

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: FIGAS Capped Resident Fare – Qualifying Criteria
Paper No: 169/09
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Report of: GM FIGAS

1.0 Purpose

To establish a formal policy regarding the qualifying criteria for the application of the FIGAS Capped Resident Fare as per the current policy, and to suggest a possible alternative for consideration by the Director of Procurement and Efficiency at a later date.

2.0 Recommendations

2.1 Discontinue the use of the FIG Duty Fare criteria for the MOD Airbridge as a means of determining who qualifies for the FIGAS Capped Resident Fare.

2.2 As an interim measure, formalise the qualifying criteria for FIGAS Capped Resident Fare as follows:

- Anyone with Falkland Island Status (including visiting/returning Falkland Islanders)
- Holders of Falkland Islands Permanent Residence Permits
- Holders of Falkland Islands Work Permits
- Holders of Falkland Islands Residence Permits

2.3 As an interim measure, formally authorise the following “Temporary Residents” to qualify for the Capped Resident Fare:

- The Governor and UK staff based at Government House
- Staff of the South Georgia Government based in the Falkland Islands
- Members of HM Forces currently based in the Falkland Islands
- Veterans of the 1982 Conflict (HM Forces)
- Anyone whose travel is arranged by SAMA (may include extended family members of veterans)
- All “duty travel” arranged by local trusts and charities registered in the Falkland Islands.

- All “duty travel” arranged by FITB

Authorise the following immediate family members of those eligible under (2.2) and (2.3) above to travel at the Capped Resident Rate (assuming they do not qualify in their own right):

- Spouse/Partner and their parents, siblings and their spouses/partners and their children.

2.4 As part of the greater role of the new Procurement and Efficiency Department, explore options for a new policy for establishing subsidies for community services (including FIGAS passenger fares) on an individual basis, as discussed in Appendix 1.

3.0 Summary of Financial Implications

If recommendations (a) to (d) are adopted there will some increase in passenger revenue as a result of the reduction in the number of passengers travelling at the FIGAS Capped Resident Fare (however the increase in revenue is unlikely to be significant unless an alternative policy is introduced as per recommendation (e).)

	2009/10	2010/11	Full Year
	£	£	£
<u>Operating Budget (Increased Revenue)</u>	10,000 (est.)	10,000 (est.)	10,000 (est.)

4.0 Background

FIGAS airfares are calculated according to a standard formula comprising of a fixed “Boarding Charge” and a linear “Mileage Charge” which is based on the straight line distance within each Shuttle zone.

Because of the Mileage Charge element, the airfare is proportional to the distance which (for example) means that the airfare to Carcass Island is more expensive than the airfare to Lively Island. This would obviously be a discouragement for people wishing to live/work in the more distant locations and as such would undermine the Islands plan goal of developing a diversified Camp economy and a socially vibrant and sustainable Camp population.

The purpose of the Capped Resident Fare is to ensure that no Falkland Islanders are disadvantaged where they live. The Capped Resident Fare (currently £50 per one-way trip) means that the maximum fare paid by a qualifying passenger is £50.00 regardless of the distance to their destination.

When you compare the standard airfare to the more remote destinations such as New Island (£105.61) with the Capped Resident Fare (£50.00) it is not surprising that a number of people/organisations have sought to take advantage of the

Capped Resident Fare. Over the years there appears to have been a gradual softening of the position with various exemptions being made for scientists, conservationists, overseas based MOD staff, family members, etc.

Indeed, for the FIGAS flight bookings/reservations software, the phrase “Temporary Resident” has been coined to reflect those passengers who are deemed to qualify for the Capped Resident Fare but in many instances clearly have no claim to residency in the Falkland Islands.

Obviously, the more passengers that fly under the “Temporary Resident” banner, the greater the reduction in passenger revenue and the greater the public subsidy required to operate the Government Air Service. Given the present economic situation, it is appropriate for the policy to be reviewed and for the Executive Council to make a decision regarding the qualifying criteria for the Capped Resident Fare.

Although the Capped Resident Fare including, a differential fare for the outer islands has been approved for 2009/2010, it should be noted that the Capped Resident Fare may not be the most appropriate model for future operations. As FIG moves further into a “User Pays” and “Means Testing” philosophy, alternative ways of determining individual affordability and levels of subsidy for transport on the Government Air Service should be considered. A possible alternative is discussed briefly in Appendix 1.

5.0 The Capped Resident Fare

5.1 Residents Only or All Falkland Islanders?

The first issue that must be addressed is whether the Capped Resident Fare is intended to apply only to those who actually live in the Falkland Islands or also to those who are eligible to live in the Falkland Islands.

