

Item: 4

Development and Infrastructure Committee: 18 May 2021.

Strategic Transport Policy Initiatives – Orkney Inter-Island Transport Study Outline Business Case.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

To advise on progress with work carried out as part of the Orkney Inter Island Transport Study Outline Business Case Phase 2 and to consider the proposed consultation process with communities.

2. Recommendations

The Committee is invited to note:

2.1.

That, in 2015, the Council, in partnership with Highlands and Islands Transport Partnership and Highlands and Islands Enterprise, commissioned the Orkney Inter Island Transport Study, to develop and appraise options for the future of the inter-island transport service.

2.2.

That, in Autumn 2016, a Strategic Business Case was completed, which included capital and revenue options for all 13 islands connected by air and ferry services, and a timeline for progressing specific elements of the Strategic Business Case to Outline Business Case stage, which would determine a preferred option and the means by which it should be funded, procured and delivered.

2.3.

That, at a seminar held on 12 January 2021, Members were provided with an update on the emerging conclusions from the Outer North Isles and Rousay, Egilsay and Wyre Outline Business Cases Phase 2 work and to receive feedback prior to presenting to the communities.

2.4.

The objectives and main findings of the Outline Business Cases for the Outer North Isles and Rousay, Egilsay and Wyre, as detailed in sections 4 and 5 respectively of this report, with details of a further period of engagement with the communities attached as Appendix 1 to this report.

It is recommended:

2.5.

That the Executive Director of Development and Infrastructure should undertake a further period of engagement with the relevant communities and key stakeholders in respect of the Outline Business Case Phase 2 and thereafter submit, to the Development and Infrastructure Committee, the final Outline Business Case report detailing the recommended vessel and infrastructure requirements for the Outer North Isles and Rousay, Egilsay and Wyre.

3. Background

3.1.

The Orkney Inter Island Transport Study (OIITS) was commissioned in 2015 by Orkney Islands Council, in partnership with Highlands and Islands Transport Partnership (HITRANS) and Highlands and Islands Enterprise (HIE).

3.2.

The purpose of the study was to develop and appraise options for the future of the inter-island transport service. The output of the study was the development of a Strategic Business Case (SBC), which established the 'case for change' and identified a set of capital and revenue options which, if delivered, would in part or in full address the identified transport problems.

3.3.

The SBC was completed in Autumn 2016 and set out a range of capital and revenue options for all 13 islands connected by the air and ferry services, together with a timeline for progressing specific elements of the SBC to Outline Business Case (OBC) stage.

3.4.

One of the priorities emerging from the SBC was development of an OBC for new vessels and supporting infrastructure for the Outer North Isles and Rousay, Egilsay and Wyre. The SBC work concluded that there was a requirement for four new vessels for the Outer North Isles network if the level of service offered is to be in line with the Routes and Services Methodology (RSM) year round.

3.5.

The OBC work was split into Phase 1 and Phase 2, with Phase 1 of the works carried out during 2018 and 2019. The focus of the business case was to consider:

- Network-wide revenue OBC (Phase 1).
- Outer North Isles OBC (including air services) (Phase 2).
- Rousay, Egilsay and Wyre OBC (Phase 2).

3.6.

In delivering a four vessel solution and determining the appropriate mix of vessels, Phase 1 of the OBC focused on the appropriate infrastructure solution for Papa Westray and North Ronaldsay; if Stronsay Harbour should be relocated to the west side of the island; and whether year-round overnight berths were required at Eday and Westray.

3.7.

The preferred options from the Phase 1 report are summarised as follows:

- Papa Westray served by a new Ro-Ro service to Kirkwall, at least on the current timetable and which could be gradually expanded.
- New Papa Westray to Westray passenger only vessel (MV Nordic Star).
- Berth at North Ronaldsay converted to Ro-Ro.
- Stronsay ferry terminal retained in Whitehall in short-term.
- Longer-term option to relocate the Stronsay terminal at point of life expiry has been retained as a long term option.
- Overnight berths should not be developed at Eday and Westray as early morning and later evening departures facilitated by Kirkwall based vessels operated a longer day.

4. Outline Business Case – Phase 2 – Outer North Isles

4.1.

On 12 January 2021, a Members' Seminar was held via Microsoft Teams to update Members on the emerging conclusions from the Outer North Isles and Rousay, Egilsay and Wyre OBC Phase 2 work and receive feedback from Members before presenting to communities.

4.2.

