

Item: 14

Development and Infrastructure Committee: 15 February 2022.

Review of Orkney Inter-Island Ferry Fare Structure.

Report by Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

1. Purpose of Report

To consider the outcome of the review of revised passenger and vehicle fares for inter-island ferry services operated by Orkney Ferries Limited.

2. Recommendations

The Committee is invited to note:

2.1.

That, as part of the annual financial settlement from Scottish Government for 2021/22, a service specific grant of £7.855 million was allocated to cover the existing deficit gap to operate services, to provide Sunday winter services across the Inner and South Isles and to implement a revised fare structure across inter-island ferry services for the year ahead.

2.2.

That, on 18 May 2021, when considering a revised fare structure for inter-island ferry services operated by Orkney Ferries Limited, the Development and Infrastructure Committee recommended:

- That a 38% reduction on the existing adult and vehicle fare structure, with a further 25% discount for elderly and disabled passengers, be approved as the new fare structure for inter-island ferry services, to be implemented by Orkney Ferries Limited during June 2021.
- That the sale of multi books of tickets by Orkney Ferries Limited should cease from June 2021, with the exception of the books of 50 tickets, the sale of which should be extended until 31 March 2022.
- That, from June 2021, the discount on the books of 50 tickets should reduce from 50% to 45%.
- That the expiry date for books of 50 tickets sold from June 2021 be reduced from 500 days to 365 days, with the exception of any extensions defined by COVID-19 measures.
- That existing books of 50 tickets should be accepted until the point of expiry, or until extension dates defined by COVID-19 measures.

- That continuation of availability of books of 50 tickets beyond 31 March 2022 be reviewed, by February 2022, following consultation with isles Community Councils and island communities using those services.
- That the concessionary rate applied to passengers be amended from 60 years and above to 65 years and above, increased in increments over a period of five years from 60 to 65, to bring the concession into line with the Local Concessionary Travel Scheme operated by the Council.
- That the Executive Director of Development and Infrastructure should undertake a review of the revised passenger and vehicle fares for inter-island ferry services, post COVID-19 and, once fully established, consider the impact on residents, visitors and businesses, and thereafter submit a report, to the Development and Infrastructure Committee, detailing the findings of the review.
- That, following implementation of the new fare structure in respect of passengers and vehicles for inter-island ferry services, the Executive Director of Development and Infrastructure should undertake a review of the commercial tariff and thereafter submit a report, to the Development and Infrastructure Committee, detailing the findings of that review.

2.3.

That, on 31 May 2021, the Council resolved to approve the recommendations of the Development and Infrastructure Committee detailed above, with the exception of the discount on the books of 50 tickets, which should remain at 50%.

2.4.

That, during September 2021, an online survey was carried out to obtain views from residents and key users in respect of the revised fare structure for inter-island ferry services operated by Orkney Ferries Limited, with the outcome attached as Appendix 1 to this report.

2.5.

That, in advance of the Council's budget setting process for 2022/23 being concluded, any decision to continue the sale of books of 50 tickets for passengers and vehicles under 5.5 metres will be subject to an adequate service revenue budget being established.

2.6.

That, following the wider Scottish Government review of fares, a review of the commercial tariff structure, for vehicles over 5.5 metres, will be undertaken, with the findings presented to Committee in due course.

2.7.

That, in order to effectively monitor carryings and examine trends in travel behaviour, the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services will arrange for passenger, vehicle and commercial carryings for the inter-island ferry services to be included in the Council's annual performance report in relation to services provided by Orkney Ferries Ltd.

It is recommended:

2.8.

That, subject to an adequate service revenue budget being established for 2022/23, the sale of books of 50 tickets for passengers and vehicles under 5.5 metres, at an estimated cost of £70,000, should be continued during 2022/23.

2.9.

That the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services should undertake a review of discounted books of tickets, to determine whether to continue current practice or consider implementation of an alternative discount for islanders, and thereafter submit a report, to the Development and Infrastructure Committee, detailing the findings of that review.

2.10.

That the inter-island fare structure and the cost of multi journey books of tickets should be frozen for 2022/23 and thereafter increased annually in line with the budget uprating assumptions in respect of Fees and Charges agreed through the Council's budget setting process.

3. Background

3.1.

The additional funding from Scottish Government of £7.855 million was allocated as part of the financial settlement for the 2021/22 financial year to fully cover the existing deficit gap to operate services, to provide Sunday winter services across the Inner and South Isles and to implement a revised fare structure across inter-island ferry services. An allowance in the region of £735,000 was therefore available to roll out a revised fare structure across Orkney to bring fares in line with those charged across the rest of Scotland for financial year 2021/22.

3.2.

The application of a revised inter-island fare structure across the Orkney Ferries Limited network considered a number of variables including:

- A structure that does not set a disproportionate fare between island communities.
- The 'no worse off' position outlined by Scottish Government, particularly in respect of the vehicle fares for the Outer North Isles.
- The discounts currently received by young people, elderly and disabled passengers compared with a standard fare for all.
- The books of tickets currently available for frequent travellers, and in particular the books of 50 tickets providing a 50% discount for payment made in advance.
- The budget available to implement a revised fare structure which is in the region of £735,000 for financial year 2021/22.

3.3.

Based on the additional funding available, a number of options were outlined for consideration on 19 April 2021 at an online Elected Members Seminar. A meeting was also held on 29 April 2021 with the Outer North Isles and Inner and South Isles Chairs of Community Councils and Transport Representatives of each island.

3.4.

The option taken forward by Committee on 18 May 2021 reduced the existing base rate to the lowest possible level for passengers and all vehicles under 5.5 metres, providing a 38% reduction on standard fares. As the funding was for passengers and small vehicles, the commercial fare structure for vehicles over 5.5 metres has remained unchanged at this time.

3.5.

The 38% reduction in fares was on the basis that all other discounts for passengers and vehicles under 5.5 metres would be removed. However, following consideration, Committee agreed on 18 May 2021 for the books of 50 tickets to be retained during 2021/22 to benefit frequent travellers and to ensure a 'no worse off' position for all users. The position of multi books of tickets has formed part of the review process to aid discussions over retention for future years.

4. Fares Review

4.1.

The revised fare structure was implemented by Orkney Ferries Limited in June 2021. The new fare structure reduced the standard base rate passenger and vehicle (under 5.5m) fares by 38% and gave a further 50% discount for young people and a 25% discount for elderly and disabled passengers. The commercial fare structure for vehicles over 5.5m in size remained unchanged and will be reviewed at a later date.

4.2.

The key changes to the tariff are outlined below:

- Reduction in passenger fare by 38%.
- Retention of 50% discount for young people (in full time education).
- Amendment of discount for elderly and disabled people to 25% in addition to the reduced fare (previously 50% on old base rate).
- Incremental increase for elderly discount, moving from 60 to 65 years annually from 2022.
- Reduction in vehicle fare under 5.5m by 38% (for all vehicles including commercial under 5.5m).
- Books of 10 and 20 multi tickets for passengers and vehicles under 5.5m are no longer required as the new base rate is now lower than discount achieved from books.

- Books of 50 multi tickets, providing a 50% discount on the original fare (not new fare structure) were retained during 2021/22 financial year.

4.3.

Due to an administrative error, the 10 and 20 multi books of tickets were also removed from the commercial fare structure. As the commercial fare structure remained unchanged, the books of tickets for commercial use were reinstated on 1 January 2022. In addition, the new rate for all vehicles under 5.5m was not offered to commercial vehicles under 5.5m from June 2021. This was rectified on 1 January 2022 after it was highlighted as part of the review process.

4.4.

During September 2021, an online survey was carried out as part of the review process with 333 responses received. The survey was available on board all Orkney Ferries Limited vessels via a QR code or online link. The Community Councils and Community Development Officers were forwarded posters to put up in the local shops and community areas. A press release was also issued to encourage all island residents to respond.

4.5.

The Review of Orkney Inter Island Ferry Fare Structure Report (December 2021), attached at Appendix 1, considers the survey results including demand, purpose of travel, travel patterns and behaviour, multi books of tickets, new fare structure, community impacts and the continued impact of COVID-19.

4.6.

The review also considers passenger and vehicle carryings during 2019, 2020 and 2021. Unfortunately, as the revised fare structure was introduced during the COVID-19 pandemic, carryings have been significantly affected and therefore it has not been possible to establish if the reduction in fares has changed travel patterns and behaviour.

4.7.

The passenger carryings during 2021 for both the Inner and South Isles and Outer North Isles routes are only slightly below the pre COVID-19 (2019) passenger levels. Given there were travel restrictions and reduced timetables during 2021, it is anticipated that passenger carryings during 2022 will exceed the 2019 levels if there are no further travel restrictions applied.

