



**NORTHERN ISLES FERRY SERVICES**  
**(proposed)**  
**EFFICIENCY SAVING OPTIONS**

**O. PREAMBLE**

This document is an updated version of that initially submitted to the Scottish Government on the 31 August 2010.

The deadline for making comment on the Northern Isles Ferry Services (proposed) efficiency saving options was originally set for Tuesday, 31 August 2010; however, an extension was granted to Shetland Islands Council (and following initial submission, subsequently to Orkney Islands Council).

Orkney Islands Council acted in good faith in evaluating the 8 proposed options and in forwarding through its initial response on 31 August 2010. However, within 30 minutes of submitting this reply, the Scottish Government announced that it was extending the Road Equivalent Tariff (RET) pilot in the Western Isles. This extension comes at a 'cost' of around £6.5 million per annum.

Given the irony of the timing of this announcement (during the same hour when the Scottish Government were seeking to identify 'savings' in the Northern Isles on their ferry routes) and in general, the inequalities of operating the RET scheme in one specific community of Scotland, Orkney Islands Council made the decision to withdraw its response and review the previous decisions made.

**This document conveys the amended response from Orkney Islands Council; wherein, it now clearly identifies that it does not support any of the 8 options initially proposed. However, rather than submitting a brief document that conveys this; Orkney Islands Council is prepared to identify its reasoning against each option suggested.**

**This approach is taken for the following reasons:**

- **Orkney Islands Council wishes, despite recent events and announcements (i.e. concerning RET) to work with the Scottish Government for the benefit of the entire Scottish nation.**
- **Orkney Islands Council is aware that the Northern Isles Ferry service routes are to be retendered in 2012 and would advocate that it would not wish to see the implementation of such proposed options in a new contract.**

For these primary reasons Orkney Islands Council has responded in such a manner so as to identify many of the pit-falls associated with the proposals. These include cursory concerns and factors in respect to both the social and economic impact of such.

## **i. INTRODUCTION**

i.1. This introduction details the background relating to a proposal for efficiency saving options on the current Northern Isles Ferry services provided by NorthLink Ferries Ltd., which is a subsidiary of David MacBrayne Ltd. The contract period is from 2006 until 5 July, 2012.

i.2. The company operates the following ferry services in the Northern Isles between;

**(a) Stromness - Scrabster**

**(b) Aberdeen – Kirkwall Hatston (Orkney) – Lerwick (Shetland)**

i.3. The routes are served by three roll on/roll off ferries (Ro-Ro) which carry passengers, cars and freight. The vessels are;

- **MV Hamnovoe – which mainly provides a ferry service across the Pentland Firth on the Stromness to Scrabster route**
- **MV Hjaltland and MV Hrossey – which mainly provide a ferry service on the Aberdeen, Kirkwall and Lerwick route.**

i.4. In addition NorthLink Ferries Ltd., operates an integrated ferry service which is predominately a freight carrying service between Aberdeen Kirkwall and Lerwick. This is served by two further vessels, MV Clare and MV Hildasay.

i.5. Scottish Government are currently running two Consultations simultaneously in respect to reviews of ferry service in Scotland, namely;

- **Scottish Government Ferries Review Consultation – document published 10 June 2010**
- **The Northern Isles Ferry Services retendering Consultation – published June 2010.**

i.6. Both of these public Consultations run until 30 September 2010.

i.7. However; this response concerns a third Consultation study which had as the primary objective the intention of identifying (and implementing) cost reduction measures on the Northern Isles ferry services currently provided by NorthLink Ferries under the present operating contract.

i.8. This document responds to the above study<sup>1</sup>; wherein the intention was to identify savings, of one million pounds, during each remaining year of the current contract.

## **1. COST REDUCTION MEASURES**

### **PROPOSED OPTIONS**

**There were 8 options identified in the study<sup>2</sup>:**

- 1.1. Reduce fuel consumption by slowing the vessels down (2 engine running) on the Lerwick-Kirkwall-Aberdeen route all year round  
Or  
Only during ‘low season’ (late October to mid-March)**
- 1.2. Tie-up MV Hjaltland or MV Hrossey for the “low season” and run 3 North (Tuesday, Thursday and Sunday) and 3 South (Monday, Wednesday and Friday) sailings per week on the Lerwick-Kirkwall-Aberdeen service.**
- 1.3. As 2, but using the single passenger vessel more intensively on the Lerwick-Kirkwall-Aberdeen route, operating 5 north bound and 5 south bound sailings per week maintaining the Friday and Sunday calls at Kirkwall.**
- 1.4. Extend sailing time on freight ship between Aberdeen and Lerwick (northbound only) to reduce fuel all year. Departure time would remain as 18.00 with the arrival time extended to 12.00 noon the following day.**

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<sup>1</sup> As at i.7.

<sup>2</sup> These were initially numbered A1-A8 in the proposal.

