

Item: 3

Development and Infrastructure Committee: 18 May 2021.

Inter-Island Fare Structure.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

To consider a revised fare structure 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 financial settlement from Scottish Government for financial year 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, following many years of campaigning by the Council, the announcement of a substantial increase in Scottish Government funding for inter-island ferry services is very welcome, albeit it has yet to be baselined.

2.3.

Options in respect of a revised fare structure across inter-island ferry services, as outlined in section 5 of this report, and detailed at Appendix 1, with the preferred option being Option 7, namely to provide a 38% reduction on the current fare structure with a 25% concessionary rate for elderly and disabled passengers, as summarised in Appendix 2.

It is recommended:

2.4.

That Option 7, which represents 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.

2.5.

That the sale of the multi books of tickets by Orkney Ferries Limited should cease from June 2021, with existing tickets available for use until the point of expiry.

2.6.

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.

2.7.

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, to consider the impact on residents, visitors and businesses, and thereafter submit a report to the Committee detailing the findings of the review.

2.8.

That, following implementation of the new fare structure in respect of passenger 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 Committee detailing the findings of that review.

3. Background

3.1.

Following many years of campaigning by the Council, the announcement of a substantial increase in Scottish Government funding for inter-island ferry services for financial year 2021/22 was made in the Scottish Budget by the Finance Secretary, ensuring that the Council is fully funded to run the internal ferry services during the year ahead.

3.2.

The additional funding of £7.855 million from the Scottish Government was allocated as part of the financial settlement 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 is 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.

3.3.

As the application of a distance-based tariff such as the Road Equivalent Tariff (RET) across the local network would result in some anomalies, it is proposed that a revised fare structure is rolled out in respect of Orkney's inter-island ferry services.

3.4.

To understand the possible benefits and impact of a revised fare structure across the Orkney network, the key points from Transport Scotland's 'Evaluation of Road Equivalent Tariff on the Clyde and Hebridean Network' report include the following:

- The introduction of RET has increased the disposable income of island residents and visitors.
- The new journeys generated by RET have supported an increase in Scottish visitor numbers, national productivity and labour market flexibility. These effects combine to provide a net economic benefit at a national level.
- Visitors and residents both highlighted their main reasons for taking a car on the ferry as needing to take luggage/equipment and the convenience of having their own vehicle. This suggests that the absolute level of fares prior to the introduction of RET acted as a deterrent to travel.
- There was a shift in commercial operators purchasing vehicles under the 6 metre size to benefit from the RET rate. This was particularly the case on smaller populated islands.
- The perception from residents is that there has been an increase in day trip visitor numbers on the island.
- Island businesses have raised concerns over the impact of RET on available vehicle deck capacity on the ferry due to the increase in vehicle carryings.

3.5.

The revised fare structure for Orkney's inter-island ferry service aims to make ferry travel more affordable and thereby more accessible. It is envisaged that the revised fare structure will increase tourism and therefore support existing tourism markets as well as enhancing local economies.

4. Existing Tariff

4.1.

The current base rate fares applied across Orkney's inter-island ferry service network by Orkney Ferries Limited are higher than most other ferry routes across Scotland. However, there are a number of discounted options available in order to access a lower tariff. For example, RET does not provide discounts to frequent travellers, residents, elderly or disabled residents, as the same passenger tariff is applied to all with the exception of young people.

4.2.

The Orkney Ferries Limited tariff currently applies a 50% discount to all elderly and disabled passengers, and discounts are also available if travelling regularly if a book of tickets is purchased. A discount of 25% is applied if a book of 10 tickets is purchased, 30% for a book of 20 tickets and 50% for a book of 50 tickets. These are significant discounts applied however these discounts are not available to all as not everyone can afford to pay the large outlay of a book of 50 tickets in advance to access the 50% discount. The tickets are therefore considered unfair given only

those who can afford to purchase a book of 50 tickets can access the largest discount available.

4.3.

A simplified table of the existing passenger and vehicle fare structure by Orkney Ferries Limited is outlined below (as at March 2021):

	Inner and South Isles		Outer North Isles	
	Passenger Fare	Vehicle Fare	Passenger Fare	Vehicle Fare
Adult	£4.55	£14.40	£8.85	£20.90
Junior (50%)	£2.25	-	£4.40	-
Elderly (50%)	£2.25	-	£4.40	-
Disabled (50%)	£2.25	£7.20	£4.40	£10.45
10 x Book (25%)	£3.42	£10.80	£6.64	£15.68
20 x Book (30%)	£3.19	£10.08	£6.20	£14.63
50 x Book (50%)	£2.28	£7.20	£4.43	£10.45
Inter-Island Adult	£2.25	£7.20	£4.40	£10.45

4.4.

The application of a revised inter-island fare structure across the Orkney Ferries Limited network needs 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 Scottish Government, particularly in respect of the vehicle fares for the Outer North Isles.
- The discounts currently received by elderly and disabled passengers (50%) 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.

