

Item: 5

Development and Infrastructure Committee: 28 March 2023.

Review of Orkney Ferries Limited Fares and Books of Tickets

Report by Corporate Director for Enterprise and Sustainable Regeneration.

1. Purpose of Report

To consider the existing Orkney Ferries Limited fare structure and retention of the books of 50 tickets.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 18 May 2021, the Development and Infrastructure Committee recommended that a revised inter-island fare structure be implemented by Orkney Ferries Limited during June 2021.

2.2.

That, as part of the revised fare structure, the Development and Infrastructure Committee also recommended 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.

2.3.

That, on 15 February 2022, when considering a review of the fare structure for inter-island ferry services operated by Orkney Ferries Limited, the Development and Infrastructure Committee recommended 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.

2.4.

That the Council has previously resolved that, for 2023/24 onwards, ferry fares on services operated by Orkney Ferries Limited, be increased annually in line with the fare uprating assumptions applied on Transport Scotland's supported ferry services.

2.5.

That Transport Scotland has recently announced a ferry fare freeze on contracted ferry services during 2023/24, for at least six months.

It is recommended:

2.6.

That the sale of books of 50 tickets be retained by Orkney Ferries Limited until such time as a suitable back-office and booking system is in place, at which time further consideration should be given to alternative discounts for island residents where appropriate.

2.7.

That the sale of books of 50 tickets continue at the existing rate charged by Orkney Ferries Limited, until September 2023, following which a 5% uplift will be applied, in addition to any percentage uplift to be applied by Transport Scotland on contracted ferry services.

3. Background

3.1.

On 18 May 2021, the Development and Infrastructure Committee recommended that a revised inter-island ferry fare structure be implemented by Orkney Ferries Limited during June 2021. Following receipt of additional funding from Scottish Government, the base rate fare structure for passengers and vehicles under 5.5 metres was reduced by 38%, with a further 25% discount applied for elderly and disabled residents and 50% discount for young people up to 22 years of age.

3.2.

The sale of books of 50 tickets was retained during 2021/22, at a discounted rate of 50% (on the original pre-June 2021 base rate fare), with an expiry of 365 days (previously 500 days). Whilst the books of tickets have been contentious as only those who can afford to bulk buy can obtain the greatest discount, it was felt that the complete removal of the discounted books would be unfair on frequent users/commuters, and this would result in an increase in fare for those currently purchasing books of 50 tickets.

3.3.

The books of 10 and 20 tickets were discontinued for passengers and small vehicles in June 2021, as the new reduced base rate was lower than the discount provided from the books of 10 and 20 tickets.

3.4.

As the additional grant funding from Scottish Government was intended to reduce passengers and small vehicle fares in line with the Road Equivalent Tariff (RET) implemented across most Scottish lifeline ferry service networks, the reduction in

fares has not been extended to the commercial structure for larger vehicles and equipment. A separate review of the commercial fare structure will be carried out following publication of the Scottish Government freight fares review.

3.5.

On 15 February 2022, when considering a review of the inter-island ferry fare structure, the Development and Infrastructure Committee recommended that, from 2023/24 onwards, Orkney Ferries Limited fares should be increased in line with all other Scottish Government supported lifeline ferry services. A recent announcement from Transport Scotland has noted a ferry fare freeze on contracted ferry services during 2023/24 financial year, for at least six months.

3.6.

A full note of previous Council decisions is attached as Appendix 1 to this report.

4. Ticket Review

4.1.

Following a review of the multi journey data in 2021, the observations were as follows (Note: Business Rules were drafted in 2020 and data is from 2019):

- There were some Orkney mainland-based residents using the books of 50 tickets to visit family or friends.
- There were some people in full time work accessing the 50% discount under the 'student' criteria.
- There were various carers in receipt of books of 50 tickets although they were only eligible to purchase a 10 or 20 book.
- Historically, there had been some books of 50 tickets sold to agricultural groups, schools and some businesses although they were not eligible.
- The sale of books of 50 tickets under a family surname is open to misuse compared with tickets assigned to a named individual.

4.2.

A summary of adult and junior passenger multi journey ticket sales during 2019/20 financial year are outlined below:

Passengers	Ticket Type	Inner Books sold	ONI Books sold	Total Books
Adult	10 journey (25%)	97	71	168
Adult	20 journey (30%)	573	108	681
Adult	50 journey (50%)	1,082	245	1,327
Junior	10 journey (25%)	386	23	409
Junior	20 journey (30%)	527	151	678
Junior	50 journey (50%)	185	25	210

4.3.

The sale of vehicle multi journey books during 2019/20 is outlined below:

Cars	Ticket Type	Inner Books sold	ONI Books sold	Total Books
Car	10 journey (25%)	202	143	345
Car	20 journey (30%)	177	152	329
Car	50 journey (50%)	307	63	370

4.4.