- 1.5. Extend the crossing time to save fuel on direct services between Aberdeen and Lerwick (both directions) all year. Once out of port, Hjaltland and Hrossey can regularly operate for much of the voyage on a single engine in order to maximise fuel efficiency. Increasing the potential for using this fuel efficient mode of operation for longer would mean direct services between Aberdeen and Lerwick would now depart at 17.00 instead of 19.00 to maintain the current arrival times. (The additional engines would still be available in case of delays or when sea and weather conditions require them.)**
- 1.6. Remove 11.00 sailing from Stromness and the 13.15 sailing from Scrabster during the low season (late October to mid-March).**
- 1.7. Withdraw some Kirkwall calls from the Lerwick-Kirkwall-Aberdeen route.**
- 1.8. Review potential to apply different levels of fare increases to different user groups i.e. differentiate between Island residents and visitors and set different rates for cars, cabins, freight, high/mid/low season etc. Historically fare increases have been a fixed percentage applied to all fares. If more revenue is received from users of the services, then the pressure for service changes to be made can be reduced.**

1.9. In this respect it should be noted that no other options have been added to those initially proposed and the intention is to consider each suggestion as a cursory means to identify the social and economic impact to the community.

1.10. Appendices have been attached to this document wherein there are details on the estimated costs against each option proposed.<sup>3</sup> (These also summarised below for ease of reading in respect to each of the 8 identified options.)

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<sup>3</sup> Appendix A. Data supplied by NorthLink Ferries

NorthLink Cost Saving Options - August 2010					
Cost Savings £ (2)					
Options (1)	Fuel	Staff	Harbours	Other	Total
A1 - Full	418,934	None	None	None	418,934
A1 - Low	155,595	None	None	None	155,595
A2	1,313,343	None	73,468	-28,180	1,358,630
A3	688,168	None	-18,452	-28,180	641,536
A4	84,367	None	None	None	84,367
A5	233,392	None	None	None	233,392
A6	101,952	None	None	101,000	202,952
A7	230,127	None	None	None	230,127
A8	None	None	None	None	0
Notes -					
1. Some options are mutually exclusive thus these cannot be "grand totalled"					
2. Savings shown "Net" where additional costs are incurred					

## 2. ORKNEY ISLANDS COUNCIL RESPONSE

2.1. Orkney Islands Council would reiterate that it submitted its initial response in good faith and welcomed the opportunity to respond to the 8 options that have been proposed and identified by Scottish Government as possible means that could be implemented as cost cutting measures on the current NorthLink Ferry Services.

2.2. In this resubmitted response Orkney Islands Council feels it is particularly pertinent to remind the Scottish Government of the comments made by the Transport Minister, Stewart Stevenson, in which he acknowledged that:

"It is vital that the Orkney and Shetland communities are able to play their part in contributing to long term sustainable economic growth for Scotland. These lifeline services provide a vital transport link ....."

In Mr Stevenson's more recent announcement, on the 31 August 2010, in relation to the extension of the RET pilot in the Western Isles, he echoed similar sentiments when he said

'we [presumed the Scottish Government] want to do all we can to protect and support our remote and fragile island communities.'

**2.3. Orkney Islands Council provides its response accordingly;** and in the hope that the Scottish Government has the intention of respecting and treating all island communities equally and in a manner that does not discriminate depending upon a compass bearing.

2.3.1. The Council would identify firstly, that it does not consider the two NorthLink services to be interchangeable and that there is a need to retain a high level of service on both, as each serve different needs within the community; with one service operating directly into a city and thus providing good onward transport links almost immediately; or, the convenience of a city straight off the ferry and on the travellers' door-step.

2.3.2. It should also be identified and indeed stressed that, as a Community, Orkney residents are heavily reliant upon many of the services that are only available in a large city, such as Aberdeen; for example in relation to health and hospital facilities; education – and the Universities in Aberdeen.

2.3.3. Whilst, the Stromness to Scrabster route is more heavily dependant upon a connection enabling the traveller to continue onto their destination, be it by means of a vehicle (such as a car) which has also travelled on the ferry; or a bus or a train into a city/town.

2.3.4. Both services are therefore equally valued and Orkney Islands Council would not choose or support the implementation of any option(s) that would have any form of detrimental affect to the Community and compromise the current level of service(s), now (or in the future).

### **3. OPTIONS - ANALYSED**

**3.1. Option 1 - Reduce fuel consumption by slowing the vessels down (2 engine running) on the Lerwick-Kirkwall-Aberdeen route all year round Or Only during “low season” (late October to mid-March).<sup>4</sup>**

3.1.2. Estimated saving of £418,934 in the full year

3.1.3. Estimated saving of £155,595 in the ‘low season’ late October to mid-March.<sup>5</sup>

#### **3.1.4. Potential impact**

3.1.5. Loss of tourism, especially in the summer, (and the loss of and the promotion and development of winter tourism) resulting in the overall loss of associated income due to a shorter day (or potentially no visit at all).

3.1.6. In Orkney - having a negative effect on the Community, for example coach tours. This would also reduce expenditure on the islands if the day was shortened in Orkney and could naturally result in a reduction of Orkney's developing and evolving economy, which is heavily tourist related.

3.1.7. In Aberdeen - this would potentially mean that a traveller would pay the same for their fare/crossing but would have a shortened day in Aberdeen

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<sup>4</sup> See Appendices (Appendix - B)

<sup>5</sup> See Appendices (Appendix - A).

(Equally detrimental to a business or social day; including those also who have hospital needs, for example, visiting relatives/friends in hospital etc).

