

## Report to Partnership Meeting 28 November 2014

### CONSULTATION

#### Review of Options for Ferry Freight Fares (Scottish Government Contracts)

#### PURPOSE OF REPORT

To advise members of the ongoing Review of Ferry Freight Fares that is being undertaken on behalf of Transport Scotland by consultants.

#### BACKGROUND

Transport Scotland commissioned SYSTRA, in association with Peter Brett Associates LLP (PBA), Pro Versa Limited and The Maritime Group International (TMG), to undertake research to (i) review current procedures and charging mechanisms for the setting of ferry fares for freight and (ii) propose and assess pricing options for the future.

The Transport Scotland's Ferries Plan 2013-2022 recognises the need to develop an overarching policy for freight fares. The aim of the review is to:

- deliver a new fare structure that is simple, transparent and does not advantage one part of the network over any other part; and
- balance the wellbeing of communities against the public sector cost.

#### CONSULTATION PROCESS

The consultants intend to publish a consultation paper setting out the option development and appraisal process that has identified a number of models that could be used for the establishment of a common and consistent freight fares policy.

The criteria for assessment of the options reflect the outcomes of the Ferries Plan and create a framework for future freight fares policy on the Transport Scotland subsidised ferry services.

The criteria for assessment were defined as:

- **Acceptability:** Acceptable to the freight industry, island business communities and the wider island community.
- **Affordability:** Affordable for the Scottish Government, by ensuring any change to the fares structure is sustainable going forward.
- **Consistency:** Fares are set in a consistent manner, i.e. in a way that involves applying the new fares regime, e.g. distance based or volume based, in a consistent and equal basis
- **Sustainability:** The level of fares supports the future sustainability of island local economies and communities.
- **Transparency and simplicity:** Simple for the directly subsidised ferry operators to put in place and operate and transparent so that users can easily understand how fares are set.

The process to date has included engagement with a stakeholder working group with representatives from local authorities, RTPs, HIE, RHA and FTA in addition to Transport Scotland and the consultants.

The draft consultation paper has been shared with the working group and will be subject to some editing as a result of this although the intention is to consult with those most directly affected by any changes to fare regimes as fully as possible so some options with potentially clear show stopper issues will be retained to ensure they pros and cons of each model is considered.

In each model fares scenario it is likely that the main determining factor of the charge will be on a per lane metre basis. Thereafter a range of factors could determine fare levels including options that are distance based or by groupings of flat fare (such as by vessel type or distance band).

When the final consultation paper has been produced the consultants are keen to gather feedback from key stakeholders before the end of December. HITRANS have been classed as a key consultee. In responding to the paper officers will be keen to ensure our response is consistent with and balanced by those responses prepared by our partner local authorities. Officers recognise the sensitivities of this response and the risk that a common approach to fare setting might have the consequence of increasing fares on some routes. To this end it is proposed that officers work closely with the Partnership Advisors from Argyll and Bute, Comhairle nan Eilean Siar, Highland, Orkney Islands and HIE to prepare the HITRANS response which will be circulated to Board Members for final approval prior to submission.

## RECOMMENDATIONS

Members are asked to:

Approve the proposal that the Partnership Director and Manager develop the HITRANS response to the Fares Consultation taking input from the Partnership Advisors from Argyll and Bute, Comhairle nan Eilean Siar, Highland, Orkney Islands and HIE before seeking approval from Board Members on the draft response.

Risk	impact	Comment
RTS delivery	√	The RTS identifies fare ferry fares as an area that the Partnership should work to support and develop.
Policy	√	The review of fares is an action that has arisen from the Scottish Ferries Review / Plan and HITRANS input to this represents our ongoing role inputting and supporting the Plan.
Financial	√	No financial impact.
Equality	-	

**Report by:** Ranald Robertson  
**Designation:** Partnership Director  
**Date:** 18<sup>th</sup> November 2014