4.8.

Notably, the vehicle carryings in the Inner and South Isles during 2021 were higher than 2019 which could be linked with the revised fare structure, making it more affordable to travel by car. Given the recent data is skewed due to the current pandemic, the inclusion of data comparing passenger and vehicle carryings on an annual basis in the Council's annual performance report will allow the trends to be monitored over time.

4.9.

The books of 50 tickets, providing a 50% discount off the original fare rate compared with the new base rate fare reduction of 38%, was retained during 2021/22 financial year so as to not disadvantage frequent travellers accessing the highest discount. It can only however be accessed by those who can afford to bulk purchase in advance. The cost to retain the multi books during 2021/22 financial year was estimated at £70,000 over the allocated budget.

4.10.

The survey results showed a mixed response to the multi books of tickets and this is most likely split by area, with the majority of those residing in the Inner and South Isles who may be commuting daily for work wishing to retain the books of 50 tickets to obtain the largest discount of 50%, whereas residents who travel less frequency may prefer a discount for each time they travel, for example, through the form of an islander type discount. There still remains an unfairness whereby only those who can afford to bulk purchase can obtain the greatest discount. The aim of the new fare structure was to remove the unfairness and bring the base rate down to the lowest possible level for everyone to access.

4.11.

There is a strong sense from the survey results that islanders would prefer to see a higher base rate paid by non-islanders, to provide an islander type discount for those residing in the outlying islands. What this does not take into consideration are those who may reside on mainland Orkney but travel frequently to one or more of the outlying islands for work or to visit family members regularly for example. A higher base rate may also discourage tourism on the islands and the opportunity to grow this market. The other difficulty is trying to effectively manage and monitor the islander discounts as people move to and from the islands. This would require an additional administration resource which would come at a cost.

4.12.

The concept of an islander discount would not be feasible to administer under the current Orkney Ferries Limited Customer Reservation System, however it may be something that could be explored as part of the specification for the new reservation system, which will be progressed during 2022/23. The application of an islander type discount would move away from a flat fare charged to all which is consistent with the Road Equivalent Tariff applied across the rest of Scotland. Without budget uplift, it is therefore likely that the Orkney Ferries Limited standard base rate would need to be increased in order to allocate an islander discount. As the current passenger carryings do not differentiate between an islander travelling, mainland Orkney resident or tourist, it will not be possible to accurately estimate the cost to bring islander fares down further, for example, down to the lowest possible level which exists at the moment which is a 50% discount on the original base rate fare. Should there be a desire to consider this further, it is recommended this is carried out in conjunction with the work associated with the new Customer Reservation System for Orkney Ferries Limited.

4.13.

The importance of the books of 50 tickets to obtain the largest discount was raised by the Inner and South Isles communities during the Orkney Matters meetings. The loss of the books would result in a price increase for those who travel frequently.

4.14.

In the meantime, it is recommended that the books of 50 tickets are retained for a further year during 2022/23, at an estimated cost of £70,000, and alternative options are explored and presented back to Committee prior to 2023/24 financial year.

4.15.

The fare structure and books of ticket price should be reviewed on an annual basis, with any increases applied in line with the budget uprating assumptions in relation to Fees and Charges agreed through the Council's budget setting process. Given the introduction of the reduced tariffs part way through the 2021/22 financial year it is proposed that the tariff remain the same for 2022/23 and thereafter be increased in line with the budget uprating assumptions.

5. Links to Council Plan

5.1.

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

5.2.

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.

6. 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 priorities of Connectivity and Sustainable Recovery.

7. Financial Implications

7.1.

The Inter Island Ferries Service revenue budget was £12,612,500 for financial year 2021/22 and included a specific grant of £7,855,000 from Scottish Government.

7.2.

The specific grant allocation was based on the Council's revised baseline budget submission that was made to Scottish Government for fair funding for inter-island ferry services in January 2021. Specifically, the request was based on operating the existing fleet with enhancements as proposed in the 2019 Ferries Revenue Outline Business Case, and included an allowance in the region of £735,000 which was available to roll out a revised fare structure across Orkney to bring fares in line with those charged across the rest of Scotland for financial year 2021/22.

7.3.

The Transportation Service estimated the cost to implement the revised fare structure at £724,009 for financial year 2021/22. This was prepared on the basis of pre COVID-19 passenger carryings and no increase in passenger or vehicle demand. The Service also considered it likely that once services resume normal operation and there are no COVID-19 restrictions in place that demand will increase due to the reduction in fares.

7.4.

Subject to an adequate service revenue budget being established for financial year 2022/23 the provision of the 50 x Multi Books of tickets be retained during 2022/23, at an estimated additional cost of £70,000 for a full year.

8. Legal Aspects

8.1.

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”.

8.2.

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

8.3.

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.

9. Contact Officers

Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, extension 2301, Email gareth.waterson@orkney.gov.uk

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

Laura Cromarty, Transportation Manager, extension 2638, Email laura.cromarty@orkney.gov.uk

10. Appendix

Appendix 1: Review of Orkney Inter Island Ferry Fare Structure.



REVIEW OF ORKNEY INTER ISLAND FERRY FARE STRUCTURE

Orkney Islands Council
January 2022



Summary

In June 2021, Orkney Islands Council introduced the revised Inter Island Fare Structure across the Orkney Ferries Ltd network. The change in fare structure was introduced following additional funding received from the Scottish Government during financial year 2021/22. The principle of the revised fare structure was to reduce the standard passenger and vehicle fares, making it more affordable to travel and providing fair fares for all.

The base rate adult passenger and vehicle fare was reduced by 38% and junior passengers benefit with a further 50% discount from the new revised rates whilst elderly and disabled passengers receive a further 25% discount on the base rate.

When considered by the Development and Infrastructure Committee in May 2021, the revised fare structure was approved on the basis that during 2021/22, the 50 x multi book of tickets was retained, providing a 50% discount on the original base rate, and that following implementation of the revised fare structure, a review and survey for residents would be carried out to establish the benefits, impact and effects of the revised structure.



2021 Fair Fares Resident Survey

Total of **333** responses: -

38% from Outer North Isles

31% from Inner and South Isles

31% mainland resident, visitor or other

Multi Books of Tickets: -

50% cannot afford to purchase multi books or travel infrequently so do not purchase them.

34% use the multi books to commute to and from work or to travel on a regular basis.

52% of respondents feel the multibook of tickets should be continued as they provide a significant discount to frequent travellers

19% feel everyone should pay the same.

Overview



MV Graemsay

In June 2021 Orkney Islands Council introduced a revised Inter Island Fare Structure across the Orkney Ferries Ltd network following additional funding awarded from the Scottish Government for financial year 2021/22.

The aim of the revised fare structure is to provide fair fares to all, reducing existing rates to the lowest possible level with the budget available, therefore making travel more affordable and allow people to travel more often. As the funding from Scottish Government was awarded for a one-year period, the fare structure will be subject to annual review.

The revised fare structure, which was rolled out across the entire Orkney Ferries Ltd network, reduced passenger and vehicle fares by

38% and retained a further 50% discount for junior passengers and 25% discount for elderly and disabled residents.

As the funding was to provide a reduced fare structure during 2021/22 there was not sufficient time to fully consult with residents in advance. Elected Members were however presented with a number of fare options and this was also discussed with the Chair of each Community Council and Transport Representatives prior to implementation.

The purpose of this review is to consider the impact of the revised fare structure to residents and communities and how this has affected demand.

An on-line resident survey was carried out between August and September 2021 once the revised fare structure was bedded in. Passenger and vehicle data has been analysed for the period 2019, 2020 and 2021. It should be noted that travel during 2020 was significantly affected due to COVID-19 restrictions and continues to impact passenger carryings during 2021.

Data Analysis

A key element of the evaluation is understanding the impact of the revised Inter Island Fare structure on passenger and vehicle carryings.

Passenger and vehicle carryings during 2019, 2020 and 2021 have been examined.

It should be noted that the COVID-19 pandemic has had an impact on travel patterns and behaviour during 2020 and 2021 and therefore figures are lower than normal levels. A further analysis of data carryings is therefore recommended from 2022 onwards.

Island Supply-Chains

It should be noted that the Scottish Government funding received during 2021/22 was to reduce passenger and vehicle fares (under 5.5m) only, focusing on the cost of movement of people rather than goods. This is consistent with the roll out of the Road Equivalent Tariff (RET) across the rest of Scotland.

The Scottish Government commenced a review of freight charges across services which were under the direct responsibility of Transport Scotland in 2014 however, this work was not concluded. This was largely due to the difficulty of rolling out a reduced fair freight fare structure on a cost neutral basis.