3.1.8. For late arrivals to Kirkwall, Orkney, there would be potential transport difficulties insomuch as transport connections (bus and car hire) are unlikely to be available after 11pm.

3.1.9. Private accommodation providers, who operate without night porters, may be unwilling to stay-up to check in late arrivals or their day would be significantly increased resulting in potential social impacts (relationship difficulties, stress, health implications, etc) as well as economic difficulties and implications.

3.1.10. There is already pressure for cabin space on the 2 vessels, with priority being given to passengers travelling to Shetland (northbound). With a longer journey time, resulting in a 1am arrival in Orkney, there may not be sufficient cabin accommodation for passengers choosing or needing to rest.

(Again, it should be stressed that NHS Orkney has identified the value and importance of this route and vessel; and, indeed, the sailings and times for patients and patients' family and friends.)

3.1.11. In general, this extended time travelling would have a significant impact on the elderly; the ill/infirm or parents with young families and the vulnerable who would endure two hours extra on their already long journey time.<sup>6</sup>

3.1.12. As identified, an earlier departure from Aberdeen at 3pm (northbound) shortens the day on the Scottish Mainland. This would have an affect for example, also, on sporting groups and social activities which travel for weekend fixtures and generally organise fixtures to ensure a single night stop on the vessel. Earlier sailing times may prevent sports groups fulfilling fixtures and returning in time for final boarding. This may result in curtailment of such activities or added costs of participating in social/sporting activities (and again may have health implications in the long term).

### **3.1.13. The advantages of the current time-table**

3.1.14. The maximum period of the day is usable and therefore economic growth can be stimulated and maximised.

3.1.15. This is also the same from a social perspective; allowing the community to maintain a balance between working and social activities.

3.1.16. The current timetable provides for a 7am arrival in Aberdeen; passengers/travellers are able to avoid rush hour traffic in Aberdeen and its surrounding districts and areas. This is advantageous to the business community or those requiring onward travel as there is a greater choice of onward connections, allowing inter-modal usage, which is a highly advocated principle of the current transport policy (EU; (see also UNECE) UK and Scottish Government).

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<sup>6</sup> Orkney Islands Council would advocate that such would necessitate an Equalities Impact Assessment being undertaken.

3.1.17. This helps to prevent congestion in Aberdeen and bottlenecks on major roads in and around the city reducing all the associated elements such as pollution, demands on peak hours travel etc.

### **3.1.18 Summary**

3.1.19. This option would have a drastic effect on the business community and from a general economic point of view. It would also have a potentially immeasurable effect from a social perspective and may cause irreparable long-term damage to the economy and social wellbeing of the community.

3.1.20. This option could compromise the willingness of travellers to use this service given the extension to their day and the time spent on a ferry.

3.1.21. This option needs to factor into the equation the consequences of a longer sea journey also (be it 2 hours or potentially 4 hours - there and back) i.e. taking into consideration the potential sea and weather conditions.

3.1.22. This option would definitely result in a less attractive service to users, and may impact on users' decision to travel.

3.1.23. This proposal may not result in the significant savings forecast since it must be measured against revenue lost, making the service less financially viable in the long-term.

**3.1.24. Orkney Islands Council – would not support this option.**

## **3.2. Tie-up MV Hjalmland or MV Hrossey for the “low season” and run 3 North (Tuesday, Thursday and Sunday) and 3 South (Monday, Wednesday and Friday) sailings per week on the Lerwick-Kirkwall-Aberdeen service.<sup>7</sup>**

3.2.1. Estimated total savings, £1,358,630.<sup>8</sup>

### **3.2.2. Potential impact**

3.2.3. Orkney would lose a weekly sailing north and south bound during the entire low season.

3.2.4. As stated<sup>9</sup> the Stromness to Scrabster route cannot be viewed as a mutually exchangeable and comparable route and service.

3.2.5. These services serve different needs of the Orkney community; and, two of these important elements served by the Aberdeen to Lerwick route relate to:

- Health and
- Education<sup>10</sup>

3.2.6. Withdrawing a sailing on a permanent basis (in the low season) would have a negative and detrimental effect on both health and education, whilst also impacting across the Community of Orkney in respect to other social and economic activities.

3.2.7. It is acknowledged that passenger numbers do reduce during the low season, from/to Orkney, the same is also true on the sailing to Lerwick, Shetland (and vice versa) (be they direct or via Kirkwall).

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<sup>7</sup> See Appendix B.

<sup>8</sup> See Appendix A.

<sup>9</sup> As within section 2.3. above

<sup>10</sup> Ibid.



3.2.8. However, the consequence of permanently withdrawing a sailing during the low season would be that economic development (including potential development) is seriously compromised and may never be recaptured in either community.

3.2.9. As identified, this is the timetable and current situation experienced during the annual maintenance period and is already viewed as being a negative factor in the Orkney Community for a period of about 6 weeks.

3.2.10. Orkney would additionally lose harbour dues if this action was implemented.

3.2.11. It should be identified that this option would force travellers potentially to use another ferry option off the island<sup>11</sup> during the winter months; which, may mean added car journeys along the A9 which is recognised to be a notoriously hazardous road in the ice/snow.

3.2.12. Whilst the cost of a fatal road traffic collision or the severe injury of a motorist cannot be measured from a personal and family perspective; the financial cost of investigating one fatal road traffic collision is in excess of 1.7 million pounds.