5. Proposed Inter-Island Fares

5.1.

On 29 March 2021, a meeting was held with Ward members, and the Chair and Vice Chair of the Development and Infrastructure Committee, to discuss the possible options in respect of a revised fare structure for the inter-island ferry services. The options were then considered by all Elected Members at a seminar held virtually on 19 April 2021.

5.2.

As outlined at the seminar, the application of a distance-based fare structure (such as RET) 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, who are currently in receipt of a 50% discount, and those who currently purchase a book of 50 tickets also accessing a 50% discount. The Outer North Isles vehicle fare rates would be higher than existing levels and therefore an alternative fare structure is required.

5.3.

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 has been calculated. Therefore, the price to travel from one island is 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.

5.4.

Currently vehicle fares are at a standard rate up to 5 metres. It is proposed that the new fare structure is extended up to 5.5 metres, compared with 6 metres across the Clyde and Hebrides network, with any vehicles over this size paying the commercial rate. The increase up to 5.5 metres instead of 6 metres is proposed following consideration of existing capacity constraints for vehicles and freight. This will accommodate almost all cars and pickups, as well as small to medium sized campervans. Larger motorhomes will be charged at the commercial rate as per the current tariff structure. The current Orkney Ferries' commercial tariff shall remain in place with a 2% increase applied from 1 April 2021. It is proposed that the commercial tariff structure will be reviewed following implementation and review of the revised fare structure for passengers and vehicles.

5.5.

Details of the options considered at the Members' seminar on 19 April 2021 are attached as Appendix 1 to this report. The presentation detailed a total of eight options with varying fare rates and concessions. The options were then sifted down to three, with Option 7 as the preferred option to implement.

5.6.

After consideration of the options, the consensus from Members present was to permanently remove the books of tickets currently issued by Orkney Ferries Limited. The books of tickets, with the largest book passing a significant 50% discount, can only be accessed if the tickets are paid for in advance. Therefore, only those who can afford to bulk buy, and travel frequently, can access the largest discount.

5.7.

Consideration was also given to the concessionary rates and various options were outlined in respect of the elderly and disabled concessions. It was also noted that

the current fare structure provides a discount to passengers aged 60 or over, however it is considered that this should be aligned with the Local Concessionary Travel Scheme administered by the Council, which is aged 65 and over. It is therefore proposed that the revised fare structure increases the concessionary entitlement age from 60 to 65 and this is made incrementally over a period of five years. For example, year 1 entitlement (2021/22) is from 61 and over, year 2 is 62 and over, year 3 is 63 and over, year 4 is 64 and over and year 5 is from 65 and over.

5.8.

Following discussions with Members at the seminar, a meeting was 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. The three sifted options were outlined to the communities, with Option 7 remaining the preferred option to take forward. In general, the communities were in support of Option 7, however some concern has been raised as to what impact a reduced fare structure will have on local shops and if an increase in demand will result in further capacity constraints. Option 7 however remains the fairest option to implement as all base rate fares have been reduced. Therefore, discounts are passed to elderly and disabled concessionary passengers as well as on the base rate adult and vehicle fares.

5.9.

Accordingly, Option 7 is the preferred option to take forward for implementation. Option 7 is based on the existing fare structure and has been reduced down to the lowest possible level with the budget available, providing a reduced concessionary rate of 25% for elderly and disabled residents. The discounted rates also apply to inter island (island to island) fares.

5.10.

Children under five will travel free of charge as per the current tariff. Children from five years up to students with a valid Young Scot card will receive a 50% discount on the adult base rate fare. This also applies to inter-island (island to island) fares. No charge applies to the carriage of bicycles. The proposed fare structure is outlined below.

Inner/South	Current	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%

Outer North Isles	Current	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%

5.11.

This option provides a significant discount of 38% on the base rate adult and vehicle fare. The elderly and disabled rate has been amended from a 50% discount to a 25% discount therefore the fare concession rate has reduced by approximately 7% on the existing tariff rate. All base rate fares have therefore reduced from the existing tariff structure.

5.12.

By comparison, a single bus fare from Kirkwall to Stromness is £3.45 and Birsay to Kirkwall is £3.75. Therefore, under the revised inter island tariff, daily commuting from the Inner and South Isles by ferry is lower than the average bus fare across mainland Orkney.

5.13.

As outlined at the Members' Seminar, removal of the books of tickets during 2021/22 will result in an increase for those who currently purchase a book of 50 tickets. It is likely that this will affect daily commuters from the Inner and South Isles most, however, as noted above, under the revised fare structure, the inner isles ferry fares are below the average bus fares across mainland Orkney.

5.14.

It is proposed that the sale of multi journey tickets cease from June 2021 as the current 50% discount is only available to those who travel frequently and can afford to bulk purchase. It is proposed that the existing books of 50 tickets can be used up until point of expiry (500 days). Those with valid books of 10 and 20 tickets and existing bookings from June 2021 onwards will be reimbursed to reflect the revised fare structure. The removal of the discounted books will remove the social inequality issues that currently exist.

