2018 to 31 March 2018	Date of Meeting	Business	
		ZetTrans Response to Transport Scotland's Consultation on: The Future of Smart Ticketing	
		Business Programme 2017/18	
		Business Programme and Meeting Dates 2018/19	
Quarter 4 1 January 2018 to 31 March 2018	**Date of Meeting**	**Business**	
	1 February 2018 PPMF & Ordinary	Lead Officer Report (incl. SETF Minutes 11 December)	
		2018 North Isles Ferry Services Contract	
		Key Performance Indicators 2017/18 – Quarter 3	
		Business Programme 2018/19	
		Management Accounts – Quarter 3	
		Transport Strategy Refresh	
		Smart Integrated Ticketing	
		Bus Network Overview	
	22 February 2018 Special	Budget Setting	

Planned business still to be scheduled - as at Thursday, 07 December 2017

- Project Business Cases
- Code of Corporate Governance and Annual Review

Updates on the following 4 items will be provided within the Lead Officer's report as matters progress:
- National Transport Policy/Strategy

tbc = to be confirmed
PPMF = Planning and Performance Management Framework meetings – no other business to be added
Budget = Budget setting meetings – other items can be added if time permits
Ordinary = Ordinary meetings – other items can be added
Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Thursday, 07 December 2017

Agenda Item		**9**

Zetland Transport Partnership

Meeting(s):	ZetTrans	14 December 2017
Report Title:	ZetTrans Meeting Dates and Business Programme 2018/19	
Reference Number:	ZTP-32-17-F	
Author / Job Title:	Secretary to ZetTrans/Executive Manager – Governance and Law	

1.0	**Decisions / Action required:**

That the Partnership **RESOLVES** to comment on the content of the report and:

  1.1 approve the meeting dates for ZetTrans and it's Shetland External Transport Forum set out in paragraph 4.1 of this report; and

  1.2 approve the attached Business Programme for 2018/19.

2.0	**High Level Summary:**

  2.1 The purpose of this report is to present the meeting dates for ZetTrans and its Shetland External Transport Forum (SETF) together with the Business Programme for ZetTrans for the period between 1 April 2018 and 31 March 2019.

3.0	**Corporate Priorities and Joint Working:**

  3.1 In order to fulfil the statutory duties with regard to the functions delegated to ZetTrans, and in order to meet public governance principles, ZetTrans must make sure its Business Programme supports the Council's role in the planning and direction of services to meet the needs of our community, to ensure that the priorities of the Partnership are being monitored, and to set business in accordance with local and national reporting frameworks.

4.0	**Key Issues:**

  4.1 The meeting dates and times for ZetTrans and SETF are as follows with venues to be confirmed. All SETF meetings will start at 2.15pm:

ZetTrans   SETF

    26 April 2018 -10am
    26 June 2018 – 2pm   7 June 2018
    21 September 2018 – 3pm   12 September 2018
    4 October 2018 – 10am   17 December 2018
    8 November 2018 – 2pm   14 March 2019
    13 December 2018 – 2pm
    22 February 2019 – 10am

4.2 The ZetTrans Business Programme for 2018/19 is attached as Appendix 1 and is presented to the Partnership for approval.   The Business Programme is intended to organise the business of the Partnership in accordance with the various administrative requirements to present key information, such as performance indicators, budget setting and outturn reports, as well as the statutory requirement to consider draft and final Audit of Account reports. The Business Programme enhances these requirements by publicising the plans for decision making and other public reporting requirements, in keeping with the principles of good governance.

4.3 The Business Programme and schedule of meetings has been set with the timescales for ongoing and future projects and studies in mind.

4.4 The updated Business Programme will be presented regularly and will serve as an indication of the business that has been conducted and is yet to be undertaken during the year.

5.0	Exempt and/or confidential information:
5.1	None.

6.0	Implications	
6.1 Service Users, Patients and Communities:		The Business Programme will provide important information for stakeholders and communities as to the planned business throughout the year.
6.2 Human Resources and Organisational Development:		None.
6.3 Equality, Diversity and Human Rights:		a) There are no direct impacts on equality, diversity or human rights with regard to approval of the Business Programme, although individual items will have to have regard to those in terms of any outcomes and associated risks. b) The terms of this report does not require an Equalities Impact Assessment.
6.4 Legal:		a) There are no specific legal requirements however this report is good practice in developing and monitoring the Partnership's business. b) There are no direct legal impacts with regard to approval of the Business Programme, although individual reports will have to have regard to current and impending legislation and the impact these may have on ZetTrans, the Council, and the services which the Partnership delivers, in terms of outcomes and legal risks.
6.5 Finance:		The proposals in this report do not have any direct financial implications, but indirect costs may be avoided by optimising member and officer time.

