

Stuart Cresswell
Associated British Ports

Date:
12 April 2017

Dear Stuart

Study into the mainland port for the Arran and Kintyre ferry service

1. This letter contains the Scottish Ministers' decision as to whether Ardrossan or Troon should be preferred as the suitable mainland location to receive and berth the ferry service serving Brodick and Campbeltown ("the ferry service").

Background

2. The CMAL¹ owned port at Brodick is being upgraded at a cost of c.£30m and a new c100 metre vessel is being constructed for use on the route at a cost of c.£48m. Having regard to those improvements, it was identified that the current mainland port for the ferry service – Ardrossan - would require upgrading. Such upgrading was primarily required to enable the new vessel, due in late 2018, to be properly accommodated. It was also considered desirable that other enhancements to the port be made at the same time, to align with improvements to the other elements of the route. Ardrossan port is owned by Peel Ports Limited.
3. In order to consider potential improvements at Ardrossan, the Scottish Ministers set up the Ardrossan Task Force ("ATF"). The ATF included representatives from North Ayrshire Council, Peel Ports, CMAL, CalMac and Transport Scotland.
4. While the work of the ATF was on-going, Associated British Ports ("ABP") approached Ministers with an outline proposal offering Troon as an alternative mainland port for the Arran ferry service.
5. Following due consideration, Ministers decided to suspend the work of the ATF and to order a study of the two options to be carried out on their behalf, based on Scottish Transport Assessment Guidance ("STAG") methodology. To assist with that study, Ministers invited detailed submissions in respect of each port proposal.

¹ Caledonian Maritime Assets Limited.

6. Ministers engaged specialist consultants Peter Brett Associates LLP (“PBA”) to undertake the study, including an examination of each proposal, and to report.
7. Each port² authority was invited to submit information in two stages. The first submission was a narrative outlining the proposals and merits relative to the particular location (received by 23 December 2016). This was to include the structure of any partnerships, an analysis of journey times and any other factors considered relevant. The second submission was essentially a commercial submission (received by 24 January 2017) involving information on the detail of the proposed investments at the particular location and proposals for the charging that would apply on an annual basis for the use of the port facilities.
8. Those submissions were received from ABP for Troon and jointly from North Ayrshire Council (“NAC”) and Peel for Ardrossan and PBA subsequently produced a report (“the PBA report”), taking into account the submissions. Various parties were then provided with a copy of the PBA report, redacted for reasons of commercial confidentiality, and invited to provide any further relevant information that they wished to, in light of that report and in advance of a decision on the matter. Responses were received (by 3 April) from ABP, Peel Ports, the Leader of South Ayrshire Council and separate submissions from the CEO and Leader of North Ayrshire Council.
9. A short summary of each port proposal is at **ANNEX A**.
10. The redacted PBA Report is at **ANNEX B**, along with a supplementary letter from PBA dated 12 April 2017, produced at Ministers’ invitation in light of the parties’ comments on the PBA report. This decision letter and the PBA report and letter will be published on the Transport Scotland website at www.transport.gov.scot/transport-network/ports-and-harbours/ardrossan-harbour-taskforce/

Discussion

11. Ministers have applied four broad criteria in their decision-making. Those criteria are-
 - **Connectivity** - including journey times across multiple modes
 - **Reliability** - including any factors significantly affecting the resilience of the service
 - **Overall operational cost of the ferry service to the public purse** - including operational costs to the Scottish Government; and operational costs to NAC in delivering local authority services to Arran via Troon (this criterion does not include potential socio-economic costs)
 - **Socio-economic impacts of moving the service** – including potential impacts on jobs and potential socio-economic costs such as regeneration funding required to mitigate impacts of any decision.
12. In addition, although there would be benefits to the communities around whichever mainland port was to receive the service, Ministers consider the needs of those travelling on the service, including the communities of Kintyre and Arran, to be of primary importance.
13. It is also worth noting that PBA were tasked with comparing the two options on the basis that the current number of daily sailings on the route would be maintained.

² The Ardrossan proposal is advanced as a joint proposal by Peel Ports Limited and North Ayrshire Council. The Troon proposal is advanced by ABP.