(Arguably, it does not make financial sense to implement this measure given this fact alone.)

### 3.2.13. Summary

This measure would have more of a consequence on the Orkney community than currently is experienced during a six week period (approximately) throughout the year. Whilst the six week period is tolerated by the community who recognise that maintenance is essential, the same tolerance would not be forthcoming for a longer period of time and this option would not be accepted as a permanent winter (low season) cost-saving measure.

**Orkney Islands Council does not support this option.**

### 3.3. As 2, but using the single passenger vessel more intensively on the Lerwick-Kirkwall-Aberdeen route, operating 5 north bound and 5 south bound sailings per week maintaining the Friday and Sunday calls at Kirkwall.<sup>12</sup>

3.3.1. Estimated total savings, £641,536.<sup>13</sup>

#### 3.3.2. The following is an indicative timetable relevant to this option:

	Daytime	Overnight
<b>Monday</b>		Lerwick (1900) – Aberdeen (0700)
<b>Tuesday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (2100) – Aberdeen (0700)
<b>Wednesday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (2100) – Aberdeen (0700)
<b>Thursday</b>		Aberdeen (1900) – Lerwick (0730)

<sup>11</sup> It is given that journeys may also be undertaken by air or a person may choose not to travel at all.

<sup>12</sup> See Appendix B.

<sup>13</sup> See Appendix A.

<b>Friday</b>		Lerwick (1730) – Kirkwall (2300) – Aberdeen (0700)
<b>Saturday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (1900) – Aberdeen (0700)
<b>Sunday</b>		Aberdeen (1700) – Kirkwall (2300) – Lerwick (0730)

3.3.3. The timetable includes a mixture of daytime and overnight sailings and would be integrated with the freight shipping timetable.

3.3.4. The impact would be noticeably worse than options 2 and 3 combined (see above, re impact to the Orkney community for both of these earlier options; as stated above.)

3.3.5. Orkney would receive just one sailing per week; namely, a southbound call on a Friday (at 23.00 hours) and a northbound call on a Sunday at 23.00 hours.

### **3.3.6. Summary**

3.3.7. In general, any revision to the timetable in the future on this route would have to be seriously reviewed to determine specifically all social and economic factors.

3.3.8. Quite contrary to that proposed, there is some logic in advocating that all vessels should call into Orkney and that use of the freight only vessels are reduced.

3.3.9. Although Orkney Islands Council realises that vessels require maintenance; and, that, for certain periods of time, revisions to timetables need to take such factors into account, which may require combining freight and passengers, it views this option as totally unacceptable.

3.3.10. Even small revisions to timetable and for short periods of time (e.g. six weeks) impede significantly on the social and economic well-being of Orkney.

3.3.11. The estimated savings of £642,536 cannot even begin to compare with the damage and loss that would be suffered and experienced by the Community, both socially and economically.

**3.3.12. In conclusion to this option, to reiterate; this proposal is considered totally unacceptable to the community and is not supported as a workable option (given the already identified significant and detrimental impact to the Community of this proposal).**

**3.4. Extend sailing time on freight ship between Aberdeen and Lerwick (northbound only) to reduce fuel all year. Departure time would remain as 18.00 with the arrival time extended to 12.00 noon the following day.<sup>14</sup>**

3.4.1. Estimated total savings £84,367<sup>15</sup>

### **3.4.2. Potential impact**

3.4.3. This option would result in an immediate and negative impact on the business community, especially regarding the transfer of sensitive goods

<sup>14</sup> See Appendix D.

<sup>15</sup> See Appendix A.

which may require extra facilities and/or for a longer period of time (refrigerated goods for example).

3.4.4. This, no doubt, would also result in more expenditure and a change to working practices, which may affect vehicle hire, driver costs, storage changes and in general all logistical aspects of transporting goods from a multi-modal perspective.

3.4.5. In the long-term, the consequences of such would be that additional costs would be felt by the consumer who already is disadvantaged<sup>16</sup> living on an island.

3.4.6. On the whole, it could be viewed that such action would inevitably affect the whole of the island community, (not just those receiving goods in Orkney from the mainland and those sending products and goods out).

#### **3.4.7. Summary**

It would have to be identified that the total impact of this action could not be accurately estimated or assessed and that more of a consultation process and impact assessment would have to be undertaken to determine such factors and consequences, especially with the business community in the Orkney Islands in relation to sailings going to and from Orkney. It is believed that there would be no impact to Orkney on direct sailing operating between Aberdeen to Lerwick.

**Orkney Islands Council would not support this option.**

### **3.5. Extend the crossing time to save fuel on direct services between Aberdeen and Lerwick (both directions) all year.<sup>17</sup>**

3.5.1. Estimated total savings, £233,392.<sup>18</sup>

#### **3.5.2. Impact**

3.5.3. It has been identified, that once out of port, Hjaltland and Hrossey can regularly operate for much of the voyage on a single engine in order to maximise fuel efficiency. Increasing the potential for using this fuel efficient mode of operation for longer would mean direct services between Aberdeen and Lerwick would now depart at 17.00 instead of 19.00 to maintain the current arrival times. (The additional engines would still be available in case of delays or when sea and weather conditions require them.)