A review of commercial fares in Orkney will be carried out following completion of the review of passenger and vehicle fares however, any change in the commercial fare structure will be subject to additional budget. Small commercial vehicles which are under 5.5m will benefit from the reduced vehicle fare rates (* implemented later by Orkney Ferries Ltd on 1 January 2022).

Socio-Economic Data Analysis

The main aim of the revised Inter Island Fare Structure was to provide affordable fares to all. This in turn makes travel more affordable and access to services more achievable for many.

The revised fare structure therefore helps to support the social and economic development of the outlying islands of Orkney, which are some of the most fragile communities in Scotland.

The resident survey considers the impact the revised Inter Island Fare Structure has had on the community. For example, anecdotally, has passenger trips by tourists to the island increased, has resident travel

increased, and have local businesses noticed a difference in trade as a result.

Resident Survey

The resident survey was online based with paper copies available on request. The same survey was available across the entire Orkney Ferries Ltd network and therefore all island-based residents were invited to complete the survey. Whilst the survey was focused on residents, it also allowed mainland Orkney residents travelling to the isles and tourists to complete the survey.

The survey considered:

- **Change in Demand**
 - passenger demand
 - vehicle demand
 - how this has affected the way you travel

- **Travel Patterns and Behaviour**
 - frequency of travel
 - main purpose of travel
 - if travel fare structure has changed the way you travel
 - additional frequency for what purpose
 - additional frequency with a vehicle
 - estimated increase in travel

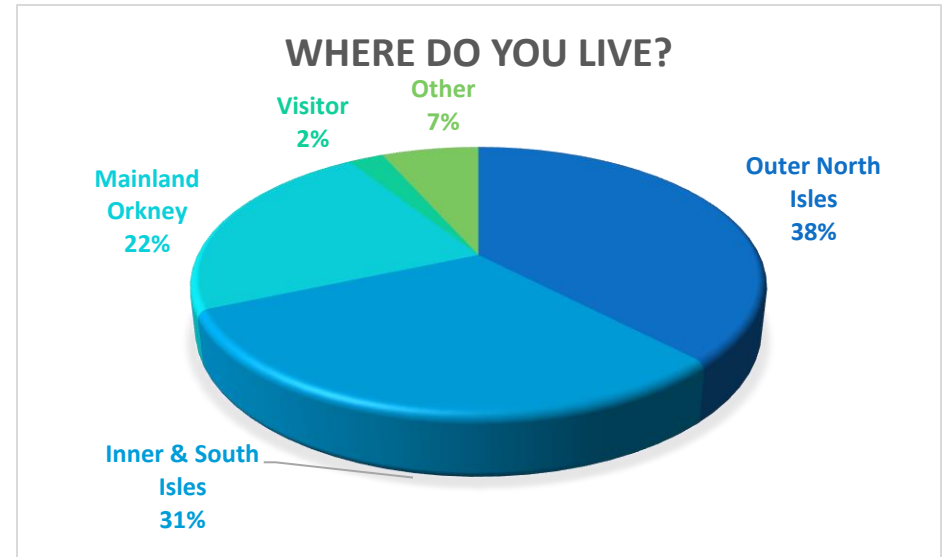
Multi-Books of Tickets

- If books of tickets are currently purchased
- average number purchased in a year (passenger and vehicle breakdown)
- Continuation of books of tickets
- **Fare Structure**
 - view of new fare structure
 - further changes
- **Local Community Impacts**
 - use of shops and local businesses
 - impact on community
 - benefits to community
- **Continued Impact of Covid-19**
 - Impact to travel pattern

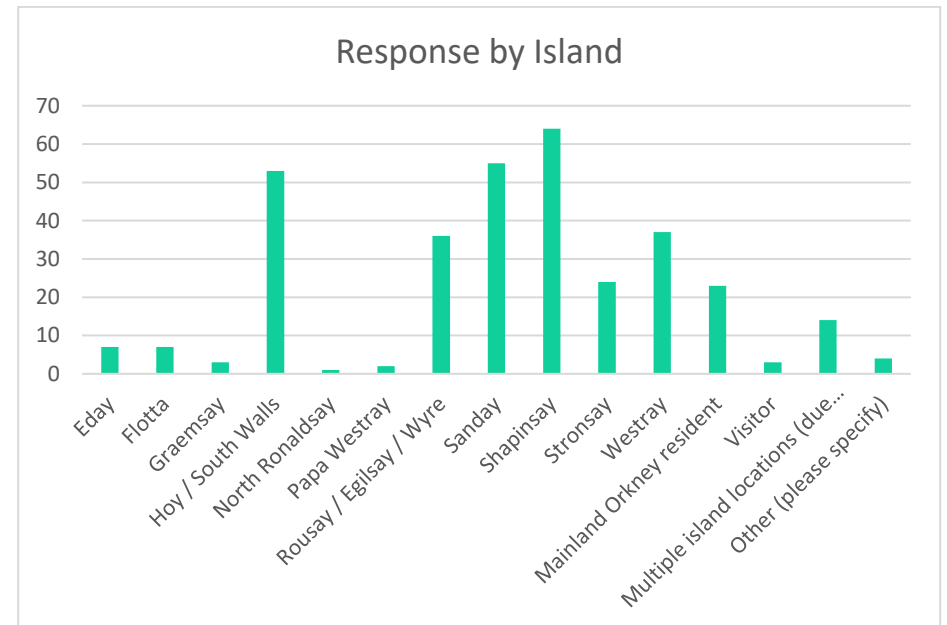
Survey Results

There were 333 responses to the Review of Inter Island Fare Structure Survey. The survey was available on-line during the period 6th – 30th September 2021. A link to the survey was available on board all Orkney Ferries vessels via a QR code and online link. The Community Councils and Community Development Officers were forwarded posters to put up in local shops and community areas. A press release was also issued to encourage all island residents to respond. The full summary of responses is outlined at Appendix 1 to this report.

The response to question 1 is outlined below. The responses are quite even between Inner & South (31%) and Outer North Isles (38%), and mainland Orkney, visitor and other when considered together (31%).



The responses broken down by island (question 2) graph below show that the highest proportion of respondents were from Shapinsay (19%), Sanday (17%) and Hoy/South Walls (16%).

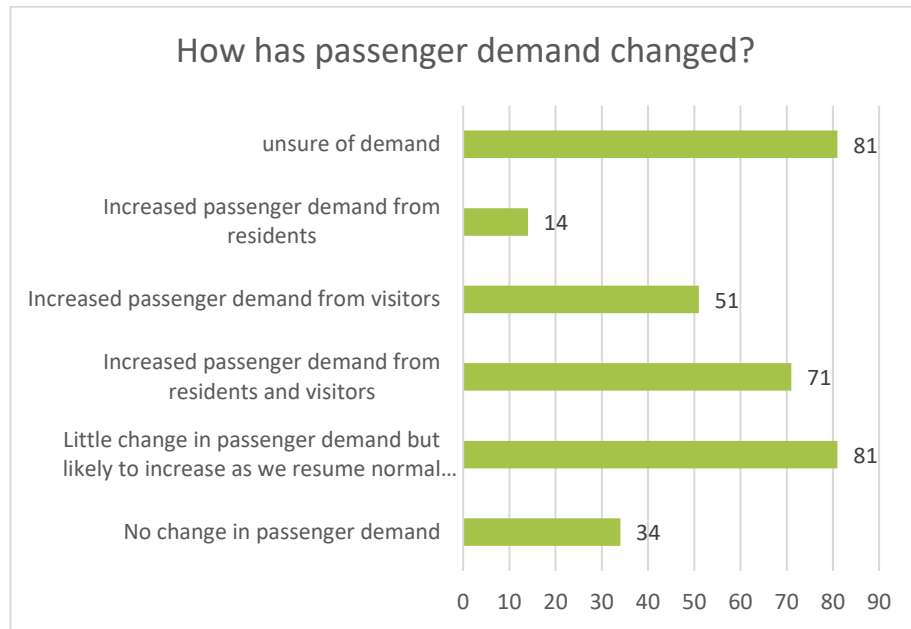


Change in Demand

As noted, the COVID-19 Pandemic continues to impact travel behaviour and demand.