A question that is often raised is whether Falkland Islanders who have been away for many years and are returning to visit should be eligible for the Capped Resident Fare, even though they haven’t lived here for many years and have no intention of living here again.

One problem with trying to distinguish between these two groups is establishing where any cut-off point should be. Does a Falkland Islander who returns for 3 months every few years qualify as a resident? Does a Falkland Islander who lives in the Northern Hemisphere for 6 months of every year qualify as a resident?

Given the current economic situation the Falkland Islands should probably be aiming to attract new skills and capital to the Islands. It may be that the greatest potential pool of both resources could be found amongst Falkland Islands Status holders and their families who are living overseas. Having the Capped Resident Fare apply to all Falkland Island Status holders including those who emigrated many years ago may, in some small way, increase the bond these people feel with their homeland and perhaps assist in bringing former residents and/or their families back to the Falkland Islands in future years.

As an interim measure, pending the development of any alternative system as discussed in Appendix 1, it is recommended that the Capped Resident Fare be available to all passengers who are legally able to live and/or work in the Falkland Islands, irrespective of whether they are currently doing so.

Essentially this would cover:

- Anyone with Falkland Island Status
- Holders of Permanent Residence Permits
- Holders of Work Permits
- Holders of Residence Permits

The issue of whether returning Falkland Islanders should qualify for the Capped Resident Fare (as discussed in 5.1) would be resolved. As long as they have the constitutional right to live and work in the Falkland Islands they would be eligible to travel at the Capped Resident Fare. If in any doubt, all that would be required was a ruling from the Immigration department as to whether the passenger concerned was a Falkland Islands status holder.

5.2 Exceptions for “Temporary Residents”?

The next issue which needs to be discussed is whether to continue with the concept of “Temporary Residents” or to return to the original concept that the Capped Resident Fare is only intended to benefit Falkland Islanders.

If the Temporary Resident concept was discontinued, then establishing qualifying criteria for the Capped resident fare becomes much simpler. A resident could simply be described as anyone who has the legal right to live and/or work in the Falkland Islands as discussed in Section 5.1.

Anyone not meeting the above criteria and/or who requires a visitor’s permit to enter the Falkland Islands would not be eligible for the Capped Resident Fare.

While there are valid economic arguments for restricting the availability of the Capped Resident Fare to as small a group as possible, there are a number of socio-political issues which have resulted in other categories of passenger being allowed to travel at the Capped Resident Fare. Generally, these are organisations who are working for the greater benefit the Falkland Islands as a whole, and of course for the veterans of the 1982 conflict to whom the Falkland Islands will be forever indebted.

Again, pending the development of any alternative policy as discussed in Appendix 1, it is recommended that the following Temporary Residents, who do not hold Falkland Islands work or residency permits, are authorised to travel at the Capped Resident Fare:

- UK staff based at Government House
- Staff of the South Georgia Government based in the Falkland Islands

- Members of HM Forces currently based in the Falkland Islands
- Veterans of the 1982 Conflict (HM Forces)
- Anyone whose travel is arranged by SAMA
- All “duty travel” arranged by Falklands Conservation
- All “duty travel” arranged by FITB

It should be noted that duty travel sponsored by FIG does not qualify for the Capped Resident Fare and is charged at the standard passenger fares to the appropriate FIG department. This should also apply for the travel of any UK staff sponsored by Government House who are not based in the Falkland Islands.

Duty travel arranged by FIDC is currently charged at the Capped Resident Fare. Given that FIDC is essentially funded by FIG, it would be more appropriate if FIDC paid the standard passengers as is the case for all other FIG departments.

Finally, a clear distinction must be raised between the qualifying criteria for the FIGAS capped resident fare and the qualifying criteria for FIG duty fares on the MOD Airbridge service. There has in the past been a blurring of the lines between these two different sets of criteria with anyone who travelled at the FIG Duty Fare rate on the Airbridge being considered eligible for the FIGAS Capped Resident Fare.

It is not known whether this policy has ever been officially approved or whether it has simply evolved following a series of one-off exceptions, however it is strongly recommended that this policy is formally withdrawn since the application of Airbridge Duty Fare criteria allows an extremely liberal interpretation of who is eligible for the FIGAS Capped Resident Fare.

In summary, while application of the FIG duty fare criteria on the MOD Airbridge represents a reduction in expenditure for FIG, the application of the same criteria to the FIGAS Capped resident fare represents a reduction of revenue to FIG, which is counter-productive.

5.3 Extension to “Immediate Family” rather than “Close Relatives”

Perhaps as a result of the blurring with the Airbridge Duty Fare criteria (as discussed in Section 5.2) there has also on occasion been a relatively liberal extension of the FIGAS Capped Resident Fare to broad range “close relatives”. (The Airbridge duty fare is extended to “close relatives” which covers parents, siblings, nephews and nieces, etc.)