#### **3.5.4. Summary**

No impact to Orkney on the proposal made.

### **3.6. Remove 11.00 sailing from Stromness and the 13.15 sailing from Scrabster during the low season (late October to mid-March).<sup>19</sup>**

3.6.1. Estimated total savings, £202,952.<sup>20</sup>

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<sup>16</sup> Due to higher transport costs and the element of time/delivery.

<sup>17</sup> See Appendix D.

<sup>18</sup> See Appendix A.

<sup>19</sup> See Appendix C

### **3.6.2. Potential impact**

3.6.3. This option would have an impact on those wishing to travel at this particular time of the day due to personal/work commitments and thus being unable to travel earlier, (potentially it would be identified that this would be particularly significant to persons/freight that was subject to reliance on connections with internal (Orkney) Islands Ferries.)

### **3.6.4. Summary**

3.6.5. This option would certainly result in some inconvenience to travellers and freight, especially where/when journeys necessitated travel at this time.

3.6.6. Particularly, inconvenience may occur in respect to connecting services which may be affected in a negative and detrimental manner (i.e. bus operators on the mainland). Any changes to the current timetable must cater for residents needs and should factor in the requirement to address the issue of connectivity from the NorthLink sailings. There is already recognition of the need to address the linkage of travel modes from the Pentland Firth sailings. Any revision<sup>21</sup> to the NorthLink timetable must realise this factor and provisions must be suitably made for onward linkage of travel modes

3.6.7. This option would undoubtedly have an impact on Orkney.<sup>22</sup>

**3.6.8. Orkney Islands Council would not support this option.**

## **3.7. Withdraw some Kirkwall calls from the Lerwick-Kirkwall-Aberdeen route.**<sup>23</sup>

3.7.1. Estimated total savings of £230,127.<sup>24</sup>

### **3.7.2. Impact**

3.7.3. The impact of such action has already previously been considered (see above, particularly in respect of passenger services at options 2 & 3<sup>25</sup> and at option 4<sup>26</sup> re goods.)

### **3.7.4. Summary**

In summary, this potentially could be viewed as having more of an impact than option 1, and options 2 (& potentially 3) since sailings would again be totally removed.

Therefore, all the negative factors of the three previous options should be reconsidered in determining the impact of such an action.

Again, quite contrary to withdrawing sailings, it could be suggested that there is some logic in proposing that all the passenger vessels should call into

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<sup>20</sup> See Appendix A.

<sup>21</sup> Or, proposed revision.

<sup>22</sup> Orkney Islands Council would identify that this option would necessitate further analysis relating to the users of this sailing and the impact to them in the event that this sailing is removed.

<sup>23</sup> See Appendix B.

<sup>24</sup> See Appendix A.

<sup>25</sup> At 3.2 & 3.3. of this document.

<sup>26</sup> At option 4 – at 3.4.

Orkney on their journeys to Lerwick and that use of the freight only vessels are reduced.

**Orkney Islands Council would not support this option.**

**3.8. Review potential to apply different levels of fare increases to different user groups i.e. differentiate between Island residents and visitors and set different rates to cars, cabins, freight, high/mid/low season etc.**

**Historically fare increases have been a fixed percentage applied to all fares. If more revenue is received from users of the services, then the pressure for service changes to be made can be reduced.**

#### **3.8.1. Review**

3.8.2. Orkney Islands Council would propose that consideration is given to a revision of fare structuring to determine fairness in policy and application throughout Scotland and especially in light of the announcement made to extend the RET pilot in the Western Isles.

3.8.3. It was stated that the RET pilot scheme was to continue to enable the Scottish Government to carry out a detailed economic impact assessment; and so, it is to be presumed, that such a detailed analysis that takes four years (the duration of the pilot scheme) would also encompass an economic impact assessment on those islands that were excluded from the scheme. (Ironically also, the same islands that the Government 'were' proposing to make £1 million pounds savings to their lifeline ferry services on.)

3.8.4. Signalling the extension to RET, in the Western Isle could be viewed as the promotion of a discriminatory practice within the islands communities of Scotland; a practice, that is divisive and does not promote the principle of solidarity and cohesion.

3.8.5. Such differences in fare structures does not allow, '*fairer, cheaper system for every ferry users*' but 'favours' and therefore discriminates amongst the people of Scotland.

3.8.6. This must be seen as totally against the Governments declared purpose; namely, to focus on a Government and public services which create, a more successful country, '*with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.*'

**3.8.7. Orkney Islands Council would identify that there must be an urgent revision of fares and the structuring of such across the board so as to determine fairness and equality.**

#### **4. FURTHER IDENTIFIED OPTION(S)**

4.1. Orkney Islands Council would identify that it gave serious consideration to each option identified (as above) prior to submitting a response on the 31 August 2010.

4.2. In the initial response the Council identified that there was a need, in the first instance, to review cost saving options from the operational perspective namely the service provider, NorthLink.

4.3. And, Orkney Islands Council also proposed other potential options that could be considered.

4.4. However, in this response paper, Orkney Islands Council withdraws these suggestions.

## 5. CONCLUSION

5.1. Orkney Islands Council has provided an initial impact assessment on the options proposed<sup>27</sup> and during this analysis it has rejected all 8 options as not being acceptable for the grounds identified within this report.