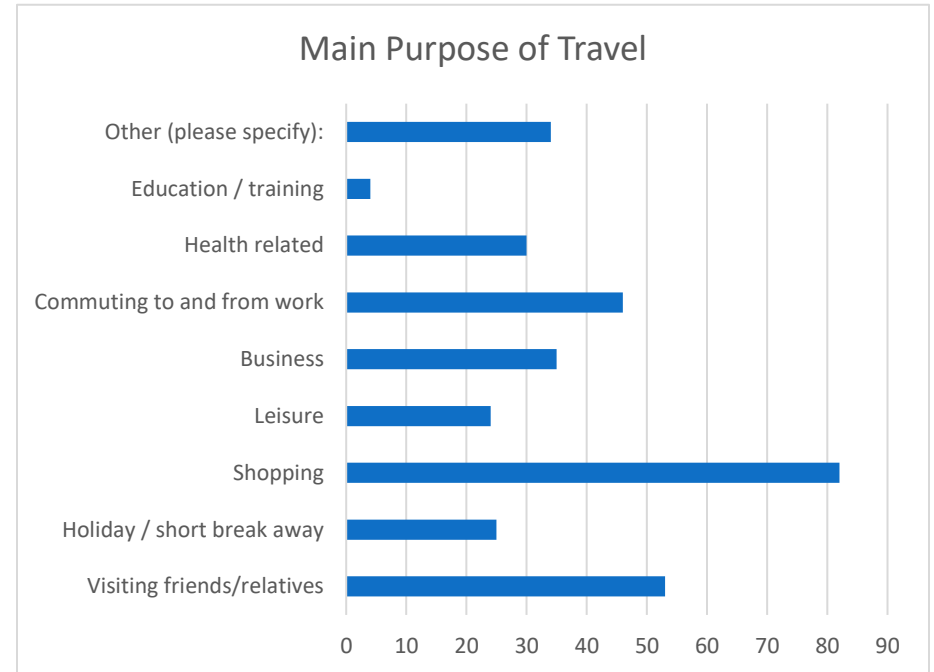
When asked (question 3), 24% of respondents were unsure if demand had changed compared with the same level of respondents noting that there was little change however, they would expect this to increase.

A total of 71 or 21% reported an increase in demand from residents and visitors and 51 or 15% specifically from visitors. This is outlined in the graph below.



When respondents were asked how the fare structure had affected vehicle demand (question 4), 27% felt that there had been little or no change to vehicle demand however, this would be likely to increase once normal travel patterns had resumed (following Covid-19 travel restrictions). A total of 52% of respondents felt that there had either

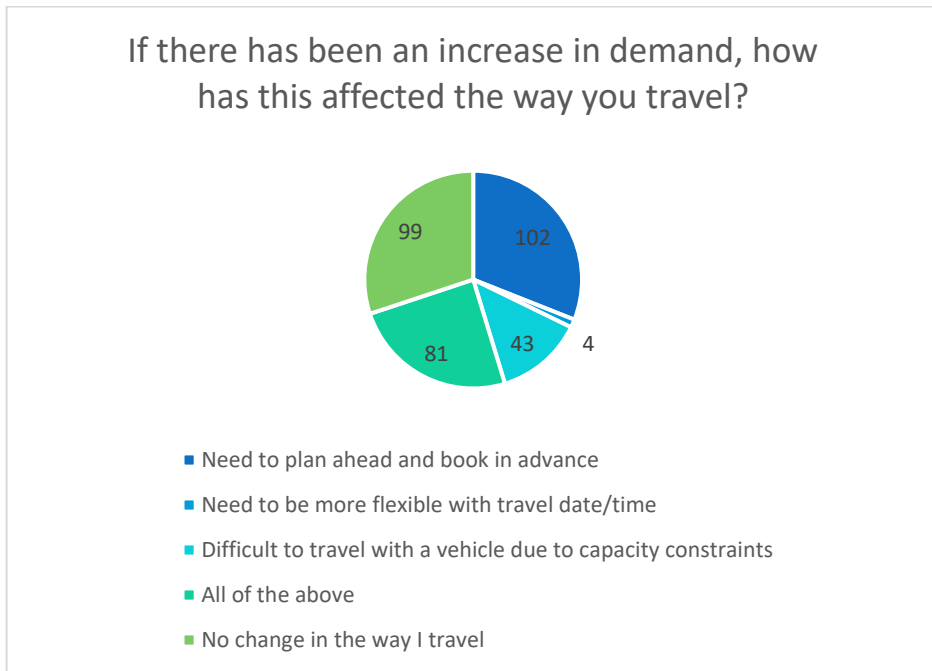
been an increase in residents and/or visitor travel whilst 21% were unsure of vehicle demand.



When considering how the revised fare structure has affected the way people travel (question 5), 31% of respondents said that they need to plan ahead and book in advance. Whilst 13% noted that it was difficult to travel with a vehicle due to capacity constraints and just over 1% noted the need to be more flexible with the date and time of travel. Almost 25% noted the difficulty to do 'all of the above'. Just over 30% noted that they have not changed the way they travel.

Travel Patterns and Behaviour

When focusing on travel patterns and behaviour (question 6), 25% of respondents note that on average, they travel 2-3 times per month, other lead responses include 14% travel once per month and 12% once per week. When combining responses, over 38% of respondents travel once per week or more (combining daily figures up to once per week).



When looking at purpose of travel (question 7), the majority of respondents note that they travel for shopping (25%), followed by 16% visiting friends/relatives, and commuting to and from work 14% or business 10%.

When respondents were asked how this changed the way they travel (question 8), almost 30% noted that travel had not changed as they still use a 50-journey book of tickets, 30% noted no change to travel, just

over 17% expect to use the service more post Covid whilst just under 14% note an increased use of the ferry.

When asked how the revised fare structure has affected the way they travel with a vehicle (question 10), 36% noted that vehicle use has remained the same whilst 28% noted that they use the car more often as it is now more affordable. Just over 15% noted that travel has remained the same as they continue to use a 50-journey book of tickets.

Multi Books

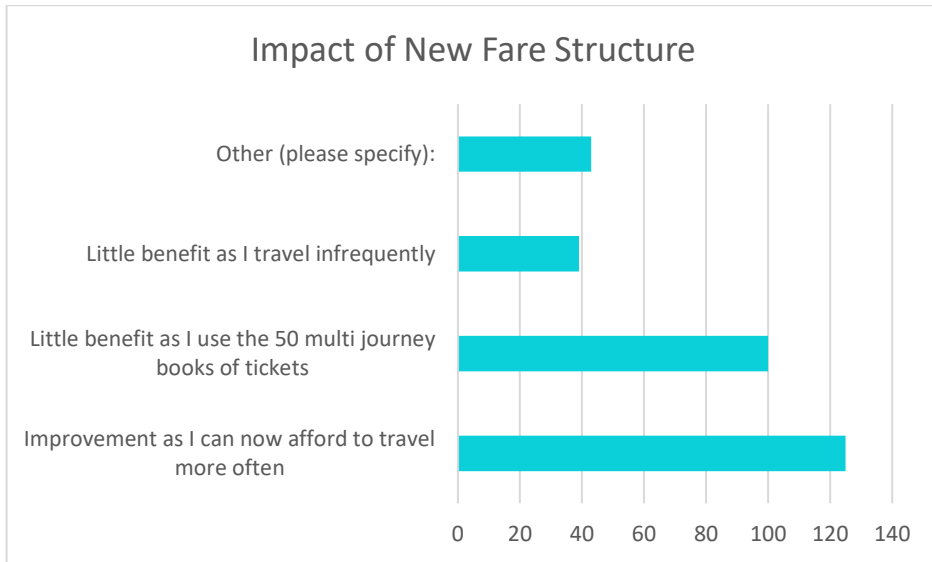
When considering the multi journey books of tickets (question 12), just over 21% noted that they cannot afford to purchase a multi book of tickets and just over 28% said that they do not purchase the books of tickets as they travel infrequently. This is compared with almost 14% of respondents using them to commute to work and 28% use them on a regular basis but not for work.

When asked, almost 52% of respondents said that they did not purchase a 50-journey book of tickets (question 13). This is compared with 21% purchasing 1-2 books per annum, 13% purchasing 3-6 books per annum, 6% purchasing 6-10 books per annum and 5% purchasing 10-15 books per annum. Similarly, 62% of respondents did not purchase a vehicle 50-journey ticket whilst 22% purchased 1-2 books per annum.

Respondents were asked if the 50-journey books of tickets should be continued (question 15). Almost 19% said no, as everyone should pay the same rate. This is compared with 52% of respondents who believe that the multi books should be retained as they provide a significant discount to frequent travellers and 10% felt that the discount received should be reduced to narrow the gap between the new fare and multi book price.