5.15.

A question was raised at the Members' Seminar whether a direct debit system could be adopted to provide a similar discount; however the cost to develop an appropriate system, the effective monitoring of eligibility, ie islander or holiday home, and the

monitoring of payments would be costly. A direct debit system would also result in an increase in demand for the larger discount which would in turn increase the standard rate paid by others. Therefore, inequality issues would still exist depending on frequency of travel.

5.16.

Therefore, the only passengers in a 'worse off' position from the revised fare structure would be those who currently purchase a book of 50 tickets for passengers or vehicles. The price variance per trip is outlined in the table below.

50 x Multi-Journey Tickets			
	Inner Isles	Outer North Isles	%
Passenger	(£0.54)	(£1.06)	-24%
Car	(£1.73)	(£2.51)	-24%

5.17.

An alternative to the complete removal of the multi journey books of tickets would be to amend the discount from 50% to 45% to narrow the gap between the revised base rate fare and the 50 x book of tickets. This would retain an additional discount for commuter travel for example and would therefore address the 'worse off' position for those who currently purchase the 50 x book of tickets. In addition to the amended discount rate, the expiry date on the books of tickets could also be amended from 500 days to 365 days. The revised book of ticket price could come into effect from June 2021 which would be reviewed once the new fare structure is bedded in, for example by 31 March 2022. Retaining the books of tickets for passengers and cars would however come at an additional cost of around £70,000. It may be possible to accommodate this within the budget available during 2021/22 as the revised fare structure will be implemented part way through the year. However, continuation of an additional discount may be subject to budget availability in subsequent years.

5.18.

Following discussions with Elected Members and Community Councils, consideration was also given to the feasibility of reducing the passenger fares down to the 50 journey ticket price thereby providing a 50% discount to all passengers. To remain within the budget of £735,000, this would result in a smaller discount on the vehicle being applied, from a 38% discount to approximately 26%. Therefore, two adult passengers travelling by car would pay more. The variance between the 50 journey book of tickets for the car and the base rate would also be greater. This option may be preferable for the Inner and South Isles daily commuters to work but not for the remaining island residents who require a vehicle when travelling. On this basis, the fairest, most equitable option to be implemented remains Option 7.

5.19.

The implementation of Option 7 will make fares more affordable to all as opposed to those who can afford to bulk purchase in advance ie the daily commuter to and from work. A discount of 38% on the base rate fare is achievable with the budget available of £735,000 if the books of tickets are removed from the system. Any proposal to add a further discount to all islanders for example, would require a system to manage this effectively, which has not been budgeted, and would push up the base rate fare. This proposal is also not achievable within this financial year.

5.20.

The impact of the revised fare structure to the communities is unknown given there is no data available from Orkney Ferries Limited to fully understand existing travel patterns and behaviour. It is therefore not known what impact this may have on local shops and businesses and similarly how this will affect demand. However, it is expected that, in general, introduction of the revised fare structure will increase the disposable income of island residents and visitors. The expected impact of Option 7 for acceptability, affordability, consistency, sustainability, transparency and simplicity is summarised in Appendix 2 to this report.

5.21.

In line with the roll-out of the revised ferry fares across the rest of Scotland, a review of the implementation of the revised tariff will be carried out post COVID-19 and once fully established to consider the impact on residents, visitors and businesses. It is expected that this will involve an on-board survey to establish the change in demand and travel behaviour. It is expected that this will be carried out during 2022/23.

5.22.

Following implementation of the revised inter-island fare structure for passengers and vehicle fares, a review of the existing commercial fares will be undertaken when feasible. The findings of this review will be presented to this Committee for further consideration.

5.23.

Continued engagement with Scottish Government will be required following completion of the Outline Business Case with a view to enhancing the frequency of services and increasing the length of operating day to bring services up to the same standard as the rest of Scotland and the need to replace the ageing ferry fleet.

6. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 3 to this report.

7. Links to Council Plan

7.1.

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.

7.2.

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.

8. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to maintaining present outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

9. Financial Implications

9.1.

The Inter Island Ferries Service revenue budget of £12,612,500 for financial year 2020/22 includes a specific grant of £7,855,000 from Scottish Government.

9.2.

The specific grant allocation is based on the Council's revised baseline budget submission that was made to Scottish Government, in January 2021, for fair funding for the inter-island ferry services. Specifically, the request was based on operating the existing fleet with enhancements as proposed in the 2019 Ferries Revenue Outline Business Case, and included the follows elements.

9.3.

The specific grant allocation of £7,855,000 for financial year 2021/22 was announced as part of the Council's financial settlement from Scottish Government for financial year 2021/22. This represents an increase of £2,532,000 or 47.6%, on the previous year's grant allocation of £5,323,000. While the announcement was very welcome it is notable that, as with any grant funding that has yet to be baselined, the risk remains that this level of support may not be continued beyond the current financial year.