5.2. Orkney Islands Council would emphasise that the study that aimed to identify £1 million pound savings on the NorthLink routes (under the current contract) must now be abandoned in view of the statement that clearly advocates an additional spending of around £6.5 million per annum on the Western Isles to take into account the extension of the RET project.

5.3. Orkney Islands Council welcomes the opportunity to be actively engaged in future discussions concerning the supply of ferry services in the Northern Isles, where the intention is to:

- Preserve essential lifeline services and connections.  
In order to;
  - Ø promote and encourage development and sustainabilityAnd
  - Ø protect and support all remote and fragile island communities
- By the implementation of a system that is designed to;
  - Ø ensure equality of treatment and opportunityAnd
  - Ø fairness in a non-discriminatory way - *regardless of location*

5.4. And finally, emphasis must be accorded, in conclusion, to the aims identified in 'Delivering Lifeline Ferry Services: A consultation paper on meeting European Union Requirements (2000)<sup>28</sup> which, additionally purports to support the Purpose of Government<sup>29</sup> in the whole of Scotland.

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<sup>27</sup> These were tentative assessments – that would need further analysing in the future, specifically when the service is reviewed and potentially developed to take into account the new operating contract (and tendering process) – also see the Northern Isles Ferry Services response for the contract period 2012-2018. (That is to determine more specific social and economic impacts due to changes in the future contract).

<sup>28</sup> <http://www.scotland.gov.uk/consultations/transport/fese-oo.asp>

<sup>29</sup> <http://www.scotland.gov.uk/About/scotPerforms/purposes>

## APPENDIX A

### Northern Isles Ferry Services Short Term Cost Saving Options

Transport Scotland issued a press statement relating to consultation on a number of potential short term cost saving options on the above service. A subsequent Parliamentary Question was raised concerning further detail about possible savings for each of the options that NorthLink might be able to deliver. The following notes outline Northlink estimates against each of the options that were identified by the working group.

#### 1. Summary of Savings

NorthLink Cost Saving Options - August 2010					
Options (1)	Cost Savings £ (2)				Total
	Fuel	Staff	Harbours	Other	
A1 - Full	418,934	None	None	None	418,934
A1 - Low	155,595	None	None	None	155,595
A2	1,313,343	None	73,468	-28,180	1,358,630
A3	688,168	None	-18,452	-28,180	641,536
A4	84,367	None	None	None	84,367
A5	233,392	None	None	None	233,392
A6	101,952	None	None	101,000	202,952
A7	230,127	None	None	None	230,127
A8	None	None	None	None	0
Notes -					
1. Some options are mutually exclusive thus these cannot be "grand totalled"					
2. Savings shown "Net" where additional costs are incurred					

#### 2. Basis of Estimates

In preparing the detailed estimates for each option the following underlying assumptions were made-

- a) Some options would have the potential to produce Crew savings however none of these have been included as these would be difficult

to achieve in the short term. Longer term savings could be achieved by introduction of annualised hours contracts for the crew.

- b) Fuel costs have been based on delivered fuel prices at July 2010 plus 5%.
- c) Freight Vessel costs are based on MV Hildasay as after 1<sup>st</sup> January 2011 a similar vessel will replace the MV Clare.
- d) Reference is made to the “Low season” and this has been assumed to be full months of November to March. (21.5 weeks). The annual dry Dock period would be included within this.

### 3. Option Commentary

**A1:** Reduce fuel consumption by slowing the vessels down (2 engine running) on the Lerwick-Kirkwall-Aberdeen route all year round or only during “low season” (late October to mid-March). This will mean either departing up to 2 hours earlier or arriving up to 2 hours later both north and south bound and at the intermediate calls at Kirkwall. The use of the additional engines would still be available in case of delays or when sea and weather conditions require them.

**Comments** – Calculated as two sub-options either for full year or “Low season”. The proposal is to have the departure times are all 2 hours earlier for consistency and arrival at Kirkwall. An allowance of 15% has been made on the fuel savings to allow for weather and operational manoeuvrings.

**A2:** Tie-up MV Hjaltland or MV Hrossey for the “low season” and run 3 North (Tuesday, Thursday and Sunday) and 3 South (Monday, Wednesday and Friday) sailings per week on the Lerwick-Kirkwall-Aberdeen service. This is the timetable that currently operates during the annual maintenance period (for about 6 weeks). Freight ship frequency is increased during this period.

**Comments** – Vessel tied-up at Port of Leith as charges are lower but with some increases in Crew travel to join the vessel. Harbour charge savings at Aberdeen and Lerwick have been included but only for Berthing fees. The “normal” Dry Dock timetable has been used for both Pax and Freight Vessels.

**A3:** As A2, but using the single passenger vessel more intensively on the Lerwick-Kirkwall-Aberdeen route, operating 5 north bound and 5 south bound sailings per week maintaining the Friday and Sunday calls at Kirkwall. The timetable includes a mixture of daytime and overnight sailings and would be integrated with the freight ships timetable.



