
FERRY FREIGHT FARES – POLICY REVIEW BY SCOTTISH GOVERNMENT

1.0 EXECUTIVE SUMMARY

- 1.1 The Scottish Ferries Plan (2013 – 2022) was published by The Scottish Government in December 2012. With regards to Freight Fares, the Plan and Review had several commitments and principles, including: To deliver a new freight fares structure for all Scottish Government subsidised ferry services.
- 1.2 Transport Scotland established a Working Group in 2014 to oversee the strategic direction of the Freight Fares Review. The group has met several times since it was established.
- 1.3 In the main, with the proposed new freight fares formula, most medium length routes would benefit, for example, Oban – Cairnure, Oban – Lismore, Oban – Colonsay, Tainloan – Gigha, Claonaig – Lochranza, Kennacraig – Islay, while longer distance routes, e.g. Campbeltown – Ardrossan and Oban - Coll/Tiree would have freight fare increases.
- 1.4 Of the Argyll and Bute communities which would be negatively impacted, the most significantly affected island communities would be Coll and Tiree. The Campbeltown – Ardrossan route would be less affected as this route is seasonal and has few freight journeys.
- 1.5 Should a new freight fares methodology and formula be implemented, Transport Scotland are aware of potential impacts on communities negatively affected (e.g. Coll and Tiree).
- 1.6 Findings have been presented to the Minister and further analysis on the potential impact is being carried out by Transport Scotland. This is clearly a very complex issue and officers in Transport Scotland have advised that, to date, much work has been done, in particular, investigating both legal and technical implications.
- 1.7 It is recommended that Members a) note this report and b) if they are so minded, provide views on the potential effects an increase in ferry freight fares might have on some of our more remote communities.

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2.0 INTRODUCTION

- 2.1 The Scottish Ferries Plan 2013-2022 was published by the Scottish Government in December 2012. The Ferries Plan gave a commitment to, “*develop an overarching policy for freight fares*” with the aim of a subsequent review, “*to deliver a new freight fares structure for all Scottish Government subsidised ferry services*”. This report provides Members with the latest update on the review.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members a) note this report and b) if they are so minded, provide views on the potential effects an increase in ferry freight fares might have on some of our more remote communities.

4.0 BACKGROUND

- 4.1 Transport Scotland established a Working Group in 2014 to oversee the strategic direction of the Freight Fares Review. The Working Group is chaired by Transport Scotland and includes representatives from Transport Scotland and various Councils including Argyll and Bute. The group has met several times since it was established. Minutes of previous meetings are available on the Transport Scotland website:-

<https://www.transport.gov.scot/public-transport/ferries/freight-fares-review/>

- 4.2 Argyll and Bute Council are currently members of the Freight Fares Review Working Group which is chaired by Transport Scotland. Membership of the group includes:

- Transport Scotland
- Argyll and Bute Council
- Comhairle nan Eilean Siar
- Orkney Islands Council
- Shetland Islands Council

- Highland Council
- North Ayrshire Council
- HTRANS
- ZetTrans
- Strathclyde Partnership for Transport
- Highlands and Islands Enterprise
- Freight Transport Association
- Road Haulage Association

4.3 The Scottish Ferries Plan (2013 – 2022) was published by The Scottish Government in December 2012. With regards to Freight Fares, the Plan and Review had several commitments and principles, including:

- To undertake a comprehensive review of large commercial vehicle fares, to develop an overarching policy for freight fares across the entire ferry network.
- To deliver a new freight fares structure for all Scottish Government subsidised ferry services.
- To use established fare principles including simplicity, transparency, comparability, consistency and affordability vs. community sustainability.

5.0 DETAIL

5.1 Several meetings have taken place and items of work carried out since the Working Group was established by Transport Scotland in 2014. Work carried out by Transport Scotland included identifying 15 potential freight fares options which were reduced to 3 options considered by the Working Group with overall revenue neutrality to be assumed. Subsequent agreement was reached to proceed with “Option 1”, however fine-tuning and further analysis work would be required.

5.2 Transport Scotland engaged Transport Analytical Services to carry out this work. The findings were reported by Transport Scotland to the Working Group at a meeting on 27th March 2017. The findings can be summarised as follows:

- The freight fares formula would consist of a fixed charge element plus a rate per lane-metre per mile (LMM) with miles discounted beyond a distance threshold e.g. 50 miles.
- The new formula when compared with original formulas would lead to freight fare changes whereby rates would reduce on some routes but increase on others.
- In the main with the proposed new freight fares formula, most medium length routes would benefit, for example, Oban – Craignure, Oban – Lismore, Oban – Colonsay, Tainloan – Gigha, Claonaig – Lochranza,

- Kennacraig – Islay, while longer distance routes, e.g. Campbeltown – Ardrossan and Oban - Coll/Tiree would have freight fare increases.
- Other Scottish network routes potentially benefitting include, Berneray - Leverburgh, Scrabster - Stromness, Ardmhor - Eriskay and Ardrossan - Brodick while other routes negatively impacted would include Ullapool - Stornoway, Mallaig - Lochboisdale, Aberdeen - Kirkwall and Kirkwall – Lerwick.
 - Of the Argyll and Bute communities which would be negatively impacted, the most significantly affected island communities would be Coll and Tiree. The Campbeltown – Ardrossan route would be less affected as this route is seasonal and has few freight journeys.
- 5.3 Should a new freight fares methodology and formula be implemented, Transport Scotland are aware of potential impacts on communities negatively affected (e.g. Coll, Tiree, Shetland, Lewis, Harris and Orkney). This was recognised at the March meeting with the minutes stating -
- “...any increase in freight fares for an island would be poorly received with challenges likely due to concerns raised over the impact on specific islands. The chair explained that the Minister will be aware of the likely reaction and will make a decision once Transport Scotland have provided him with final advice. The intention would then be to consult more widely with further engagement with councils and stakeholders on the approach. This was welcomed by the Working Group, and the fact that the review was not presented as ‘complete’ at this stage was seen as positive.”*
- 5.4 Transport Scotland committed to further actions from the meeting, including to undertake further analysis and to consider sectoral impacts. Once various actions had been carried out, as stated in the minutes, *“the next step would be for Transport Scotland to provide the Minister with advice. This would reflect sensitivities identified at the meeting.”*
- 5.5 Of late, findings have been presented to the Minister and further analysis on the potential impact is being carried out by Transport Scotland. This is clearly a very complex issue and officers in Transport Scotland have advised that, to date, much work has been done, in particular, investigating both legal and technical implications.
- 5.6 Members should be aware that the Council has received a letter from NFU Scotland outlining their ‘significant concerns’ with regard to a proposal, contained within the review, that any existing ferry-related discounts should come, in future, directly as support from the Scottish Government Department with policy responsibility for that sector i.e. not through ferry freight fares.
- 5.7 It is likely that a further meeting of the Review Group will take place in the future to discuss the further analysis work carried out by Transportation Scotland.

6.0 CONCLUSION

- 6.1 This report updates Members on the review of ferry fares, including potential implications on freight fares for several islands/communities should the Scottish Government decide, in the future, to implement a proposed new freight fares structure.

7.0 IMPLICATIONS

7.1 Policy	None for the Council.
7.2 Financial	Increased ferry fares could, foreseeably, place a greater strain on Council budgets as a result of related effects on local economies.
7.3 Legal	None for the Council.
7.4 HR	None for the Council.
7.5 Equalities	None for the Council.
7.6 Risk	Increased ferry fares to some of our more remote communities could affect population growth in those areas affected.
7.7 Customer Services	None for the Council.

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