9.4.

The Transportation Service has estimated the cost to implement the revised fare structure based on Option 7 at £724,009 for a full year. This has been prepared on

the basis of pre-COVID-19 passenger carryings and no increase in passenger or vehicle demand. The Service also considers it likely that, once services resume normal operation and there are no COVID-19 restrictions in place, demand will increase due to the reduction in fares.

9.5.

The Council's revised budget submission only included an allowance of £365,000 in financial year 2021/22 for the introduction of a revised inter island fare structure. A separate or extra allowance of £370,000 was included in financial year 2022/23 (being Year 2) as activity levels were assumed to return to normal post-COVID-19 levels. On the assumption that the Council's budget submission is to be fully funded through this specific grant allocation, then strictly speaking this means that a combined budget of £735,000 would only be available to meet the estimated cost of implementing the revised fare structure with effect from financial year 2021/22.

9.6.

That said, with these proposals only being implemented part way through the current financial year 2021/22, there should be scope to manage this position from within the overall available budget for financial year 2021/22. For example, the cost of the proposed fare structure for three-quarters of the year at £543,000 could be substantially met from full year specific grant allocation of £365,000 together with other elements of specific grant funding awarded to the Council for financial year 2021/22, including the savings that will be derived from introducing year round Sunday sailings part way through the year.

10. Legal Aspects

10.1.

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".

10.2.

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

10.3.

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.

10.4.

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”

10.5.

The Council is a relevant authority for the purposes of the Islands (Scotland) Act 2018. However, as the fare structure is applied to all Orkney island communities, it is not considered that this will have an effect on any one Orkney island community which is significantly different from its effect on other Orkney island communities. Accordingly, an Islands Impact Assessment is not required.

11. Contact Officers

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@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

12. Appendices

Appendix 1: Inter-Island Fares – Options.

Appendix 2: Option 7 Summary.

Appendix 3: Equality Impact Assessment.



Inter Island Fares Tariff

Elected Members Seminar
19 April 2021

Funding

- Additional funding from the Scottish Government for 2021/22 financial year to:
 - Provide full coverage of the deficit funding for the cost of operating the existing service levels;
 - An allowance to introduce a revised Inter Island Tariff across existing services based on estimated fare levels and usage.
 - An allowance for introducing year round Sunday sailings across the existing network.
- The additional £7.855m funding provides a budget of approximately £735,000 towards the implementation of a revised Inter Island Tariff across the network.

Background

- As part of the Inter Island Fares Tariff review, the Road Equivalent Tariff (RET) policy and formula has been used as a baseline and adapted to fit the Orkney network.

- The original formula was based on the following:-

	Passengers	Vehicles
Fixed Element	£2	£5
Rate Per Mile	£0.13	£0.80

- Inflationary increases have been applied since its introduction in 2013.

Aim and Criteria

- Reduce the cost disadvantage faced by island communities and promote the islands as places to live, work, visit, invest and conduct business.
- Revised fare structure is for passengers and vehicles up to 5.5m in length, including commercial vehicles. Vehicles over 5.5m are exempt and therefore the existing commercial tariff rates shall apply.
- ‘No worse off’ position – where the longer ONI routes would have resulted in an increase in fare, a % discount has been considered.
- Consideration of the current discounts to elderly and disabled residents and multi-journey tickets.

Key Issues

- A revised tariff rate applied by island would result in a disproportionate tariff structure where residents living in an island further from mainland Orkney would pay a significantly higher fare compared with those closer to the mainland.
- The application of a distance based tariff for vehicles on the Outer North Isles network would result in an increase of all fare levels, including the base rate fare. For the Inner and South Isles, price levels would be higher for elderly/disabled and 50 journey ticket holders.
- A distance based tariff for passenger fares would reduce the base rate fare, however this would result in an increase in fare for elderly, disabled and 50 journey ticket holders.

Options

- It is proposed that an average Inner/South Isles and average Outer North Isles rate is used rather than different price points by island (consistent with current fare structure).
- As the application of a distance based tariff on ONI vehicles would result in an increase across the network, it is proposed that a % discount is applied.
- Consideration needs to be given to the 'no worse off' position regarding elderly and disabled passengers currently in receipt of a 50% discount and the 50 x multi journey book of tickets to access a 50% discount (as these discount rates are higher than the revised tariff rate).

Assumptions

Revised Inter Island Tariff

- Commercial vehicles over 5.5m are out of scope (RET = 6m)
- Based on Pre COVID carryings
- Based on 2020 fares comparison
- Figures based on the same carryings for passengers and vehicles
- Removal of the multi book of tickets, addressing the social inequality issue that currently exists.

Factors to consider

The current tariff provides a discount to elderly passengers from 60 onwards. This could be aligned with the local concessionary fares criteria which is 65+ or align with pension age of 67+.