The following is an indicative timetable:

	<b>Daytime</b>	<b>Overnight</b>
<b>Monday</b>		Lerwick (1900) – Aberdeen (0700)
<b>Tuesday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (2100) – Aberdeen (0700)
<b>Wednesday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (2100) – Aberdeen (0700)
<b>Thursday</b>		Aberdeen (1900) – Lerwick (0730)
<b>Friday</b>		Lerwick (1730) – Kirkwall (2300) – Aberdeen (0700)
<b>Saturday</b>	Aberdeen (0900) – Lerwick (1900)	Lerwick (1900) – Aberdeen (0700)
<b>Sunday</b>		Aberdeen (1700) – Kirkwall (2300) – Lerwick (0730)

**Comments** – Similar to A2 but with lower savings.

**A4:** Extend sailing time on freight ship between Aberdeen and Lerwick (northbound only) to reduce fuel all year. Departure time would remain as 18.00 with the arrival time extended to 12.00 noon the following day.

**Comments** – Fuel Only

**A5:** Extend crossing time to save fuel on direct services between Aberdeen and Lerwick (both directions) all year. Once out of port, Hjaltland and Hrossey can regularly operate for much of the voyage on a single engine in order to maximise fuel efficiency. Increasing the potential for using this fuel efficient mode of operation for longer would mean direct services between Aberdeen and Lerwick would now depart at 17.00 instead of 19.00 to maintain the current arrival times. The additional engines would still be available in case of delays or when sea and weather conditions require them.

**Comments** –An allowance of 15% has been made on the fuel savings to allow for weather and operational manoeuvrings

**A6:** Remove 11.00 sailing from Stromness and the 13.15 sailing from Scrabster during the low season (late October to mid-March).

**Comments** – Fuel savings but also some shore side costs could be avoided.

**A7:** Withdraw some Kirkwall calls from the Lerwick-Kirkwall-Aberdeen route. The starting point would be to look at withdrawing the services with lowest utilisation.

**Comments** – Calculated for illustration of this exercise using a saving of 1 call at Kirkwall per week. (52 Calls in a year) An allowance of 15% has been made on the fuel savings to allow for weather and operational manoeuvrings

**A8:** Review potential to apply different levels of fare increases to different user groups i.e. differentiate between Island residents and visitors and set different rates to cars, cabins, freight, high/mid/low season etc. Historically fare increases have been a fixed percentage applied to all fares. If more revenue is received from users of the services, then the pressure for service changes to be made can be reduced.

**Comments** – This is not a cost saving but revenue related and no further calculation has been made. A model to illustrate the data has been prepared and is attached with the data.

CD – 17 August 2010

## APPENDIX B

### Aberdeen to Lerwick route (Passenger) Timetable (Current 2010)

Aberdeen - Kirkwall - Lerwick (northbound)								
Departs	Mon	Tue	*Tue	Wed	Thu	Fri	Sat	Sun
<b>Dep Aberdeen</b>	1900	1700	<b>1900</b>	1900	1700	1900	1700	1700
<b>Arr Kirkwall</b>	-	2300	-	-	2300	-	2300	2300
<b>Dep Kirkwall</b>	-	2345	-	-	2345	-	2345	2345
<b>Arr Lerwick (following day)</b>	0730	0730	<b>0730</b>	0730	0730	0730	0730	0730
* Departure Aberdeen 1900 from 1 Jan - 31 Mar and 1 Nov - 31 Dec								
* <b>No Kirkwall call from 1 Jan - 31 Mar and 1 Nov - 31 Dec</b>								

Lerwick - Kirkwall - Aberdeen (southbound)								
Departs	Mon	*Mon	Tue	Wed	Thu	Fri	Sat	Sun
<b>Dep Lerwick</b>	1730	<b>1900</b>	1900	1730	1900	1730	1900	1900
<b>Arr Kirkwall</b>	2300	-	-	2300	-	2300	-	-
<b>Dep Kirkwall</b>	2345	-	-	2345	-	2345	-	-
<b>Arr Aberdeen (following day)</b>	0700	<b>0700</b>	0700	0700	0700	0700	0700	0700
* Departure Lerwick 1900 from 1 Jan - 31 Mar & 1 Nov - 31 Dec								
* <b>No Kirkwall call from 1 Jan - 31 Mar &amp; 1 Nov - 31 Dec</b>								

## APPENDIX C

### Scrabster to Stromness Timetable (Passenger) 2010

Scrabster - Stromness								
Departs	Mon	Tue	Wed	Thu	Fri	Sat	*Sat	Sun
<b>Stromness</b>	0630	0630	0630	0630	0630	-	<b>0630</b>	-
<b>Scrabster</b>	0845	0845	0845	0845	0845	-	<b>0845</b>	-
<b>Stromness</b>	1100	1100	1100	1100	1100	0900	<b>1100</b>	0900
<b>Scrabster</b>	1315	1315	1315	1315	1315	1200	<b>1315</b>	1200
<b>Stromness</b>	1645	1645	1645	1645	1645	1645	<b>1645</b>	1645
<b>Scrabster</b>	1900	1900	1900	1900	1900	1900	<b>1900</b>	1900

Crossing time: 90 minutes  
\* Peak season schedule Saturday 12th June - Saturday 14th August inclusive

## APPENDIX D

### FREIGHT TIMETABLE Aberdeen to Lerwick route Summer 2010

This timetable will commence on 28/06/2010 until 29/08/2010

	M.V. Hildasay	M.V. Clare
<b>Monday</b>	KI - AB **	LE - AB
<b>Tuesday</b>	AB - LE	LO - AB
<b>Wednesday</b>	LE - AB	AB - KI - LE *
<b>Thursday</b>	AB - LE	LE - AB
<b>Friday</b>	LE - AB	AB - LE
<b>Saturday</b>	AB - LE ***	LO - LE
<b>Sunday</b>	LE - KI ****	LO - LE

All Aberdeen to Lerwick and Lerwick to Aberdeen departures are at 1800 hrs arriving the next morning at 0800 hrs.