Connectivity

14. The PBA report identifies some benefits to passengers travelling on public transport relative to the Troon proposal (noting potential risks in relation to the proposed shuttle bus service), although the majority of users travel by car (around 68%) and the total journey time to or from most final mainland destinations is more favourable via Ardrossan for such users. That is because the longer sailing time of at least 15 minutes between Brodick and Troon, as compared with between Brodick and Ardrossan, materially outweighs, in Ministers' view, any benefit from onward journey time offered by improved road connections from Troon highlighted in the ABP submission.
15. The calculations for the sailing time on both routes is based on a 14.5 knot steaming speed, in line with the current operation. The new vessel is also designed to primarily operate at a 14.5 knot steaming speed. Although faster vessels may be available from time to time, or indeed faster operation of any available vessel may be possible, taking into account current operations, the design of the new vessel and the higher fuel cost of faster steaming, Ministers considered the 14.5 knot steaming speed to provide the most suitable measure for comparing the proposals.
16. Although Campbeltown passengers would see journey times shorten on direct sailings should Troon be preferred, carryings from Kintyre represent only 1% of the total carryings on the routes. Ministers therefore attached little weight to this consideration, relative to the connectivity considerations overall.
17. Ministers are of the view that, in terms of connectivity and in particular total journey time, Ardrossan provides an overall materially better level of service for passengers travelling to and from Arran.

Reliability

18. Data on cancellations for the Ardrossan to Brodick route were considered on a sailing by sailing basis and aggregated to a monthly and yearly basis over a 5 year period (with eight years of data analysed overall).
19. Ministers consider that a detailed analysis of cancellations across the CalMac network demonstrates that the average all-vessel weather related cancellation figure on Ardrossan - Brodick is 3.5% and is therefore the same as figures for the other major vessels routes³ on the CHFS network over a 5 year period.
20. The PBA report considers the difference in reliability of both sets of port infrastructure, based in part on input from expert mariners and drawing on material contained within the submission from Peel/NAC, work commissioned by CMAL and (following consideration of a P&O letter submitted by ABP) direct interviews by PBA of a Master Mariner who had sailed from both ports.
21. CMAL also carried out simulations at City of Glasgow College with CalMac Masters using the parameters of both ports and the specifications of the *MV Caledonian Isles* and the new vessel. The simulations were undertaken using conditions which in the Masters' judgement were of the type that would be encountered in the Firth of Clyde.

³ Major vessels routes primarily involve operations from linkspans rather than slipways.

22. It was generally considered by those involved in this aspect of the assessment that Troon offered less challenging berthing and a less challenging approach, given the existence of an escape route. However, there was also broad consensus among the body of maritime opinion consulted that the manoeuvre to access the berth at Ardrossan did not in itself impact on reliability. The modelling and maritime experts consulted indicated there would be a marginal reliability benefit at Troon for the *MV Caledonian Isles* and suggested that there would be little or no difference in reliability between the Ardrossan and Troon ports as regards the new vessel being constructed for the route. It was noted that it was the overall conditions on the passage that will be taken into account by Masters in reaching a decision to sail (with due consideration for passenger comfort and safety).

Overall operational cost of the ferry service to the public purse

23. Ministers considered the operational costs of both port options. These were projected over 30 years for modelling purposes.
24. For the purposes of assessment on a like for like basis, the fares for both port options were based on the Road Equivalent Tariff (RET) formula. This generated additional income that partly offset some of the operational costs at Troon but it was noted this would have been an additional cost to users of the service. If fares were set at current levels for the route, this would have increased the cost to government differential in favour of Ardrossan.
25. The submission for Troon was based on a fixed annual charge that included the use of the facility for the ferry service, including the terminal building. All works costs (including the Passenger Access System) would be met by ABP. The annual charge would also cover the cost of the shuttle bus service over a 30 year period.
26. The proposal for Ardrossan is based on harbour dues being paid to Peel Ports and an annual rental charge for the Passenger Terminal areas of the 'Maritime Hub'. The marine works, including those to accommodate the new vessel, would be the responsibility of Peel Ports, with other work (such as the parking, marshalling and terminal building) being funded through a combination of Peel Ports, NAC and other funding sources. NAC funding would be provided on a commercial basis and they expect to receive a return on any investment made.
27. In the event of a move to Troon, Ministers noted that there are likely to be additional operational costs incurred by NAC in delivering services to Arran (e.g. staff time and additional fuel/travel costs). Peel Ports had also indicated a series of termination costs that would be incurred. In that latter regard, Ministers considered it appropriate to factor into the cost assessment the remainder of the lease on the terminal building and 50% of the costs noted as being due for the Campbeltown pilot.
28. Following comments received from one of the parties, PBA made an amendment to the cost modelling to include the annual lease charge for the terminal building against the Ardrossan costs. The fixed annual charge for the use of Troon includes the passenger terminal building.
29. The cost assessment under this heading does not take into account the potential costs of addressing socio-economic issues, such as regeneration costs. Nor does it take account of investment outside the operational port (such as signage and walkways to the port) or the community/commercial developments associated with the Ardrossan proposals as those are not a cost to the ferry operation.