Fare Structure

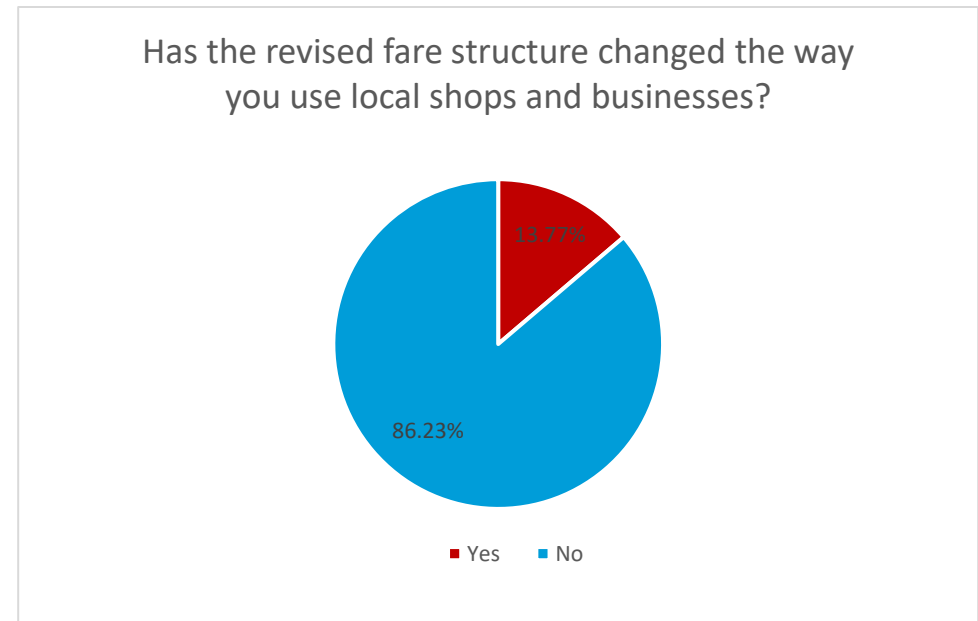
Respondents were asked (question 16) 'what was their view of the new fare structure', with almost 41% noting an improvement as they can now afford to travel more often, 33% noting little benefit as they use the 50 multi journey books of tickets, 13% noting little benefit as I travel infrequently and 14% noting other as outlined in the graph below.

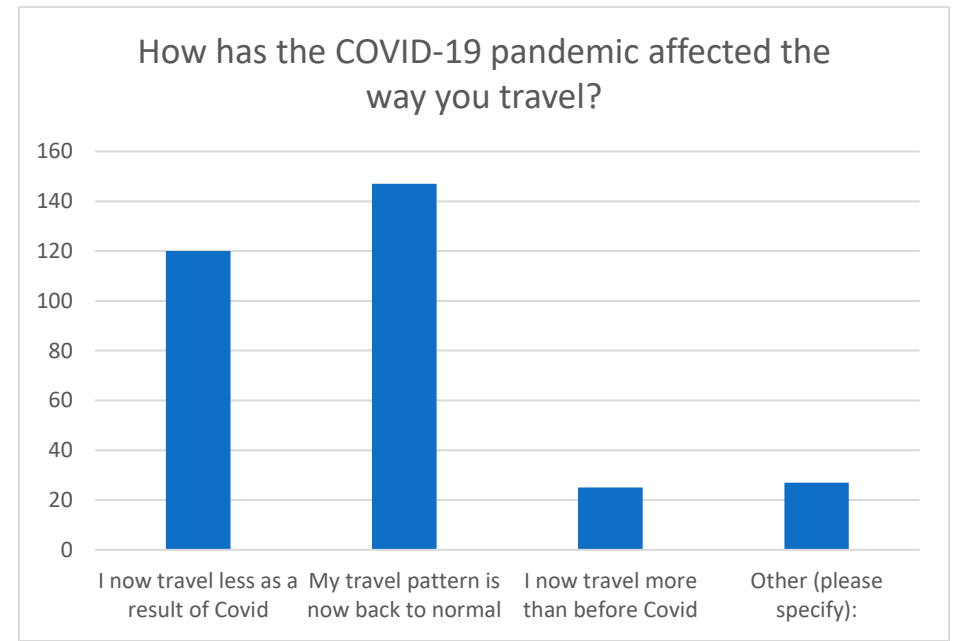
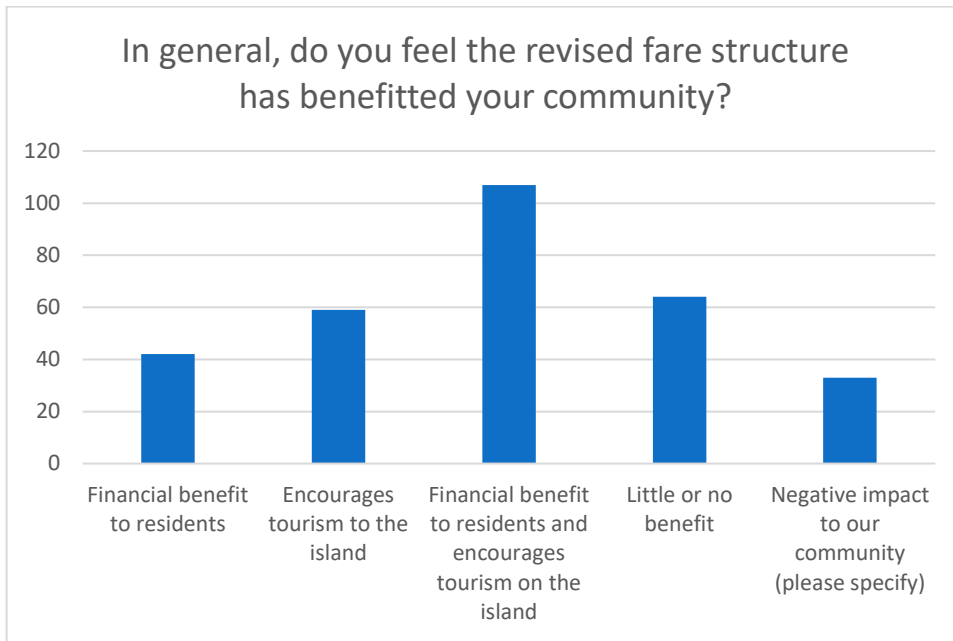


When asked what changes, if any, need to be made to the revised fare structure (question 17), almost 18% of respondents said to retain the 50-journey book of tickets compared with 16% said no change to the revised standard fare. As more than one answer could be selected, 68% of respondents said that an islander type discount should be introduced.

Local Community Impacts

When considering local community impacts (question 18), respondents were asked if the revised fare structure had changed the way they use local shops and businesses. The majority of respondents at over 86% noted that they had not changed the way they used community services as outlined in the graph shown above. When asked in more detail (question 20), respondents were asked in general, if the revised fare structure had benefitted the community they live in. The highest proportion of respondents at just over 35% noted a financial benefit to residents and the new fare structure encourages tourism on the island. Just over 19% of respondents note that the revised fare structure encourages tourism to the island and almost 14% note a financial benefit to residents. This is compared with almost 21% noting little or no benefit and almost 11% noting a negative impact to the community. The responses are outlined in the graphs below.





Continued Impact of COVID-19

Respondents were asked how the COVID-19 pandemic has affected the way they travel (question 21). The highest proportion of respondents (48%) said that their travel pattern was back to normal whilst just over 39% said that they now travel less as a result.

The responses show that there remains a split between the number of people who have benefitted from the revised fare structure and those who have continued to purchase 50-journey books of tickets.

There is still a strong desire to retain the 50-journey books (52%) and/or replace them with an islander type discount which would be available to all isles-based residents and not just those who can afford to bulk purchase to receive the largest discount (68%). This would however be an additional cost which has not been budgeted.

General Survey Comments

From the comments received, some respondents have found the reduced fare structure beneficial:

“Allowed more residents to visit mainland more frequently due to reduced prices”

“Brilliant, I have been able to visit 6 other islands as now affordable”.

“Residents of Orkney have been pleased at the reduction in the cost”.

Motor homes are mentioned a few times regarding capacity issues however the fare structure for commercial vehicles over 5.5m has remained unchanged and is as per the fare structure pre-June 2021.

It is likely that COVID-19 has had an impact on the number of motor homes and campervans travelling compared with the change in tariff structure.

“Motor homes, no room on the boat for islanders”.

There is also note of some capacity issues on some routes (notably Hoy) and cheaper vehicle fares has resulted in increased demand to take a vehicle as it is more affordable to do so. The size and frequency of service has been noted as a constraint:

“The Hoy head is always full, and it is only possible to book as standby the majority of the time”.

There are however some mainland Orkney residents that note more travel to the isles due to the reduction in fares:

“I have always wanted to visit the isles, but the cost was very prohibitive. When we do visit the isles we always spend in the local shops and pubs/hotels”.