The focus during Phase 2 of the OBC was as follows:

- Develop the capacity and connectivity requirements (air and ferry) to the six Outer North Isles.
- Establish an appropriate vessel mix and vehicle carrying capacity.
- Further develop harbour infrastructure options to reflect the emerging preferred vessel solution.
- Consider requirement for a third aircraft and how it could be used.
- Further develop capital and operating costs.
- Establish a preferred Outer North Isles Network Plan to be presented to communities.

4.3.

From the initial consultation period with consultants Stantec, the community aspirations were essentially for:

- Three return sailings per day, ie morning, middle of the day and evening ferry, but not a requirement to extend the service frequency comparable with the RSM.
- Later departures to the isles on a Friday and Saturday evening; however an early afternoon departure on a Friday would be beneficial for school pupils travelling home to the isles.
- An early morning departure on a Monday into Kirkwall particularly for livestock purposes, non-daily commuting and education purposes.
- Improved connectivity with external transport to mainland Scotland.
- Scaling up of services to North Ronaldsay and Papa Westray.
- Reduced multi-leg air services.

4.4.

The community aspirations were used to develop a set of timetable principles; however, as there are conflicts within some of the aspirations, not all can be satisfied, such as the early afternoon departure on a Friday for school pupils versus a late evening departure on Fridays for commuting and recreational purposes.

4.5.

The key timetable principles were as follows:

- Consistent summer and winter timetable.
- Eday, Sanday, Stronsay and Westray:
 - 3 x return connections per day Monday to Saturday.
 - 2 x return connections per day Sunday.
 - Early Monday arrival.
 - Friday and Saturday evening connections.
 - Sunday – morning and early evening connection for children travelling to KGS.
 - Timetable built around direct connections.
- Papa Westray and North Ronaldsay service 2 to 3 times per week.
- Air service using third aircraft to provide improved resilience and reduction of multi-leg journeys.

4.6.

Factors for further consideration are around inter island connectivity given a fourth vessel would reduce inter island connections, as would the introduction of a third aircraft to the network. The importance of inter-island connectivity therefore needs to form part of the next consultation exercise and how best the islands could be served.

Further consultation with the communities and key stakeholders, such as the Education Service and NHS Orkney, is also required to establish any inter island connectivity need for teachers, pupils, doctors, nurses and patients, as well as consultation with hauliers regarding freight.

4.7.

Based on the additional timetable requirements outlined above, there are various options to consider around staffing as follows:

- Option 1: Single crew, split shifts.
- Option 2: Single crew, combination of straight and split shift days.
- Option 3: Shift based system.

4.8.

When considered by the consultants Stantec, Option 1, on the basis of a full week of split shifts, would be intensive for the crew and would minimise overnight rest. Option 3, whereby a shift based system would be adopted, would be excessive based on community aspirations however could be considered as a long term option if services were enhanced to Transport Scotland's RSM standards, which recommends the service frequency and length of operating day. The recommendation from the consultants is therefore to consider Option 2 which would meet with the community aspirations outlined at section 4.4. Any change in crewing requirements must be fully considered by Orkney Ferries Limited in discussion with the associated Unions and consultation directly with the crew.

4.9.

The vessel parameters are based on four 'sister' vessels for the Outer North Isles with a carrying capacity of 30 PCU (passenger car equivalent) to provide interchangeability across the network. The freight carrying capacity would be 150 tonnes minimum and the vessels would be required to operate at a speed of around 12 knots. Previous discussions have focused on linkspan vessels which are double ended; however the particular type and design of vessel is unlikely to be confirmed until Final Business Case or procurement stage.

4.10.

It is anticipated that the vessels would use a greener fuel however the exact fuel type would be determined at Final Business Case stage. In respect of associated infrastructure requirements, it is assumed that the infrastructure would accommodate a 65 metre vessel to allow for future proofing and uncertainty around the final design of the vessel. The infrastructure improvements in the Outer North Isles, including the move to a ro-ro service for Papa Westray and North Ronaldsay, is expected to cost in the region of £50.2 million to £72.3 million with optimum bias applied. As the vessel type is yet to be determined, the cost of new vessels on the Outer North Isles network is yet to be determined.

5. Outline Business Case – Phase 2 – Rousay, Egilsay and Wyre Service

5.1.

In respect of the Rousay, Egilsay and Wyre service, consideration has been given to replacing the existing MV Eynhallow with a larger vessel or alternatively, replace the existing vessel with two smaller vessels. Consideration was also given to a supplementary passenger vessel, however, as this had limited benefits and received low interest from the public, has not been considered further.

5.2.

