

FREIGHT FARES REVIEW WORKING GROUP

DATE: 27 March 2017

VENUE: Victoria Quay, Edinburgh

PRESENT:

- Graham Laidlaw - Ferries Unit, Transport Scotland (chair)
- Margaret Horn - Ferries Unit, Transport Scotland
- Brian Gordon - Ferries Unit, Transport Scotland
- Paul Flynn – Ferries Unit, Transport Scotland
- Spencer Thompson - Transport Analytical Services, Transport Scotland
- Pam Stott - Ports, Shipping, Freight & Canals, Transport Scotland
- Ranald Robertson - HITRANS
- Tony Jarvis – Highlands & Islands Enterprise
- Martin Reid – Road Haulage Association
- Chris Little – Road Haulage Association
- Allan Comrie – Strathclyde Partnership for Transport

(by conference call):

- Alan Millar – Argyll & Bute Council
- Louise Kirk – North Ayrshire Council
- Michael Craigie – Shetland Islands Council & ZetTRANS
- Iain MacKinnon – Comhairle nan Eilean Siar

APOLOGIES:

- Brian Archibald – Orkney Islands Council
- Chris MacRae – Freight Transport Association
- Richard Gerring – The Highland Council

MINUTES:

Welcome & Introductions

1. The chair welcomed everyone to the ninth meeting of the Freight Fares Review Working Group and introductions were made.

Minutes of Previous Meeting

2. The minutes of the last meeting were agreed without amendment.

Update

3. The chair provided an update of activity since the last meeting of 10 November 2016. This included a Ministerial submission and meeting, following which the Minister asked for further analysis to be undertaken to provide more detail on the impacts of the preferred fares option. A Ministerial meeting had also taken

place with hauliers from the Western Isles, at which the Minister indicated he wished to provide clarity to them on the proposed way forward by Summer 2017.

Presentation by Transport Analytical Services on 'Impacts of Proposed Fare Structure' paper

4. Spencer Thompson gave a presentation of the work that Transport Analytical Services (TAS) have carried out detailing the impacts across the ferries network of the preferred option for freight fares, in line with decisions at the previous meeting.

Discussion

Formula

5. There followed a discussion around the technical detail of the presentation and the information presented. It was agreed that the impact assessment approach is consistent with the methodology and that it had moved the freight fares work on considerably. However members commented that this is a complex issue and it is important to ensure that work on impact is conducted thoroughly prior to implementing any new fares regime.

6. Discussion took place around some specific examples of the detailed fare changes included in the presentation. Some routes show little difference in fare as the length of Commercial Vehicle (CV) increases where other routes increase by much larger amounts as the CV increases in length. This is because on shorter routes the fixed element makes up most of the fare, however on longer routes the variable element comprises most of the fare. It was suggested that there was scope for further adjustment to the formula in order to make fares more proportional to vehicle length, and thus more closely reflect deck space/capacity used.

7. Ranald Robertson noted that the current distance threshold could potentially be revised as the Ardrossan – Campbeltown route (used as a natural distance “break”) carries a minimal volume of freight.

8. It was agreed that TAS will take forward these suggestions and do some further analysis. This will look at impacts across the network. There will also be additional impacts to be aware of, and the additional work will help tease these out.

ACTION – TAS to undertake some further analysis in light of discussion.

Discounts

9. There then followed a discussion on discounts and whether or not these would be retained under a new fares regime. The chair confirmed that all options were being considered in that regard. The potential benefits of discounts for operational reasons (i.e. demand management/night sailings) were discussed. It was agreed that any discounts should have a clear policy objective. It was suggested that it would be useful to see graphs where the discounts have been removed, and it was agreed that TAS would produce a revised paper.

ACTION – TAS to provide a revised paper showing the impact of removing all, or some of the discounts.

Reflection on approach

10. The attendees were invited to put forward their concerns and opinions on what had been discussed so far. It was generally accepted that there was a clear and understood rationale for the methodology identified so far, and acknowledged that a fundamental assumption was revenue neutrality.

11. However any increase in freight fares for an island would be poorly received with challenges likely due to concerns raised over the impact on specific islands.

12. The chair explained that the Minister will be aware of the likely reaction and will make a decision once Transport Scotland have provided him with final advice. The intention would then be to consult more widely with further engagement with councils and stakeholders on the approach. This was welcomed by the Working Group, and the fact that the review was not being presented as 'complete' at this stage was seen as a positive.

13. Further discussion took place with regards to the need for this work to be undertaken on a cost neutral basis, with some suggesting that this requirement could be removed with additional funding provided, so that nobody paid more than at present. Graham Laidlaw advised it would be considered but was unlikely to be acceptable to Ministers on cost grounds.

14. It was commented that the formula proposed would have a detrimental impact on the hauliers who support Scotland's exports - Scottish Government have provided a lot of support into the aquaculture and timber industries and it would be counter-productive if all of this extra support fell down due to increased fares to get the goods to the mainland. Graham Laidlaw agreed to look at sectoral impacts.

ACTION - TAS to consider sectoral impacts.

15. It was suggested that there would be a requirement for transitional arrangements for routes where fares would increase. Graham Laidlaw was aware that hauliers are often committed to several years of "fixed costs" contracts and therefore notification of the change well in advance of its introduction would be required, rather than a transitional arrangement.

Next Steps

16. Graham Laidlaw summed up.

17. Some further analysis will be required as a result of this meeting, and TAS will look at the suggested possible change to the formula. TAS will undertake additional work on the formula to take into account vehicle length and test this against the current formula for community impacts. TAS will also produce a revised version of the 'Impact of Proposed Fares Structure' paper to include graphs with discounts wholly or partly removed.

18. Once this was done, the next step would be for Transport Scotland to provide the Minister with advice. This would reflect sensitivities identified at the meeting. .

19. Brian Gordon advised the group that Transport Scotland are planning on holding an engagement event with hauliers and it was agreed that one single event with hauliers from both CHFS and NIFS networks was preferable, and should include industry bodies and those island hauliers who were not members of RHA and FTA.

20. Brian Gordon provided an update to the group on loose freight. The procedures for loose freight will come later with a further more specific detailed piece of work. The focus will remain on CV fares at the moment.

AOB

21. The chair noted that Tony Jarvis is leaving HIE shortly and offered his thanks on behalf of Transport Scotland and the Working Group for significant contributions to ferries work over many years.

Ferries Unit
Transport Scotland
15 April 2017