Multi-Journey Ticket Sales

Pax	Ticket Type	Inner Books	ONI Books	Total Books
Adult	10 Journey (25%)	97	71	168
Adult	20 Journey (30%)	573	108	681
Adult	50 Journey (50%)	1082	245	1,327

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

Books of ticket sales outlined above (pre Covid). Not known how many people would be affected as this is based on book sales. This would have the highest impact on the Inner and South Isles frequent travellers due to the number of 50 x multi journey tickets currently sold.

Base Rate

- The options have been based on the existing fare structure, bringing the fare down to the lowest possible level with the budget available; and
- A revised base fare which is an average ONI and average Inner Isles rate (taken from RET formula).
- From the base rates outlined below there are 8 options to consider, with the main varying factor being elderly and disabled concessionary fares.

Passenger	Inner	ONI
Current Standard	£4.55	£8.85
Revised Base Fare	£2.99	£4.98
Difference	34.3%	43.7%

Vehicle	Inner	ONI
Current Standard	£14.40	£20.90
Revised Base Fare	£10.38	£22.36
Modelled Fare	£10.38	£15.07

Option Summary

Option	Basis	Comments
1	Based on Current Fares and Structure	Based on Current fares and Structure and set to use SG allocation. Standard Rate is higher than 50% discount rate hence current 50MJB rate still cheaper. 'Double discount' applied to concessionary fares.
2	"PURE" RET	Pure RET set to use SG allocation so rates lower than Option 1 RET Model. The Modelled ONI Passenger Rate is lower than the Current 50% discounted rate, hence all ONI passenger fares cheaper. Higher fare for Inner isles concession and ONI disabled vehicle.
3	'MODELLED' RET	Modelled rates to use SG Allocation and adjust for ONI vehicles. Because of the "hit" taken to get ONI vehicle fares down, the standard fare is higher than the Current 50% discounted rate and would result in a slight increase for concessionary passengers.
4	'MODELLED' RET with Passenger Concession 25%	Modelled rates to use SG Allocation and adjust for ONI vehicles, and give 25% Passenger Concessions. Standard Rate is just higher than 50% discount rate hence current 50MJB rate still cheaper. This option works well with the only exception of disabled vehicle paying slightly more (4p and 6p per trip).
5	Current Fares RET Discount Model	Current Rate lowered to use SG Allocation on an RET Model i.e. no Passenger concessions. Standard Rate is higher than 50% discount rate hence current 50MJB rate still cheaper. Pricing would give worse off position for elderly and disabled residents.
6	Option One with Current Concession Value for Passengers	Using Current rates and Concession Rate Value to use SG Allocation. Standard Rate is just higher than 50% discount rate hence current 50MJB rate still cheaper. Option works well but no price reduction for elderly and disabled passengers as the price would stay the same.
7	Option One with 25% Concession Rate for Passengers	Using Current rates and 25% Concession Rate to use SG Allocation. Standard Rate is just higher than 50% discount rate hence current 50MJB rate still cheaper. Option works well for all with the exception of 50 x multi journey ticket holders.
8	Current Lowest Fare (50%)	Bringing down all fares to the lowest level i.e. concessionary rate and 50 journey ticket. This would be the fairest option for all however would be below fare levels seen across the rest of Scotland (with the exception of Shetland) and is unaffordable, resulting in an estimated variance of £336,200 to be met by the Council per annum.

Option 1

- Current fare structure reduced as far as possible

Inner	Current	New Fare	%
Adult	£4.55	£2.96	35%
Concession/Jnr	£2.25	£1.48	35%
Car	£14.40	£9.36	35%
Car (Reg Dis.50%)	£7.20	£4.68	35%

'Double Discount' given to elderly and disabled passengers as **50%** is in addition to reduced fare.

Car - Registered disabled – **50%**.

ONI	Current	New Fare	%
Adult	£8.85	£5.75	35%
Concession/Jnr	£4.40	£2.88	35%
Car	£20.90	£13.59	35%
Car (Reg Dis.50%)	£10.45	£6.79	35%

50 x Multi-Journey Tickets			
	Inner	ONI	%
Pax	-£0.68	-£1.32	-30%
Car	-£2.16	-£3.14	-30%
per trip worse off			

Option 2

- RET model + Inflation

Inner	Current	New Fare	%
Adult	£4.55	£2.45	46%
Concession	£2.25	£2.45	-9%
Junior	£2.25	£1.23	46%
Car	£14.40	£8.51	41%
Car (Reg Dis.25%)	£7.20	£6.38	11%

Elderly and disabled to pay standard passenger fare.

Reg. Disabled - **25%** off on car.

ONI	Current	New Fare	%
Adult	£8.85	£4.08	54%
Concession	£4.40	£4.08	7%
Junior	£4.40	£2.04	54%
Car	£20.90	£18.34	12%
Car (Reg Dis.25%)	£10.45	£13.75	-32%

50 x Multi-Journey Tickets			
	Inner	ONI	%
Pax	-£0.17	£0.35	-8% 8%
Car	-£1.31	-£7.89	-18% -76%
per trip difference			

Option 3

- Modelled RET – reduced as far as to make vehicles work

Inner	Current	New Fare	%
Adult	£4.55	£2.69	41%
Concession	£2.25	£2.69	-20%
Junior	£2.25	£1.35	40%
Car	£14.40	£9.34	35%
Car (Reg Dis.25%)	£7.20	£7.01	3%

Elderly and disabled to pay standard fare.