“I visited Sanday, Westray and Hoy this summer because the new fare structure made it more affordable.”

From the comments received, the perception by some island residents, is that the fare structure benefits tourists as opposed to residents:

“The change has only affected the tourists not the local residents”

“Boats are packed with tourists who will pay what you want regardless. This has not helped residents”.

It is assumed that these respondents purchase a multi journey book of tickets to purchase the largest discount currently available through bulk purchase.

There has also been a general misunderstanding by some respondents that the multi journey books of tickets have been scrapped and therefore they pay more whereas the 50-journey books of tickets were retained during 2021/22.

As the new fare rate passed a higher discount, the 10 and 20 passenger and vehicle books (under 5.5m) were removed from the system.

Following consideration of the survey comments received, it was noted that Orkney Ferries Ltd removed the 10 and 20 books of tickets from the commercial fare structure as well as the passenger and vehicle (under 5.5m) books, thereby removing the 25% and 30% discounts by purchasing books of tickets. As the commercial fare structure will be reviewed separately, the 10 and 20 books of tickets for commercial fares were reinstated from 1 January 2022.

In addition, the discounted under 5.5m vehicle rate was not extended to commercial operators whereas the intention was for all small vehicles to be passed the new discounted rate. As this was picked up following consideration of the comments received, the under 5.5m vehicle rate was extended to commercial vehicles under 5.5m from 1 January 2022.



Kirkwall Pier with Outer North Isles vessels

Reduction in Fares



The application of a revised inter-island fare structure across the Orkney Ferries Limited network needed to consider a number of variables including:

- A structure that does not set a disproportionate fare between island communities.
- The 'no worse off' position outlined by the Scottish Government, particularly in respect of the vehicle fares for the Outer North Isles.
- The discounts currently received by elderly and disabled passengers compared with a standard fare for all.
- The books of tickets currently available for frequent travellers, and in particular the 50x book of tickets providing a 50% discount for payment made in advance.
- The budget available to implement a revised fare structure which is in the region of £735,000 for financial year 2021/22.

The application of a distance-based fare structure (such as Road Equivalent Tariff) across the Orkney network would result in winners and losers, with islands further from the Orkney Mainland paying significantly more than islands in close proximity to the Mainland.

Whilst the base passenger rate would reduce, the fare rates would be higher for elderly and disabled passengers and those who purchase a book of 50 tickets also accessing a 50% discount.

Under a Road Equivalent Tariff based scheme, the Outer North Isles vehicle fare rates would also be higher than existing levels and therefore an alternative fare structure was required.

So as to not apply a disproportionate tariff structure across the Orkney Ferries Limited network, a revised Inner/South Isles fare rate and an Outer North Isles fare rate were calculated.

Therefore, the price to travel from one island was not significantly more than the cost to live in another outlying island and two fare structures remain for the Outer North Isles and Inner/South Isles.

The previous vehicle fares were set at a standard rate up to 5 metre. This has been extended to 5.5m which will accommodate almost all cars and pickups as well as small to medium sized vans or campervans.

The reduced under 5.5m vehicle fare has also been extended to small commercial vehicles. Larger motorhomes are charged at the commercial rate as per the existing fare structure. The commercial fare structure for vehicles over 5.5m has remained unchanged and will be reviewed at a later date. Similarly, discounts to invoiced customers such as hauliers remains unchanged.

The revised fare structure which provides a 38% discount on the standard passenger and vehicle fares, gives a further 50% discount for junior passengers, young people in full time education and those with a valid student card.

Elderly (moving in increments from 60 to 65 and over) and disabled passengers will receive a 25% passenger discount (previously 50% off the old base rate) and a 25% discount is also available on vehicle fares for disabled passengers.

As the discount for elderly and disabled passengers moved from 50% to 25% the reduction in fares by 7% was less significant however the revised rate was still a discount from the previous fare rate, ensuring a 'no worse off' position.

The new fare structure, providing a 38% discount to the standard base rate fare provided a greater discount than the 10 and 20 multi books of tickets for passengers and vehicles previously issued by Orkney Ferries. These books are still available under the commercial fare structure (reinstated on 1 January 2022).

The 50 x multi books of tickets provide a huge discount of 50% on the original passenger and vehicle fare rate. These books were introduced as a means to obtain income in advance to the company for cash flow purposes and were beneficial for frequent travellers. However, the discounted books were seen as unfair given only those who can afford to bulk purchase can access the largest discount. For this reason, the revised fare structure had planned to discontinue the use of the books which also allowed the base rate to be reduced down to the lowest possible level with the budget available.

Following consideration and feedback particularly from some of the Inner and South Isles communities that travel almost on a daily basis, the 50 x multi books of tickets for passengers and vehicles were retained during 2021/22 as this remains the cheapest option, particularly for frequent users.

The continuation of the 50 x multi books of tickets has been accommodated within the budget during 2021/22 financial year due to reduced passenger and vehicle carryings and introducing the revised

fare structure part way through the year however, should the use of the books continue, then this would result in an additional budget ask for subsequent years.

As the 50 x multi book of tickets are discounted from the original fare structure, the gap between the multi books and the standard fare has been narrowed, given the new fare rates have been reduced by 38% and the multi books are at 50%.

Feedback from the residents' survey is mixed however, almost half of respondents (49%) said that they either cannot afford to purchase the multi books of tickets or that they don't purchase them due to infrequent travel. This is compared with 42% noting that they purchase the books for commuting purposes or because they travel regularly. It is evident that the frequent travellers are those within the Inner and South Isles who are often travelling to the mainland on a daily basis for work etc compared with less frequent travel in the Outer North Isles.

As the gap between the new base rate and multi books has been reduced, then this has also helped to reduce the unfairness that previously existed. The continuation of the books of tickets would be beneficial for regular users however, there is still an unfairness as only those who can afford to bulk purchase in advance can receive the largest discount. Additional budget will however be required to continue with the 50 x multi books of tickets during 2022/23 financial year and beyond if travel patterns resume pre COVID-19 levels.

Alternatively, the books of tickets could be incrementally increased on an annual basis, in line with the Council's Fares and Charges to eventually bring them in line with the revised standard base rate i.e. 50% discount phased out until reaching the new 38% reduced rate. An islander discount could be considered following the adoption of a new Customer Reservation System by Orkney Ferries Ltd however this will also require additional budget to implement and administer. A new Customer Reservation System will be explored during 2022/23.

The fare structure comparison is outlined below:

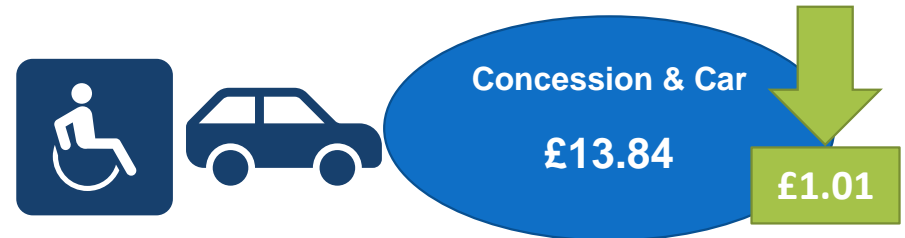
Inner/South	Old Fare	New Fare	%
Adult	£4.55	£2.82	38%
Concession	£2.25	£2.12	6%
Junior	£2.25	£1.41	37%
Inter-Island Fare	£2.25	£1.41	37%
Car	£14.40	£8.93	38%
Car (Reg Dis.25%)	£7.20	£6.70	7%

ONI	Old Fare	New Fare	%
Adult	£8.85	£5.49	38%
Concession	£4.40	£4.12	7%
Junior	£4.40	£2.74	38%
Inter-Island Fare	£4.40	£2.74	38%
Car	£20.90	£12.96	38%
Car (Reg Dis.25%)	£10.45	£9.72	7%

Inner and South Isles



Outer North Isles

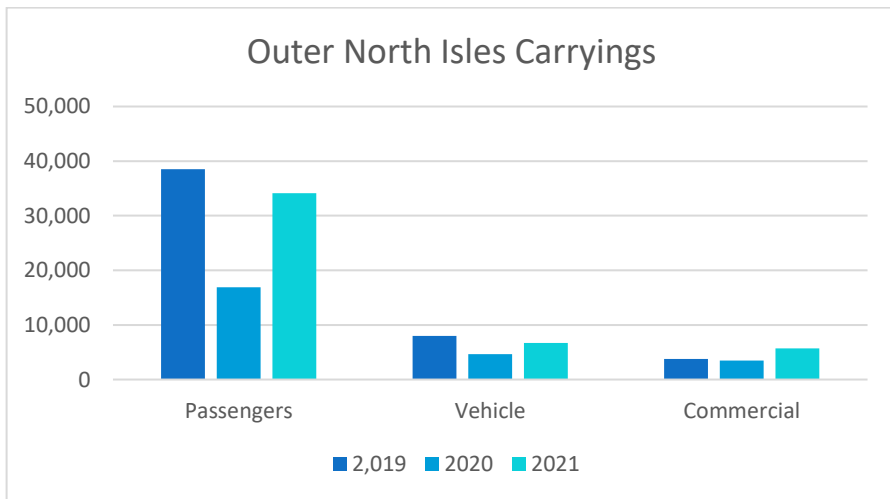


Actual Passenger Carryings

COVID-19 has had a significant impact on passenger and vehicle carryings and therefore there is no meaningful data at this stage to compare travel patterns associated with the reduction in fares.