The current vessel has a carrying capacity of 7 to 8 PCU. Option 1 considers a larger vessel with the following specification:

- A carrying capacity of 22 PCU.
- Bi-directional ferry with bow and stern ramps.
- 43.5 LOA (length overall), 12.2m beam, 1.73 draught.
- Operating speed of 9 knots.
- Capacity for abnormal vehicle loads.

5.3.

Option 2 considers two alternative vessels with the following specification:

- A carrying capacity in the region of 10 PCU.
- Bi-directional ferry with bow and stern ramps.
- 35.6m LOA, 10m beam, 1.56m draught.
- Operating speed of 9 knots.
- Capacity for abnormal vehicle loads.

5.4.

Although Option 2 would provide more connections, it would result in higher capital costs to purchase fleet as well as revenue costs in maintenance and additional crewing requirements. The preferred option therefore is to replace the existing vessel with one larger vessel, combined with revenue measures to extend the operating day.

5.5.

A larger vessel with increased frequency and length of operating day would meet the expectations of the community such as addressing the capacity issues, improving the timetable and incorporating a winter Sunday service. It is estimated that pier upgrades to Rousay, Egilsay and Wyre would cost between £20.3 million to £29.1 million, with vessel replacement cost in the region of £12.3 million.

6. Consultation Process

6.1.

Following consideration by the Committee, and approval by Council, the emerging outcomes from the Outline Business Cases for the Outer North Isles and Rousay, Egilsay and Wyre need to be presented to the communities.

6.2.

The consultation process will be based on the information provided to Members at the seminar on 12 January 2021. It is proposed that the Community Transport Representatives are involved in finalising any island specific questions to ensure the transport needs of each island are fully addressed. The proposed consultation process and format by Stantec is outlined in Appendix 1 to this report. It is likely that the consultation process will be carried out during June/July 2021.

6.3.

The briefing from Stantec outlining the proposed consultation format was considered by the Senior Management Team on 4 February 2021.

7. Links to Council Plan

7.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Connected Communities.

7.2.

The proposals in this report relate directly to Priority 1.9, Work with Scottish Government and other partners to progress the outcomes of the Inter Isles STAG (Strategic Transport Appraisal Guidelines) Strategic Business Cases in order to develop and then deliver the Outline and final Business Cases for improved inter isles transport services and the associated ferry, air and infrastructure improvements, of the Council Delivery Plan.

8. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

9. Financial Implications

9.1.

There are no immediate financial implications arising from the recommendations of this report which is to undertake a further period of engagement with the relevant

communities in respect of the emerging outcomes from the Phase 2 Outline Business Cases summarised in this report.

9.2.

The initial Strategic Business Case at a cost of £184,900 was funded equally by Highlands and Islands Enterprise, HITRANS, Transport Scotland and the Council. The cost of carrying out this programme of works and funding contributions are outlined in the table below. The Council funded its contribution to these works from the Transportation Infrastructure Fund.

	HIE	HITRANS	OIC	TOTAL
Outline Business Case (Phase 1)	£30,000	£56,660	£56,660	£143,320
Outline Business Case (Phase 2)	£15,000	£53,883	£101,917	£170,800
TOTAL	£45,000	£110,543	£158,577	£314,120

9.3.

It is notable, however, that the purpose of the Outline Business Case is to determine a preferred option and outline the means by which it should be funded, procured and delivered. While it is clear that a number of key variables still have to be firmed up to enable preferred options to be selected, this will enable the significant amount of capital investment for vessels and infrastructure to be quantified, along with the associated revenue implications. Against this, the working assumption is that this work will support the Council's case to Scottish Government either for additional grant funding or the transfer of responsibility for ferry services to Transport Scotland.

10. Legal Aspects

10.1.

Section 153 (2) of the Local Government (Scotland) Act 1973 empowers the Council to "acquire, provide, maintain, improve and operate any ferry situated wholly or partly within their area".

10.2.

Orkney Ferries Limited operates the ferry services on behalf of Orkney Islands Council under Service Level Agreements dated 30 May 2008.

10.3.

The Service Level Agreements state that Orkney Ferries Limited will operate the "Approved Services" and in return for funding from the Council. The definition of "Approved Services" covers inter-island ferry services as approved by the Council.

10.4.

The Local Government (Scotland) Act 1973 empowers the Council to provide air services. Given there is no commercially viable option for service provision, the

service requires subsidy and hence it has been designated as a Public Service Obligation, the operator of which is decided through a tender process.

11. Contact Officers

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James Buck, Head of Marine Services and Transportation and Harbour Master, extension 3600, Email james.buck@orkney.gov.uk

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12. Appendix

Appendix 1: Proposed Consultation Format.