\* Sailings from Aberdeen to Kirkwall depart at 1500 hrs and arrive at 2300 hrs.

\*\* The Kirkwall to Aberdeen sailing departs at 2000 hrs and arrives the following morning at 0600 hrs.

\*\*\* The Aberdeen to Lerwick sailing on Saturday departs at 1800 hrs (with the Sunday Kirkwall cargo onboard) and arrives the following morning at 0800 hrs.

\*\*\*\* The Lerwick to Kirkwall sailing on Sunday departs at 1100 hrs and arrives at 1900 hrs.

## Peak Livestock Season timetable

Please note that due to the commencement of Peak Livestock Season NorthLink Ferries will begin operating the following freight ship schedule from Wednesday 1st September

	M.V. Hildasay			M.V. Clare		
<b>Monday</b>	KI - AB AB - KI	dept KI 1600 dept AB 0600	arr AB 0100	AB - KI KI - AB	dept AB 0800 dept KI 2230	arr KI 1700
<b>Tuesday</b>	KI - AB	arr KI 1500	dept KI 2200	AB - LE	arr AB 0800	dept AB 1800
<b>Wednesday</b>	AB - LE	arr AB 0800	dept AB 1800	LE - AB	arr LE 0800	dept LE 1800
<b>Thursday</b>	LE - AB	arr LE 0800	dept LE 1800	AB - LE	arr AB 0800	dept AB 1800
<b>Friday</b>	AB - LE	arr AB 0800	dept AB 1800	LE - AB	dept LE 0800	dept LE 1800
<b>Saturday</b>	LE - AB	arr LE 0800	dept LE 1800	AB - LE	dept AB 1800	arr LE 0800
<b>Sunday</b>	AB - KI	arr AB 0800	dept AB 2000	LE - AB	dept LE 1500	arr AB 0400

## APPENDIX E

Although the current income from fares is not at the present time known, concerns have been identified as to the fairness of tariff and fare structuring on the NorthLink Services, as well as more specifically in Scotland.

### Summary

E.1. As stated in relation to option 8, historically fare increases have been made by implementing a fixed percentage applied to all fares.

E.2. Orkney Islands Council would question the structuring and formula used for determining fares per se in Scotland.<sup>30</sup>

E.3. In relation to the NorthLink routes, and based purely on a single adult fare, the following examples would highlight some anomalies associated with the current structuring system in place in the Northern Isles.

ABERDEEN TO LERWICK			ABERDEEN TO KIRKWALL		
Low	Mid	Peak	Low	Mid	Peak
<b>22.60</b>	<b>28.80</b>	<b>34.60</b>	<b>17.30</b>	<b>21.70</b>	<b>26.40</b>
			SCRABSTER TO STROMNESS		
			<b>14.10</b>	<b>15.30</b>	<b>16.50</b>

E.4. Kirkwall to Lerwick<sup>31</sup> is virtually the same distance again as Aberdeen to Kirkwall.<sup>32</sup> Yet the difference is not reflected in the fare pricing. Likewise, Scrabster to Stromness is a distance of only some 26 nautical miles.<sup>33</sup>

E.5 When the Scrabster to Stromness route is further analysed this unfairness appears to be intensified.

E.6. For instance, on the Scrabster to Stromness route there would be the initial ferry payment plus the onward cost of travelling,<sup>34</sup> be it by car, train or bus, making the journey, per mile, far more expensive than their Shetland counterparts.<sup>35</sup>

E.7. Orkney travellers (those travelling to and from) should not have higher costs to bear.

<sup>30</sup> See 3.8. of this response document in relation to RET.

<sup>31</sup> 100 nautical miles (Provided by NorthLink).

<sup>32</sup> 134 nautical miles. (Provided by NorthLink).

<sup>33</sup> Data supplied by NorthLink.

<sup>34</sup> For example: in Scotland to a city such as Aberdeen or Inverness.

<sup>35</sup> The distance of a direct sailing Aberdeen to Lerwick is 188 nautical miles.

- E.8. Revision of the current fare structuring on the Northern Isles routes should be undertaken (cars, cabin, freight etc.) as part of a Scotland wide investigation into fare and tariff structuring on all Scottish ferry routes.
- E.9. Orkney Islands Council supports such an investigation in order to achieve fairness and equality of opportunity for all.
- E.10. *Fares should be fair.*<sup>36</sup>

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<sup>36</sup> In this respect Orkney Islands Council would also draw attention to the fares-reduction scheme (RET) pilot on the Western Isles, Coll and Tiree; and the inequality aspect of such a differential fares policy and structure/system operating there as compared to that in the Northern Isles.