It is recommended that the extension of the FIGAS Capped Resident Fare is formally limited to the “immediate family” of those who qualify for the capped resident fare (including “temporary residents” as nominated in Section 5.2), with immediate family being limited to:

- Spouse/partner
- Children up to the age of 21

This is also intended to cover qualifying “immediate family” not based in the Falklands Islands in order to allow immediate family members to visit “temporary residents”.

Obviously this limit would only apply to family members who do not qualify for the FIGAS Capped Resident Fare in their own right, in accordance with Section 5.1 and 5.2

6.0 Financial Implications

Assuming passenger numbers remain constant, any reduction in the number of passengers qualifying for the FIGAS Capped Resident Fare will see a corresponding increase in passengers travelling at standard passenger fares, which should see an increase in passenger revenue.

Without knowing the individual status of all previous passengers who have travelled at the Capped Resident Fare, it is difficult to estimate what the increase in revenue will be as a result of recommendations (a) to (d) as listed in Section 2.0. Given that these recommendations are effectively a tightening up of existing restrictions it is likely that the increase in revenue will be relatively small. However when combined with recent changes to OAP criteria (with OAP discounts being limited to those who qualify for the Capped Resident Rate) the overall increase in revenue could be somewhat greater. In the absence of any accurate data, it is estimated that the increase in revenue could be as high as £10,000 per annum

(Note that as part of the new flight booking/reservations software which is to be introduced this year, individual fare subsidies will be more easily identifiable, with the actual fare paid being recorded along side the standard fare for each transaction.)

There will be no additional expenditure associated with the formalisation of the recommendations (a) to (d) as listed in Section 2.0.

If recommendation (e) is pursued by the Department of Procurement and Efficiency, there will be some development and administration costs, however these would be more than offset by the increase in revenue resulting from the reduction in the number of passengers qualifying for subsidised FIGAS fares.

The opinion of the Director of Finance is being sought

7.0 Legal Implications

None

8.0 Human Resources Implications

None

Appendix 1 - Alternative Option

It is proposed that as part of a move towards “user-pays” and “means-testing” that FIG (via the department of Procurement and Efficiency) consider the introduction of a “Community Services Card” for Falkland Islands residents.

The Community Services Card would enable qualifying Falkland Islands residents to receive varying levels of subsidy for nominated community services. The card would not be available to visiting Falkland Islanders who are not deemed to be currently residing in the Islands.

All Falkland Islands residents (i.e. Status and Permit holders) would be able to apply for the Community Services Card with the qualifying criteria being set and reviewed annually by FIG. Qualifying criteria would include a strict definition of status and residency requirements and involve means testing in order to determine whether individuals met the nominated threshold for receiving a subsidy for a particular community service.

Those residents who do not qualify for the Community Services Card would be required to pay the standard fee for the particular service, as would all visitors to the Falkland Islands who would not be eligible to apply for the card.

Only those who qualify for the Community Services Card would be entitled to a particular subsidy as determined by FIG. The subsidies would vary in accordance with FIG policies and could range from 10% to 100% depending on the type of service and particular circumstances of the individual Community Services Card holder.

Although the Community Services Card would be suitable for managing subsidies for a variety of services such as healthcare, vehicle licensing, heating fuel and electricity cards, it is discussed below primarily in terms of FIGAS passenger fares.

The Community Services Card would allow FIGAS to dispense with the current Capped Resident Fare policy and offer only one standard schedule of passenger fares. As above, anyone who did not hold a Community Services card would pay the standard passenger fare. This would include Falkland Islanders who had not applied/did not qualify for the card as well as all visitors to the Islands.

The concept of “temporary residents” could be abandoned. Passengers either hold a Community Services card or they don't. In this way, the only passengers who travel at a subsidised rate are those passengers who FIG has specifically decided to subsidise based on their individual circumstances.

As well as individual financial circumstances, FIG could also nominate varying subsidies in order to support Islands Plan goals. For example, residents of the outer islands who qualify for a Community Services Card may receive a greater subsidy for FIGAS passenger fares than residents of Stanley.

If FIGAS eventually transitions to some form of privatisation, the Community Services Card concept would still allow FIG to continue subsidising passengers at the designated rates. FIGAS would simply claim the subsidised amount directly from FIG in order to recoup the standard passenger fare for all passengers. This in turn would allow FIGAS to operate on a commercial basis, and allow FIG to accurately assess the true cost of subsidising the air service for individual Falkland Islands residents.