TECHNICAL NOTE

Job Name: Orkney Inter-Island Transport Study: Outer North Isles and Rousay, Egilsay & Wyre

Outline Business Cases

Job No: 41029

Date: 1st February 2021

Prepared By: Stephen Canning

Subject: Briefing on Engagement for Senior Management Team

1. Introduction

1.1. The emerging outcomes from the Orkney Inter-Island Transport Study (OIITS) Outline Business Cases (OBC) for the Outer North Isles (ONI) and Rousay, Egilsay & Wyre (REW) were presented to Members on Tuesday 12th January 2021. Following this seminar, it is now proposed to present these findings to the nine island communities (Eday, Egilsay, North Ronaldsay, Papa Westray, Rousay, Sanday, Stronsay, Westray and Wyre). This briefing note summarises the proposed approach and key issues for consideration.

2. Format

2.1. For engagement of this nature, we typically hold a public exhibition in each island, where the story of the study is told through display boards and attendees are invited to provide comment to the team. This approach has worked well on both the OIITS Strategic Business Case and ONI Year 1 engagement. However, the current COVID-19 related travel and social distancing restrictions mean that such an approach is clearly not possible at present.

2.2. There are two alternative options:

- **Option 1:** Put a PDF copy of the exhibition boards online, together with an online feedback form.
- **Option 2:** Present the material using Stantec Virtual Engage, an online public engagement tool which we have recently developed. This package allows for the presentation of display boards, live chat, video clips, instant feedback etc on phone, computer and tablet. A work-in-progress demo can be found here - [Stantec Virtual Engage Demonstration](#)

2.3. Given internet connectivity in the isles, we consider **Option 1** to be the most pragmatic approach. Hard copies of the exhibition boards and feedback form (together with a reply-paid envelope) could be sent to community hubs or, given current concerns over communal touchpoints, directly to specified addresses on request.

2.4. Given security procedures on the OIC and Stantec websites (unless a dedicated project website is set-up), a request would need to be made to HITRANS to host the material on their website. This approach was used in previous rounds of engagement.

2.5. A dedicated Stantec contact will be provided to each island transport representative. They in turn could act as a focal point for any questions emerging from communities not covered in the exhibition boards.

3. Exhibition Content

3.1. For Outer North Isles, a separate set of exhibition boards will be produced for each island, albeit the format will be almost identical for each. This will cover:

- Recap of year 1 outcomes
 - Key findings from island resident survey
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- Current capacity utilisation and the ability to cater for future growth
- Island supply-chain and services
- Network planning principles and an illustrative timetable graphic for each island
- Vessel and island infrastructure specification
- Cost to government
- Conclusions

3.2. For REW, the material will cover

- Recap of Strategic Business Case outcomes
- Key findings from island resident survey
- Capacity utilisation and the ability to cater for future growth
- Island supply-chain and services
- Option development and appraisal
- Vessel and infrastructure specification
- Conclusions

3.3. A slide in each set of exhibition boards could be included setting out the proposals for RET (and Sunday sailings on REW) if this could be provided by OIC.

3.4. Note that the public exhibitions will not cover questions around methods of delivery because it is an issue of lesser concern to the public relative to the service. It would also unnecessarily complicate the material presented.

4. Feedback Form

4.1. The feedback form will predominantly be focused on ascertaining views on the preferred option in each study. As extensive resident surveys have already been undertaken, it is intended that the survey will be short and consist mainly of open text rather than closed questions.

4.2. For the Outer North Isles, the focus will be on gathering opinions on the outline timetable options presented, although we will again probe the trade-off between inter-island and Kirkwall calls.

4.3. For REW, the focus will be on ascertaining views on the proposed preferred option.

4.4. For both island groups, we will also explore any permanent changes to travel behaviour as a result of the COVID-19 pandemic. The ONI resident survey pre-dated the pandemic and the REW survey was towards the beginning of the first lockdown.

5. Timescales

5.1. We anticipate running the consultation over a period of 4-5 weeks to ensure that all island residents and stakeholders have an opportunity to contribute. We can be flexible in either direction on this timeframe depending on advice from the OIC Liaison Office.

6. Community Transport Representatives

6.1. We understand that there is a meeting of the Community Transport Representatives on 10th February 2021. This meeting provides an opportunity to brief representatives in terms on the forthcoming consultation in terms of:

- Format
- Timescale
- Focus of material.

6.2. Stantec can provide 4-5 slides to OIC to assist if this would be of benefit.