The actual passenger carryings during 2019/20 have been considered against the number of adult and junior books sold. The figures are on the basis of full usage of the books within 365 days instead of 500 days:

	Inner	ONI	Total
Total passenger carryings	253,290	112,964	366,254
Journeys by books of 50 tickets	63,350	13,500	76,850

4.5.

The number of books of 50 tickets purchased from Orkney Ferries Limited during 2022 is outlined below (total passenger carryings from Orkney Ferries Ltd not currently available):

	Inner	ONI	Total
Adult	902	70	972
Junior	211	4	215
Vehicle to 5.5m	326	36	362

4.6.

The figures outlined above show a reduction in the purchase of adult and junior books of 50 tickets and a reduction in the number of vehicle books purchased in the Outer North Isles, following the introduction of the reduced passenger and vehicle fare structure, ie a 38% discount on the original base rate fares.

5. Summary

5.1.

The books of 50 tickets are largely purchased by frequent travellers to obtain the largest discount. Whilst the gap between the base rate fare and the discounted book of ticket fare has narrowed due to the base rate fare decrease, the largest discount is still only available to those who are able to bulk buy in advance.

5.2.

On 18 May 2021, a report to the Development and Infrastructure Committee proposed to remove the books of 50 tickets on the grounds of fairness and equality. However, this was not supported following strong opposition from a number of Inner and South Isles residents. The books of tickets have therefore remained to ensure a “no worse off” position for all residents.

5.3.

Following a period of consultation, a number of residents and elected members were in favour of a discounted rate for all isles residents which could potentially replace the books of 50 tickets. Alternatively, a free ticket could be provided for frequent users. These options could be explored further when Orkney Ferries Limited have a fit for purpose booking system in place. It is expected that this work will be progressed further during 2023/24 financial year.

5.4.

It is therefore proposed that the sale of books of 50 tickets continue at the existing rate charged by Orkney Ferries Limited, until September 2023 where they will receive a 5% uplift, in addition to any percentage uplift to be applied by Transport Scotland on contracted ferry services. It is proposed that the increase be implemented at the start of Orkney Ferries’ winter 2023/24 timetable, namely 25 September 2023.

6. Corporate Governance

This report relates to the Council complying with governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

7. Financial Implications

7.1.

Recent Council decisions agreed that Orkney Ferries Limited fares should be increased in line with all other Scottish Government supported lifeline ferry services. A recent announcement from Transport Scotland has noted a ferry fare freeze on contracted ferry services during 2023/24 financial year, for at least six months.

7.2.

Books of tickets are, however, outwith the fare structure and the Council has the ability to increase fares above the Transport Scotland rates. As a separate legal entity Orkney Ferries Limited needs to operate on a commercial basis, and as such should set its ticket prices accordingly.

7.3.

The Scottish Government have previously made a commitment to fully fund the cost of running ferry services and has recently recognised the increased costs associated with the provision of those services and pledged to work with the authorities to look at the level of funding required to set an adequate budget for financial year 2023/24.

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-isles ferry services as approved by the Council.

8.4.

Section 8(1) of the Islands (Scotland) Act 2018 provides that “a relevant authority must prepare an island communities impact assessment in relation to a policy, strategy or service which, in the authority’s opinion, is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in the area in which the authority exercises its functions”

8.5.

The Council is a relevant authority for the purposes of the Islands (Scotland) Act 2018. Whilst Orkney Ferries Limited is not listed as a relevant authority, it is operating on behalf of the Council. As such it would be prudent for the Council to consider whether an increase in the price of the books of 50 tickets would have an effect on any one Orkney island community which is significantly different from its effect on other Orkney island communities.

9. Contact Officers

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Appendix 1

Previous Council Decisions

1.

On 31 May 2021, Council agreed:

- 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 remain at 50%.
- 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.

On 15 February 2022, when considering a fare structure review for inter-island ferry services operated by Orkney Ferries Limited, the Development and Infrastructure Committee recommended:

- That, subject to an adequate service revenue budget for 2022/23 being established, 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.
- 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.
- That the inter-island fare structure and the cost of multi journey books of tickets should be frozen in 2022/23 until the first anniversary of the introduction of reduced fares in June 2022.
- That determination of the level of ferry fares from June 2022 be deferred until the Council had concluded the planned engagement with the Cabinet Secretary for Finance and the Economy on funding for ferry replacement and enhancement to ferry services, which was originally anticipated to have been concluded in January 2022.
- That proposals for any increase in ferry fares from June 2022 to March 2023 be reported to the meeting of the Development and Infrastructure Committee scheduled for 7 June 2022.
- That, for 2023/24 onwards, ferry fares on services operated by Orkney Ferries Limited, be increased annually in line with the fare uprating assumptions applied on Transport Scotland's supported ferry services.
- That, from 2022/23, the banding of the junior passenger fare be extended to cover all passengers under 22 years of age, with the National Entitlement Card (Young Scot card) being a form of acceptable identification for that purpose.
- That all costs associated with extending the banding of the junior passenger fare, estimated at £10,000 per annum, be met from Orkney Ferries' existing budget.