30. The financial submission from Peel Ports and NAC indicates that projected capital costs for marine infrastructure are based on robust estimates. Any risk associated with an increase to these costs would lie with Peel Ports. This would include any future replacement costs should any element of the works require to be replaced.
31. The PBA report highlights that significant factors in the cost differential between the proposals are additional fuel and crew costs required to maintain the current number of sailings on the longer route to Troon. In particular, Calmac assess that there would be a requirement for additional crew given the total increased sailing time of around 200 minutes per day. This requirement arises as a result of the Merchant Shipping (Hours of Work) Regulations 2002.
32. The proposal for Ardrossan includes an indication that the Passenger Access System will be funded by CMAL. There is however no agreement for this and therefore no allowance has been included in the modelling for this element as a cost to the public purse.
33. Ministers considered the potential of reducing the requirement for additional crew using faster speeds. However, this would significantly increase the fuel consumption on the relevant vessels, in addition to additional fuel already modelled for the longer distance to Troon. The option of reducing or removing the potential accommodation costs was also considered. In both scenarios Ministers considered that there would still be substantially increased operating costs for a service from Troon.
34. Ministers consider that, overall, there would be a substantially greater operational cost of running the service on the longer Troon route as compared with Ardrossan, particularly having regard to crew costs and fuel; and also comparing the charges that would be incurred to use each of the port facilities.

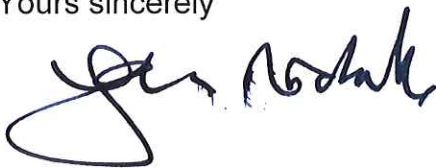
Potential socio-economic impacts of moving the service

35. Peel Ports and North Ayrshire Council also elected to put forward a case highlighting potential adverse socio-economic impacts that they say would arise as a result of the loss of the ferry service from Ardrossan.
36. Ministers are aware of the levels of deprivation, based on the Scottish Index of Multiple Deprivation, at each location.
37. Ministers generally note under this heading that moving the ferry service from Ardrossan to Troon would potentially cause an impact on the prior and planned regeneration of Ardrossan. They consider, generally, that this would be likely to generate some socio-economic cost to NAC and/or the Scottish Government and that such costs seem likely to exceed any benefits arising in the Troon and wider South Ayrshire area from moving the ferry service. However, Ministers do not consider that the information presently available enables them to draw any firm conclusions under this heading in terms of either the potential socio-economic benefits/costs of preferring either location or as regards socio-economic impacts more generally.

DECISION

38. The Scottish Ministers, having carefully considered all of the information presented to them (including the PBA report commissioned by them and the various submissions made by the various parties), have decided that Ardrossan should be preferred as the suitable mainland location to receive and berth the ferry service serving Brodick and Campbeltown.
39. The reasons for this decision are the better connectivity and significantly lower operational cost to the public purse that would flow from the use of Ardrossan, as more fully described above.
40. This decision is subject to Peel Ports and North Ayrshire Council honouring the commitments made during the process and to the successful completion of such further due diligence as is required to confirm that the proposed arrangements, as the detail around them is finalised, are able to meet with all applicable legal and financial requirements.
41. Ministers will now reconvene the ATF to work towards delivering the improved facilities at Ardrossan, including the timing of those commitments to maximise the benefits to users of the service.
42. Ministers are grateful to the parties for the time and effort that each put into presenting their proposals.

Yours sincerely



JOHN NICHOLLS
Director – Aviation, Maritime, Freight & Canals

Troon

Operator: Associated British Ports

Key Features of proposal:

- New Passenger Terminal Building and New Passenger Access System
- Submission notes most marine infrastructure already in place, including East Pier Ferry Berth
- Car Parking
- Vehicle Marshalling area, vehicle check-in booths, passenger drop off, cycle lane, disabled parking and covered pedestrian walkway.
- Free shuttle bus service with 2 buses provided for duration of appraisal period (and additional buses chartered on the basis of peak-flow analysis)

Funding of Proposals: All costs will be met by ABP

Basis of Charging: Fixed annual charge paid to ABP for use of all facilities

Ardrossan

Operator: Joint Proposals from Peel Ports and North Ayrshire Council

Key Features of proposal:

- A new terminal building and community/maritime hub
- A new Passenger Access System
- A new link span, quay improvements and port upgrades (to accommodate the new vessel)
- Additional Marshalling Capacity
- Improvements to the car park
- Creation of a new public realm link to Ardrossan Town Centre (including outwith the operational port area)

Funding of Proposals: Peel Ports will fund all Marine Infrastructure. The land infrastructure and new public realm links would be funded by a combination of NAC (with the majority of investment funded by income from the facilities), Irvine Bay Regeneration Company Legacy Funding and other sources of grant funding. The submission notes that CMAL will fund the Passenger Access System (although there is no formal agreement on this).

Basis of Charging: Harbour Dues paid to Peel Ports. Lease of Passenger Terminal area of Maritime Hub building from NAC.