Reg. Disabled **25%** on car.

ONI	Current	New Fare	%
Adult	£8.85	£4.48	49%
Concession	£4.40	£4.48	-2%
Junior	£4.40	£2.24	49%
Car	£20.90	£13.56	35%
Car (Reg Dis.25%)	£10.45	£10.17	3%

50 x Multi-Journey Tickets			
	Inner	ONI	%
Pax	-£0.41	-£0.05	-18% -1%
Car	-£2.14	-£3.11	-30%
per trip worse off			

Option 4

- Modelled RET – with concession rates at 25%

Inner	Current	New Fare	%
Adult	£4.55	£2.78	39%
Concession	£2.25	£2.09	7%
Junior	£2.25	£1.39	38%
Car	£14.40	£9.65	33%
Car (Reg Dis.25%)	£7.20	£7.24	0.6%

Revised rate and elderly and disabled rate of **25%**.
Reg Disabled **25%** off on car.

ONI	Current	New Fare	%
Adult	£8.85	£4.63	48%
Concession	£4.40	£3.47	21%
Junior	£4.40	£2.32	47%
Car	£20.90	£14.02	33%
Car (Reg Dis.25%)	£10.45	£10.51	0.6%

50 x Multi-Journey Tickets			
	Inner	ONI	%
Pax	(£0.50)	(£0.20)	-22% -5%
Car	(£2.45)	(£3.57)	-34%
per trip worse off			

Option 5

- Current fare structure with RET discount model (concessions)

Inner	Current	New Fare	%
Adult	£4.55	£2.73	40%
Concession	£2.25	£2.73	-21%
Junior	£2.25	£1.37	39%
Car	£14.40	£8.64	40%
Car (Reg Dis.25%)	£7.20	£6.48	10%

Elderly and Disabled to pay standard adult fare.

Reg disabled **25%** for car.

ONI	Current	New Fare	%
Adult	£8.85	£5.31	40%
Concession	£4.40	£5.31	-21%
Junior	£4.40	£2.66	40%
Car	£20.90	£12.54	40%
Car (Reg Dis.25%)	£10.45	£9.41	10%

50 x Multi-Journey Tickets

	Inner	ONI	%
Pax	(£0.45)	(£0.88)	-20%
Car	(£1.44)	(2.09)	-20%
per trip worse off			

Option 6

- As Option 1 with current concession rates for elderly and disabled

Inner	Current	New Fare	%
Adult	£4.55	£2.82	38%
Concession	£2.25	£2.25	0%
Junior	£2.25	£1.41	37%
Car	£14.40	£8.93	38%
Car (Reg Dis.25%)	£7.20	£6.70	7%

Elderly and Disabled
to pay existing fare
rates (lowest fare)

= no worse off

ONI	Current	New Fare	%
Adult	£8.85	£5.49	38%
Concession	£4.40	£4.40	0%
Junior	£4.40	£2.74	38%
Car	£20.90	£12.96	38%
Car (Reg Dis.25%)	£10.45	£9.72	7%

50 x Multi-Journey Tickets

	Inner	ONI	%
Pax	(£0.54)	(£1.06)	-24%
Car	(£1.73)	(£2.51)	-24%
per trip worse off			

Option 7

- As Option 1 with 25% concession rate for elderly and disabled pax

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

Elderly and Disabled to pay reduced fare + **25% discount.**

Disabled receive **25% discount** on car.

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

50 x Multi-Journey Tickets

	Inner	ONI	%
Pax	(£0.54)	(£1.06)	-24%
Car	(£1.73)	(£2.51)	-24%
per trip worse off			

Option 8

- Lowest Equivalent Fare

Inner	Current	New Fares	%
Adult	£4.55	£2.25	50%
Concession	£2.25	£2.25	0%
Junior	£2.25	£1.13	50%
Car	£14.40	£7.20	50%
Car (Reg. Disabled)	£7.20	£7.20	0%

All fares reduced to lowest level – **50%**

ONI	Current	New Fares	%
Adult	£8.85	£4.40	50%
Concession	£4.40	£4.40	0%
Junior	£4.40	£2.20	50%
Car	£20.90	£10.45	50%
Car (Reg. Disabled)	£10.45	£10.45	0%

No worse off position for concessions and 50 x multi journey ticket holders

Final Options

Inner	Existing	Option 4	Option 6	Option 7
	Current fares. Concession 50%.	Modelled RET fares Concession 25%.	Fare structure reduced. Existing concession.	Fare structure reduced. Concession 25%.
Adult	£4.55	£2.78	£2.82	£2.82
Concession	£2.25	£2.09	£2.25	£2.12
Junior	£2.25	£1.39	£1.41	£1.41
Car	£14.40	£9.65	£8.93	£8.93
Car (Disabled)	£7.20	£7.24	£6.70	£6.70

