Item: 6

Enterprise and Infrastructure Committee: 8 September 2026.

Review of Criteria for Haulier Rates.

Report by Director of Enterprise and Resources.

1. Overview

1.1. This report considers a revision of the criteria for discounted haulier rates currently in place at Orkney Ferries Ltd, which are outdated.

1.2. The proposed criteria, as set out in section 3 of this report, will ensure that the discounted haulier rates are fair and applicable to all hauliers delivering to the Islands.

2. Recommendation

2.1. It is recommended that members of the Committee:

i. Agree that, subject to confirmation of the Subsidy Control position to the satisfaction of the Director of Enterprise and Resources and in accordance with the Service Level Agreement between Orkney Islands Council and Orkney Ferries Ltd, the following criteria be adopted in order for hauliers to be eligible for 50% discount on tariffs levied by Orkney Ferries Ltd :

- The Haulier does not require to be resident on the island.
- The Haulier must hold an Operator’s Licence noting that the operator’s licence can be based anywhere.
- The Haulier must set up a direct debit account with the company.

ii. Agree that the 25% haulier discount be removed from the tariffs levied by Orkney Ferries Ltd.

3. Background

3.1. During 2007 the freight rates charged to hauliers by Orkney Ferries Ltd were revised and the following criteria was agreed to offer a 50% haulier discount:

- The haulier must be resident on the island.

- Hold an Operator's Licence enabling the carriage of goods for hire and reward (restricted operator's licences – own goods only, do not qualify).
- Sign a direct debit in favour of Orkney Ferries to enable the company to claim settlement by mid-month following.
- Prove that a minimum of 50 journeys will be made each year.

3.1.1. In addition, if the haulier was to travel outwith the island of residence, a 25% discount would be given.

3.2. To ensure that the discount rates are fair and applicable to all Hauliers delivering to the Islands, the following criteria are proposed:

- The Haulier does not require to be resident on the island.
- The Haulier must hold an Operator's Licence and the operator licence can be based anywhere.
- The Haulier must set up a direct debit account.

3.3. It is also proposed that the 25% haulier discount be removed.

3.4. The proposed change in criteria will give customers a wider choice of operator and provide additional resilience should any individual operator cease trading.

3.5. The removal of the requirements for the haulier to be resident on the island, as well as proving a minimum requirement of 50 journeys per year, helps ensure equality of access for new entrants to the haulier market.

4. Haulier Discount Summary

4.1. The total estimated revenue loss resulting from the review of the haulier discount is calculated at £91K, with a detailed breakdown provided below:

Haulier Discount Summary		
Period analysed: 01/04/25 - 31/03/26		
Metric	**Value**	**Notes**
Total active bookings	4,650	Across HAUL50, HAUL25, and no-discount/SPV groups
Overall current charges excl. VAT	£206,475	For 25% discount and no-discount groups where charge data is available
Estimated total lost revenue	£91,250	Incremental lost revenue if 25% and no-discount groups moved to 50% discount
Lost revenue from no-discount group	£55,282	60.6% of total estimated lost revenue
Lost revenue from 25% discount group	£35,967	39.4% of total estimated lost revenue

4.2. It is also recognised that Orkney Ferries Ltd has a complex commercial fare structure and the freight pricing needs to be reviewed going forward. This will be progressed throughout 2026/27.

For Further Information please contact:

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Implications of Report

1. **Financial:** The financial implications are contained within the body of this report at Section 4.
2. **Legal:** Approving the recommendations in this report will help ensure equality of access for new entrants to the haulier market.
   Orkney Ferries Ltd is 100% owned by Orkney Islands Council, is deficit funded by public resources and its Board of Directors are made up entirely of elected members of Orkney Islands Council. Any financial assistance provided by Orkney Ferries Ltd will need to be assessed against the Subsidy Control Act 2022 (the Act) to determine if a subsidy is present. If it is determined that a subsidy is present, then the financial assistance must be provided in a manner compliant with the Act.
   The preliminary view is that the financial assistance detailed in this report will meet the definition of a subsidy under section 2 of the Act. It is anticipated that Orkney Ferries Ltd will provide this subsidy to recipients by way of the Minimal Financial Assistance (MFA) option under section 36 of the Act. This will be dependent on how much MFA the recipient has received over the applicable period (a threshold of £315,000 over this Financial Year and the previous two).
3. **Corporate Governance:** This supports consistent decision-making, reduces the risk of unequal treatment and improves the auditability of the scheme.
4. **Human Resources:** There are not expected to be any human resources implications arising.
5. **Equalities**: The proposed revision of the criteria for the discounted haulier rates is expected to have a neutral equality impact but will improve fairness and accessibility by extending eligibility to a wider range of operators.
6. **Island Communities Impact**: The proposal extends eligibility for discounted haulier rates to all operators holding a valid operator licence, irrespective of where the licence is based. This will provide a positive impact through increased competition, greater choice of freight providers and a more transparent approach to eligibility.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
   ☐Growing our economy.

☒Strengthening our Communities.

☐Developing our Infrastructure.

☐Transforming our Council.

8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

   ☒Cost of Living.

   ☐Sustainable Development.

   ☒Local Equality.

   ☐Improving Population Health.

9. **Environmental and Climate Risk:** Not applicable.
10. **Risk:** By applying the same criteria to all hauliers, the proposal improves fairness and strengthens the transparency and defensibility of the scheme.
11. **Procurement:** Not applicable.
12. **Health and Safety:** Not applicable.
13. **Property and Assets**: Not applicable.
14. **Information Technology**: Not applicable.
15. **Cost of Living**: Not expected to have a direct impact on the cost of living.

List of Background Papers

None