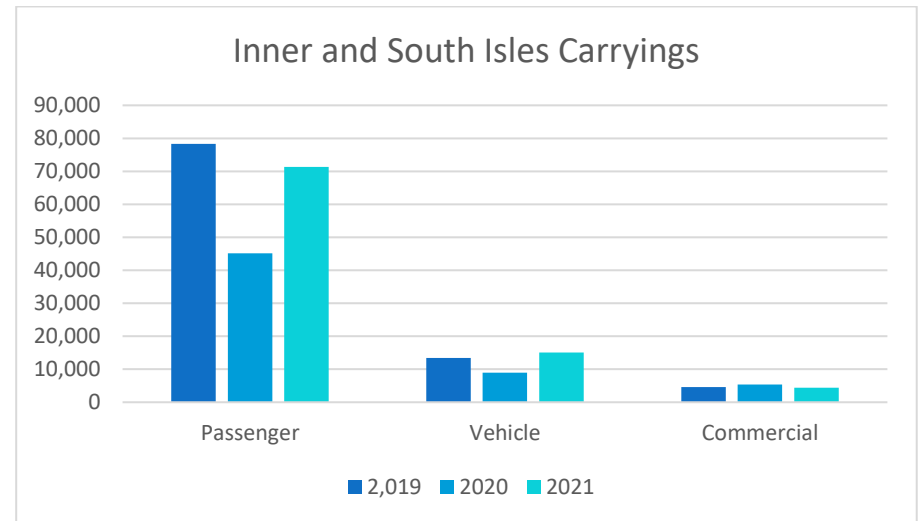
When considering the Outer North Isles, the carryings were significantly affected during 2020 due to limited travel during lockdown as a result of the COVID-19 pandemic. This remains to have an impact during 2021 although passenger numbers are close to pre-covid carryings. This would indicate that had COVID-19 not been a factor then we would more than likely have seen passenger levels beyond the 2019 level. For commercial carryings, the 2021 levels are notably higher than pre-COVID-19 levels, perhaps due to limited passenger travel for goods.

Outer North Isles	2019	2020	2021
Passengers	38,520	16,876	34,143
Vehicle	8,003	4,628	6,725
Commercial	3,781	3,497	5,695



The Inner and South Isles carryings show that the 2021 passenger levels are almost back to pre-COVID-19 levels whilst there has been an increase in the number of vehicles compared with 2019. It is possible that this could be linked with the reduction in vehicle fares, making it more affordable for people to travel with a vehicle. Commercial carryings during 2021 are slightly less than that carried pre-COVID-19 during 2019.

Inner and South Isles	2019	2020	2021
Passenger	78,282	45,188	71,340
Vehicle	13,446	8,934	15,027
Commercial	4,645	5,338	4,365



Conclusions and Recommendations

The reduction in passenger and vehicle fares has been welcomed by the communities, which has seen a 38% reduction in base rate fares. There has been a benefit to island residents that do not currently purchase discounted tickets to receive a more affordable fare.

The review also saw a number of responses from mainland Orkney residents that took the decision to visit the outlying islands over summer 2021 as it was more affordable and considered travel in and around Orkney due to the COVID-19 pandemic.

The change in fare structure has not affected those who have continued to purchase the 50 x multi book of tickets. The books were retained during 2021/22 to provide a 'no worse off position' for frequent travellers who rely on the books to provide them with the largest discount (50% off the original base rate fare).

The continuation of the multi books requires further consideration for 2022/23 financial year and beyond and will require additional budget as passenger levels increase as we exit the COVID19 pandemic.

An islander discount would also require further budget to implement and could only be considered in conjunction with the replacement Customer Reservation System for Orkney Ferries Ltd which will be progressed during 2022/23 financial year.

It has not been possible to carry out an effective analysis of passenger and vehicle carryings to determine if the revised fare structure has had a significant impact on carryings given the COVID19 pandemic continues to impact travel behaviour. It is therefore suggested that passenger, vehicle and commercial carryings are monitored regularly and reported to Development and Infrastructure Committee on an annual basis.

The change in passenger and vehicle fares has had little impact to commercial operators other than gaining access to the under 5.5m new vehicle fare rate.

It is anticipated that the commercial fare structure will be reviewed at a later date to coincide with the review of fares by Scottish Government. Any alteration to the commercial fare structure will almost certainly require additional budget which is yet to be established.






- Travel for residents and visitors has been made more affordable.
- 50 x multi book of tickets were retained during 2021/22 for passengers and vehicles under 5.5m however this will need further consideration for 2022/23 and beyond.
- Retention of 50 x multi book of tickets for passengers and vehicles under 5.5m or islander type discount will require additional budget during 2022/23 and beyond.
- Passenger data is not measurable during COVID-19 pandemic so recommend to review and report annually.
- Orkney Ferries commercial fare structure to be reviewed at a later date.
















Appendices

Appendix 1 Orkney Inter Island Ferry Fare Survey Results







Review of Orkney Inter Island Ferry Fare Structure







1. Resident Survey

1. Where do you live?				
Answer Choices			Response Percent	Response Total
1	Outer North Isles		37.84%	126
2	Inner & South Isles		30.63%	102
3	Mainland Orkney resident		22.52%	75
4	Visitor		2.40%	8
5	Other (please specify):		6.61%	22
			answered	333
			skipped	0






2. Which island are you from, or do you travel to regularly?				
Answer Choices			Response Percent	Response Total
1	Eday		2.10%	7
2	Flotta		2.10%	7
3	Graemsay		0.90%	3
4	Hoy / South Walls		15.92%	53
5	North Ronaldsay		0.30%	1
6	Papa Westray		0.60%	2
7	Rousay / Egilsay / Wyre		10.81%	36
8	Sanday		16.52%	55
9	Shapinsay		19.22%	64
10	Stronsay		7.21%	24
11	Westray		11.11%	37
12	Mainland Orkney resident		6.91%	23
13	Visitor		0.90%	3
14	Multiple island locations (due to work etc)		4.20%	14
15	Other (please specify)		1.20%	4
			answered	333

2. Change in Demand

3. How do you feel the change of fare structure has affected passenger demand?				
Answer Choices			Response Percent	Response Total
1	No change in passenger demand		10.24%	34
2	Little change in passenger demand but likely to increase as we resume normal travel patterns outwith COVID restrictions		24.40%	81
3	Increased passenger demand from residents and visitors		21.39%	71
4	Increased passenger demand from visitors		15.36%	51
5	Increased passenger demand from residents		4.22%	14
6	unsure of demand		24.40%	81
			answered	332
			skipped	1












4. How do you feel the change of fare structure has affected vehicle demand?				
Answer Choices			Response Percent	Response Total
1	No change in vehicle demand		8.84%	29
2	Little change in vehicle demand but likely to increase as we resume normal travel patterns outwith Covid restriction.		17.99%	59
3	Increased vehicle demand from residents and visitors		26.52%	87
4	Increased vehicle demand from visitors		17.07%	56
5	Increased vehicle demand from residents		7.93%	26
6	unsure of vehicle demand		21.65%	71
			answered	328
			skipped	5

5. If there has been an increase in demand how has this affected the way you travel?










Answer Choices			Response Percent	Response Total
1	Need to plan ahead and book in advance		31.00%	102
2	Need to be more flexible with travel date/time		1.22%	4
3	Difficult to travel with a vehicle due to capacity constraints		13.07%	43
4	All of the above		24.62%	81
5	No change in the way I travel		30.09%	99
			answered	329
			skipped	4

3. Travel Patterns and Behaviour







6. How often do you tend to travel by ferry?

Answer Choices			Response Percent	Response Total
1	Daily		2.70%	9
2	5 or more times per week		5.41%	18
3	3-4 times per week		8.11%	27
4	Twice per week		9.91%	33
5	Once per week		12.31%	41
6	2-3 times per month		24.92%	83
7	Once per month		14.41%	48
8	Once every 2 months		7.21%	24
9	Once every 3 months		3.90%	13
10	Less often than once every 3 months		6.31%	21
11	Other (please specify):		4.80%	16
			answered	333
			skipped	0










7. In general, what is the main purpose of your travel?

Answer Choices			Response Percent	Response Total
1	Visiting friends/relatives		15.92%	53
2	Holiday / short break away		7.51%	25
3	Shopping		24.62%	82
4	Leisure		7.21%	24
5	Business		10.51%	35
6	Commuting to and from work		13.81%	46
7	Health related		9.01%	30
8	Education / training		1.20%	4
9	Other (please specify):		10.21%	34
			answered	333
			skipped	0







8. How has the new inter island fare structure changed the way you travel?

Answer Choices			Response Percent	Response Total
1	Travel has not changed as I still use a 50-journey book of tickets		29.73%	99
2	No change - travel has stayed the same		30.33%	101
3	Expect to use service more post Covid		17.12%	57
4	Increased use of ferry travel		13.51%	45
5	Decreased use of ferry travel		3.00%	10
6	Other (please specify):		6.31%	21
			answered	333
			skipped	0

9. If you travel more, or expect to travel more post COVID, following the introduction of the revised fares, please outline what you will do more often as a result. (you may select more than one).