ONI	Existing	Option 4	Option 6	Option 7
	Current fares. Concession 50%.	Modelled RET fares Concession 25%.	Fare structure reduced. Existing concession.	Fare structure reduced. Concession 25%.
Adult	£8.85	£4.63	£5.49	£5.49
Concession	£4.40	£3.47	£4.40	£4.12
Junior	£4.40	£2.32	£2.74	£2.74
Car	£20.90	£14.02	£12.96	£12.96
Car (Disabled)	£10.45	£10.51	£9.72	£9.72

Preferred Option

Option 7 (based on current fare structure)

- Reduction in adult and vehicle fares of 38%
- Elderly and disabled concessions rate of 25% on revised fare
- Removal of 10, 20 and 50 multi-journey tickets
- Therefore only 'worse off' position is 50 x journey ticket holders
- Removes social inequality (books of tickets)
- Within the budget available of £735,000 (Estimated £724,000)
- Further consideration - amend elderly age from 60 to 65 or 67? (local concessionary travel eligibility is 65).

Option 7

Inner Isles



Adult + Car
£11.75

Current fare: £18.95



Concession
+ Car (25%)
£8.82

Current fare: £9.45

Outer Isles



Adult + Car
£18.45

Current fare: £29.75



Concession
+ Car (25%)
£13.84

Current fare: £14.85



Timeframe

Fares Seminar with Elected Members	19 April 2021
Special D&I Committee	18 May 2021
Special Full Council	31 May 2021
Implementation of revised fare structure	Early June 2021

Questions?



Appendix 2 - Orkney Inter Island Fares – Option 7

Option	Fare Type	Acceptability	Affordability	Consistency	Sustainability	Transparency & Simplicity
7.	<p>Reduction of current fare structure</p> <p>Concessionary rate revised to 25%</p>	<p>The standard adult passenger rate and vehicle rate would fall by 38% for residents and visitors to the islands.</p> <p>A concessionary rate has been retained (from 50% to 25%) with a discount on the existing fare rate of 7%.</p> <p>Only those who can currently afford to purchase the 50 x multi journey books of tickets would see an increase in fare rate from 50% to 38%. However, this removes the social inequality issues and the discount is applied each time travelled rather than the outlay of a book of tickets.</p>	<p>Base rate fare would reduce by 38% so travel would be more affordable to the majority of users. The revised tariff structure aims to provide a discount to all.</p> <p>The rate retains a lower discount to elderly and disabled concessionary passengers.</p> <p>The fare is more affordable to all not just those who can purchase a multi journey book of tickets.</p> <p>Almost full use of budget available of £735,000 during 2021/22.</p>	<p>Consistent with the existing fare structure as the revised tariff is based on the existing fares, bringing them down to the lowest possible level.</p> <p>Concessionary rate retained but moved from a 50% discount to a 25% discount. Other areas have moved away from a concessionary discount however careful consideration was given to the 'no worse off' position for concessionary passengers.</p> <p>Disabled vehicle discount of 25% is consistent with fares across the rest of Scotland.</p>	<p>Tariff rates applied by Inner/South and ONI as opposed to by island to not create a disproportionate fare structure between islands.</p> <p>Fare discounts applied are therefore consistent between islands so as to not benefit one island over another.</p> <p>Passengers to benefit from increase in disposable income due to reduction in fares.</p> <p>Travel pattern and behaviour unknown given frequency of service is to remain unchanged at present however increase in demand is expected.</p>	<p>The options process has been presented to Elected Members via an on-line seminar. Community Councils and island transport representatives have also been consulted in respect of the revised inter island tariff.</p> <p>It is proposed that the existing discounts via the multi journey tickets are removed so this gives a simplified tariff structure with a discount applied to the base rate fare to benefit all passengers.</p> <p>The removal of the discounted books of tickets removes the social equality issues that exist at present.</p>



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Inter Island Fare Tariff
Service / service area responsible.	Development and Infrastructure – Transportation
Name of person carrying out the assessment and contact details.	Laura Cromarty – Transport Manager Ext. 3638
Date of assessment.	26/4/21
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Revised fare structure which is aimed to reduce the base rate fares paid by all passengers.