6.6 Assets and Property:	There are no implications for major assets and property. Where possible, all meetings of the Partnership will be held in Council premises and that such costs will therefore be covered by the Council.
6.7 ICT and new technologies:	There are no implications for ICT and technologies. Where possible, all meetings of the Partnership will be held in Council premises and will have facilities to allow members to attend meetings remotely. Any associated costs will be covered accordingly by the Council.
6.8 Environmental:	There are no environmental issues arising from this report.
6.9 Risk Management:	The risks associated with setting the Business Programme are around the challenges for officers meeting the reporting timescales required, and any part of the business programme slipping and causing reputational damage to the Partnership. Equally, not keeping to the dates set would result in decision making being unplanned and haphazard.
6.10 Policy and Delegated Authority:	(a) Maintaining a Business Programme will ensure the effectiveness of the Partnership's reporting framework, and its planning and performance management, by monitoring and reviewing the achievement of key outcomes and objectives as set out in its strategic and operational plans. (b) The Partnership has authority to approve its own Business Programme for 2018/19, as set out in this report.
6.11 Previously considered by:	The Business Programme for 2018/19 has not been presented to any previous meetings.

Contact Details:
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Finalised: 7 December 2017

Appendices:
Appendix 1 - ZetTrans Business Programme 2018/19

Background Documents: None

**ZetTans - Meeting Dates and Business Programme 2018/19
as at Thursday, 07 December 2017**

		D= Delegated R=Referred	
Quarter 1 1 April 2018 to 30 June 2018	**Date of Meeting**	**Business**	
	26 April 2018 10am Ordinary	Lead Officer Report (Incl SETF Minute 2 March 2018)	
		Business Programme 2018/19	
	26 June 2018 2pm Unaudited Accounts & Ordinary	Unaudited Accounts 2017/18	
		Lead Officer Report (Incl SETF Minute 2 March 2018 & 7 June 2018)	
		Business Programme 2018/19	
		Management Accounts – Draft Outturn	

		D= Delegated R=Referred	
Quarter 2 1 July 2018 to 30 September 2018	**Date of Meeting**	**Business**	
	21 September 2018 3pm Final Accounts Only	Management Accounts – Quarter 1	
		Deloitte - Annual Audit Report on 2018/19	

	Date of Meeting	**Business**	
Quarter 3 1 October 2018 to 31 December 2018	4 October 2018 10am Ordinary	Lead Officer Report (incl SETF Minutes - 12 September 2018)	
		Business Programme 2017/18	
	8 November 2018 2pm Ordinary	ZetTrans Draft Annual Report 2016/17	
		Transport Strategy Refresh	
		Lead Officer Report	
		Business Programme 2017/18	
	Date of Meeting	**Business**	
	13 December 2018 2pm Ordinary	Management Accounts – Quarter 2	
		Business Programme 2017/18	
		Lead Officer's Report	

	Date of Meeting	**Business**	
Quarter 4 1 January 2019 to 31 March 2019	*22 February 2018 10am PPMF? & Ordinary*	Lead Officer Report (incl SETF Minutes 17 December 2018)	
		2018 North Isles Ferry Services Contract	
		Business Programme 2018/19	

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**ZetTans - Meeting Dates and Business Programme 2018/19
as at Thursday, 07 December 2017**

		Management Accounts – Quarter 3	

Planned business still to be scheduled - as at Thursday, 07 December 2017

- Project Business Cases
- Code of Corporate Governance and Annual Review
- Performance Indicators 2017/18 – Quarter 4
- Performance Indicators 2018/19 – Quarter 1
- Performance Indicators 2018/19 – Quarter 2
- Performance Indicators 2018/19 – Quarter 3

Updates on the following 4 items will be provided within the Lead Officer's report as matters progress:
- Smart Integrated Ticketing
- National Transport Policy/Strategy

tbc = to be confirmed
PPMF = Planning and Performance Management Framework meetings – no other business to be added
Budget = Budget setting meetings – other items can be added if time permits
Ordinary = Ordinary meetings – other items can be added
Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Thursday, 07 December 2017