Answer Choices			Response Percent	Response Total
1	Not travel more regularly		34.83%	116
2	Visit friends and family more often		28.23%	94
3	Holiday / short break away more		21.92%	73
4	Travel to shop more		21.32%	71
5	Attend more leisure / social / recreational activities		27.33%	91
6	More work related travel		10.21%	34
7	More health related travel		5.11%	17
8	More education / training travel		6.01%	20
9	Other (please specify):		7.81%	26
			answered	333
			skipped	0











10. How has the revised fare structure affected the way you travel with a vehicle?

Answer Choices			Response Percent	Response Total
1	Not applicable		11.41%	38
2	My use of ferry travel with a car has stayed the same		36.04%	120
3	I travel using a car more often as it is now more affordable		27.93%	93
4	I travel using the car less		2.70%	9
5	My travel has not changed as I use a 50-journey book of tickets for my car		15.32%	51
6	Other (please specify):		6.61%	22
			answered	333
			skipped	0

11. If you travel more, or plan to travel more as a result of the revised fare structure, please indicate the estimated increase in travel.






Answer Choices	Response Percent	Response Total
----------------	------------------	----------------

11. If you travel more, or plan to travel more as a result of the revised fare structure, please indicate the estimated increase in travel.


1	5 or more times more per week		1.20%	4
2	3-4 times more per week		3.00%	10
3	Twice per week more		5.71%	19
4	Once a week more		6.61%	22
5	2-3 times per month more		14.71%	49
6	Once a month more		13.81%	46
7	Once every 2 months more		6.91%	23
8	Once every 3 months more		2.40%	8
9	My travel has stayed the same		37.84%	126
10	Other (please specify):		7.81%	26
			answered	333
			skipped	0

4. Multi-Books

12. Do you currently use the 50 books of tickets to travel?

Answer Choices			Response Percent	Response Total
1	No, I cannot afford to purchase the multi book of tickets		21.20%	67
2	No, I travel infrequently and therefore do not purchase the multi book of tickets		28.48%	90
3	Yes, I use these to commute to and from work		13.61%	43
4	Yes, I use these on a regular basis (not for work)		28.16%	89
5	Other (please specify):		8.54%	27
			answered	316
			skipped	17

13. On average, how many 50 journey Passenger books of tickets do you purchase in a year? (pre-Covid)

Answer Choices			Response Percent	Response Total
1	I do not purchase a 50 book of tickets		51.58%	163

13. On average, how many 50 journey Passenger books of tickets do you purchase in a year? (pre-Covid)

2	1-2 books per annum		20.57%	65
3	3-6 books per annum		12.97%	41
4	6-10 books per annum		5.70%	18
5	10-15 books per annum		5.06%	16
6	20+ books per annum		0.63%	2
7	Other (please specify):		3.48%	11
			answered	316
			skipped	17


14. On average, how many 50 journey Vehicle books of tickets do you purchase in a year? (pre-Covid)

Answer Choices			Response Percent	Response Total
1	I do not purchase books of 50 tickets		62.03%	196
2	1-2 books per annum		22.15%	70
3	3-6 books per annum		9.49%	30
4	6-10 books per annum		1.27%	4
5	10-15 books per annum		0.32%	1
6	20+ books per annum		0.00%	0
7	Other (please specify):		4.75%	15
			answered	316
			skipped	17

15. Do you feel the 50 books of tickets should be continued?





Answer Choices			Response Percent	Response Total
1	No, everyone should pay the same rate to travel and therefore the multi books should be discontinued.		18.99%	60
2	The discount received should be reduced to narrow the gap between the new fare and multi book price (i.e. 45% discount rather than 50%).		10.13%	32
3	Yes, the multi books provide a significant discount to frequent travellers so should be		52.22%	165

15. Do you feel the 50 books of tickets should be continued?






	continued (additional budget or increase to fares required).			
4	Other (please specify):		18.67%	59
			answered	316
			skipped	17

5. Fare Structure



16. What is your view on the new fare structure?

Answer Choices			Response Percent	Response Total
1	Improvement as I can now afford to travel more often		40.72%	125
2	Little benefit as I use the 50 multi journey books of tickets		32.57%	100
3	Little benefit as I travel infrequently		12.70%	39
4	Other (please specify):		14.01%	43
			answered	307
			skipped	26

17. What further changes, if any, do you feel need to be made to the revised fare structure?(you may select more than one)



Answer Choices			Response Percent	Response Total
1	No change to the revised standard fare		16.28%	49
2	Increase vehicle fare to provide higher discount on passenger fares		1.66%	5
3	Remove the 50 journey book of tickets		10.63%	32
4	Retain the 50 journey book of tickets (resulting in a possible increase to the standard fare rate or additional budget required)		17.94%	54
5	Reduce the discount received through the purchase of a multi book i.e. 45% instead of 50%		6.98%	21

17. What further changes, if any, do you feel need to be made to the revised fare structure?(you may select more than one)




6	Introduce an islander discount (resulting in a possible increase to non residents or additional budget required)		68.11%	205
7	Other (please specify):		8.97%	27
			answered	301
			skipped	32

6. Local Community Impacts




18. Has the revised fare structure changed the way you use local shops and businesses?

Answer Choices		Response Percent	Response Total
1	Yes		13.77% 42
2	No		86.23% 263
			answered
			305
			skipped
			28



19. In general, do you feel the revised fare structure has had an impact on your community?

Answer Choices		Response Percent	Response Total
1	Yes		55.67% 167
2	No		31.00% 93
3	Other (please specify):		13.33% 40
			answered
			300
			skipped
			33

20. In general, do you feel the revised fare structure has benefitted your community?





Answer Choices		Response Percent	Response Total
1	Financial benefit to residents		13.77% 42
2	Encourages tourism to the island		19.34% 59
3	Financial benefit to residents and encourages tourism on the island		35.08% 107

20. In general, do you feel the revised fare structure has benefitted your community?

4	Little or no benefit		20.98%	64
5	Negative impact to our community (please specify)		10.82%	33
			answered	305
			skipped	28








7. Continued impact of Covid

21. Please tell us if your travel pattern is still affected.(you may select more than one)


Answer Choices			Response Percent	Response Total
1	I now travel less as a result of Covid		39.34%	120
2	My travel pattern is now back to normal		48.20%	147
3	I now travel more than before Covid		8.20%	25
4	Other (please specify):		8.85%	27
			answered	305
			skipped	28

8. About You






22. Please tell us a little about yourself.

Answer Choices			Response Percent	Response Total
1	Full time resident and work in the isles		37.38%	114
2	Full time resident and work on mainland Orkney		21.97%	67
3	Full time resident not in work		5.57%	17
4	Full time/Part-time resident Student		0.66%	2
5	Full time resident and now retired		16.72%	51
6	temporary resident on the island, staying with family/friends		2.30%	7
7	Part-time resident, second home in the isles		3.93%	12

22. Please tell us a little about yourself.

8	Other (please specify):		11.48%	35
			answered	305
			skipped	28

23. Age Range

Answer Choices			Response Percent	Response Total
1	17 or younger		0.33%	1
2	18-30		6.89%	21
3	31-50		34.43%	105
4	50-65		42.30%	129
5	65+		16.07%	49
			answered	305
			skipped	28

9. Comments

24. Please use this section to note any comments you may have regarding the revised inter island fare structure

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	118
		answered	118
		skipped	215