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	To implement a revised fare structure which reduces the base rate fares paid by all passengers (residents and visitors).
Is the function / policy / plan strategically important?	The revised Orkney Inter Island Tariff aims to make ferry travel more affordable and thereby more accessible. It is envisaged that the revised fare structure will increase tourism and therefore support existing tourism markets as well as enhancing local economies.
State who is, or may be affected by this function / policy / plan, and how.	All residents and visitors to Orkney with the aim to make travel more affordable and therefore more accessible.
How have stakeholders been	Engagement with Elected Members, Chair of

involved in the development of this function / policy / plan?	Community Councils and Transport Representatives.
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise.</p> <p>E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>Passenger figures are gathered on a monthly basis. The data from Orkney Ferries Ltd is limited so the statistics do not outline they type of travel and whether it is a resident or visitor travelling.</p> <p>Twice yearly consultation with transport representatives via the air and ferry forum.</p> <p>Consultation with wider community via the Orkney Inter Island Transport Study re level of service etc.</p> <p>It is proposed that a review of the revised fare structure is carried out post COVID to establish any travel behaviour changes. It is expected that this will be carried out via an on-line survey during 2022/23.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Interim Guidance for Public Bodies for further information.</p>	<p>Inter Island Ferry Services are in effect the 'bus' service to the islands as there are no alternative means to travel. Fares are currently high and therefore travel can be restricted due to costs.</p> <p>By reducing the base rate fare, travel is more affordable and therefore more accessible to residents as well as visitors to the islands.</p> <p>The revised fare structure will be applied to all islands and therefore there will be no disadvantage to one island community over another.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>n/a</p>
<p>2. Sex: a man or a woman.</p>	<p>n/a</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>n/a</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>n/a</p>
<p>5. Pregnancy and maternity.</p>	<p>n/a</p>
<p>6. Age: people of different ages.</p>	<p>The revised fare structure retains a concessionary discount for elderly people (propose to increase from</p>

	<p>60 to 65 to bring in line with Local Concessionary Travel Scheme). Therefore, elderly residents over 65 will continue to receive discounted travel which is lower than the current concessionary fare rate charged. The revised concessionary rate shall provide a 25% discount on the adult base rate fare which represents a 7% discount on the existing concessionary fare.</p> <p>Young people attending full time education and students in receipt of a Young Scot Card will be eligible to a 50% discount on the new reduced fare therefore providing a significant discount to young people.</p>
7. Religion or beliefs or none (atheists).	n/a
8. Caring responsibilities.	n/a
9. Care experienced.	n/a
10. Marriage and Civil Partnerships.	n/a
11. Disability: people with disabilities (whether registered or not).	<p>The revised fare structure retains a concessionary discount for disabled people (passenger and vehicle). Therefore, passengers eligible under the disability criteria shall receive discounted travel which is lower than the current concessionary fare rate charged. The revised concessionary rate shall provide a 25% discount on the adult base rate fare.</p>
12. Socio-economic disadvantage.	<p>Yes – the revised inter island fare tariff shall bring the adult base rate fare down by approximately 38% therefore making travel more affordable.</p> <p>The proposal is also to remove the multi journey books of tickets which are currently only available to those who can afford to purchase a 50 book of tickets in advance.</p>
13. Isles-proofing.	<p>Yes – by reducing the base rate fares by 38% for passengers and vehicles, this shall encourage people to live and work in the islands and encourage tourism to the islands.</p> <p>A distance based fare structure was not adopted as this would have resulted in a disproportionate fare structure across islands.</p>

3. Impact Assessment

Does the analysis above	Yes – the revised fare structure shall see a reduction
-------------------------	--

<p>identify any differential impacts which need to be addressed?</p>	<p>in base rate fares which will provide an advantage to the majority of residents and visitors to the islands.</p> <p>The only 'worse off' position is those who can currently afford to purchase a 50 x book of passenger and vehicle tickets in advance as this currently provides a 50% discount. It is proposed that the books of tickets are removed in order to remove the social inequality issues that currently exist.</p> <p>The removal of the books of tickets allows for a lower base rate fare which is available for all.</p>
<p>How could you minimise or remove any potential negative impacts?</p>	<p>It is proposed that the multi-journey books of tickets are phased out during 2021/22 due to the social inequality that currently exists around receiving a 50% discount by bulk purchase as this option is not an affordable option to a number of residents.</p>
<p>Do you have enough information to make a judgement? If no, what information do you require?</p>	<p>Option 7, revised fare structure should be implemented as soon as practicable, estimated to be during the beginning of June 2021.</p>

4. Conclusions and Planned Action

<p>Is further work required?</p>	<p>Yes/No.</p> <p>Monitoring of passenger and vehicle trips.</p> <p>Review of revised fare structure during 2022/23.</p> <p>Further consideration of commercial tariff.</p>
<p>What action is to be taken?</p>	<p>Revised fare structure to be implemented by Orkney Ferries Ltd during June 2021.</p> <p>Continuation of consultation via the Air and Ferry Forum twice per annum.</p>
<p>Who will undertake it?</p>	<p>Development and Infrastructure</p>
<p>When will it be done?</p>	<p>Consultation twice yearly.</p>
<p>How will it be monitored? (e.g. through service plans).</p>	<p>Monitoring via passenger data and engagement with Orkney Ferries Ltd.</p>

Signature:



Date: 26 April 2021

Name: L CROMARTY

(BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk