

EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: Concordia Bay - Ferry Rate change
Paper No: 51/10
Date: 25 March 2010
Report of: Mr David Waugh, General Manager – FIDC

1 Purpose

- 1.1. The purpose of this paper is to propose ferry fare changes as recommended by WSL and FIDC following customer feedback in mid-2009.

2 Recommendation

- 2.1. That Executive Council is advised to reduce the truck rate for vehicle over 3500kg from £40 to £30 per metre and to charge £50 for small vehicles (under 6m long and 3500kg) with occupants paying the foot passenger rate.

3 Summary of Financial Implications

Item	2009/10	2010/11	Future years
1)	Nil	Nil	Nil

4 References

- 4.1. Related issues are contained in previous Exco papers as follows:
- Previous Executive Council paper: 18 September 2007 Paper 206/07
 - Previous Executive Council paper: 26 March 2008 Paper 56/08
 - Previous Executive Council paper: 27 May 2008 Paper 90/08
 - Previous Executive Council paper: 25 June 2009 Paper 148/09
 - Previous Executive Council paper: 20 August 2009 Paper 151/09
 - Previous Executive Council paper: 17 September 2009 Paper 196/09
 - Previous Executive Council paper: 24 September 2009 Paper 224/09
 - Previous Executive Council paper: 19 December 2009 Paper 259/09
 - Previous Executive Council paper: 28 January 2010 Paper 22/10

5 Background

- 5.1 Up to January 2006, the cross-sound small vehicles fare for infrequent ferry service was £120. This was reduced to £30 when the Tamar operated the interim ferry service between Jan 2006 and June 2008.
- 5.2 Outside of the ferry operation, all vehicles transported on the Tamar were charged at the single cargo rate of £17.05 per cubic metre, (£237.68 for a Land Rover 90). The vehicle cargo rate remained at £17.05 per cubic metre until the Concordia Bay started

work. Currently the small vehicle cargo rate to the Islands is £50 per unit one-way if the vehicle is taken to the Concordia Bay or £34.10 per cubic metre if it is sent through the consolidation service.

- 5.3 Following early consultation in 2008, the original proposed ferry tariff for small vehicles was effectively reduced from £50 to £30 by allowing the driver to travel free. This action greatly skewed the rates to favour smaller vehicles in contrast to vehicles over 3500kg, which are charged £40 per metre reflecting their significantly increased cargo capacity.
- 5.4 In mid 2009, a customer survey by WSL resulted in a proposal to reduce the truck tariff from £40 per metre to £30. However this action on its own would have reduced WSL's income by some £9,500-£10,000 so to balance this in line with the contract, it was proposed that other tariffs would increase.
- 5.5 This is because the contract between FIG and WSL requires FIG to consult WSL before setting or adjusting coastal shipping charges, and also makes provision for revenue sharing under which WSL retain the first £100k of revenue from charges, and thereafter revenue is split 50:50 between WSL and FIG.
- 5.6 However, the proposed change was not approved by Exco.
- 5.7 A previous Exco (Paper 196/09) did approve a proportional tariff rate rise in line with the RPI, which will come into effect on the 1st July 2010.

6 Proposal

- 6.1 Exco paper 196/09 made the following three tariff proposals; the first two being revenue neutral, the third raising WSL's revenue by about £5,000 per annum;

Option 1 – No change in overall revenue forecast

- Lower the truck rate from £40 to £30 per metre
- Increase the small vehicle rate from £30 to £40
- Increase the foot passenger rate from £20 to £24

Option 2 - No change in overall revenue forecast

- Lower the truck rate from £40 to £30 per metre
- Increase the small vehicle rate from £30 to £50

Option 2 would reduce typical truck fares as follows;

		Old tariff	New tariff	Saving
40 ft trailer and tractor	16m	£640	£480	£160
40 ft trailer	12m	£480	£360	£120
30 ft truck	9m	£360	£270	£90
20 ft trailer	6m	£240	£180	£60

Option 3 - £5,000 per annum gain in revenue forecast

- Lower the truck rate from £40 to £30 per metre
- Increase the small vehicle rate from £30 to £50
- Increase the foot passenger rate from £20 to £24

- 6.2 Option 2 addresses the truck rate reduction by restoring the small vehicle rate to the original prescribed level, which was £50 per vehicle and occupants charged as foot

passengers. Option 2 has been discussed with WSL and would be acceptable to them and has no legal or financial implications for FIG.

- 6.3 Apart from the RPI increase and the Trant contract rate, none of the ferry rate options in paper 196/08 were approved at the time, but Exco is recommended to now approve Option 2.

7 Financial Implications

- 7.1 Nil

8 Legal Implications

- 8.1 Nil

9 Human Resources Implications

- 9.1 Nil