

EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: Review of Air Freight Charges

Paper No: 66/10

Date: 25 March 2010

Report of: GM FIGAS

1.0 Purpose

To allow honourable members to review and set appropriate charges for the carriage of freight by air on FIGAS for the 2010/2011 financial year.

2.0 Recommendations

2.1 To increase the charges for the carriage of freight by air in accordance with section 6.0 of this paper.

2.2 To include freight charges in the annual review of FIGAS passenger fares and charges to be conducted by the Budget Select committee, as approved in June 2009 (paper 128/09).

3.0 Summary of Financial Implications

If the recommendations are adopted there will no financial implications.

If the recommendations are not adopted there will be a reduction in estimated freight revenues for the 2010/2011 budget.

<u>Operating Budget</u> (Reduction in Revenue)	2009/2010	2010/2011	Full Year
	£	£	£
	0	5,000	5,000

4.0 Background

4.1 This paper does not attempt to introduce any policy changes with respect to Air Freight Services, but focuses solely on the applicable charges under the current model of operation.

4.2 The current air freight base charge of 60p per kg has been in effect since July 1993.

- 4.3 Passenger fares were reviewed and increased by 20% in July 2008, however freight charges were not reviewed at this time. Freight charges were to be reviewed after the Concordia Bay ferry service was fully established.
- 4.4 The relevant minute from the Exco meeting of July 2008 states that “*Freight charges on FIGAS must not be cheaper than by sea*”.
- 4.5 Irrespective of any future policy developments, a review of freight charges under the current model of operation is long overdue.
- 4.6 An adjustment to freight charges under the current model will not necessarily achieve compliance with the Exco requirement in 4.4 above, however an interim increase (and appropriate annual adjustments) is recommended until such time as any new policy on the carriage of air freight is approved by the Executive Council.
- 4.7 The initial FIGAS budget submission for 2010/2011 included an allowance for an overall increase of 20% to freight charges under the current operating model.
- 4.8 After reviewing the initial budget estimates on 18 February 2010, Honourable Members issued question 1:28 advising that an Exco paper was required in order for this proposal to be considered further.

5.0 Current FIGAS Freight Charges

- 5.1 The current FIGAS air freight charges are as follows.

Category	From Stanley	From Camp
General Freight	60p/kg	60p/kg
Frozen Goods	50p/kg	30p/kg
Fresh Produce	30p/kg	10p/kg

- 5.2 Discounted general freight rates for Treasury-approved Camp businesses are charged as follows:

Category	From Stanley	From Camp
General Freight	30p/kg	10p/kg

6.0 Proposed FIGAS Freight Charges from 1 July 2010

- 6.1 It is proposed that the current freight charges are increased by 20% and rounded up to the next full 10p increment.
- 6.2 This would result in the following standard freight charges being effective from 1 July 2010.

Category	From Stanley	From Camp
General Freight	80p/kg	80p/kg
Frozen Goods	60p/kg	40p/kg
Fresh Produce	40p/kg	20p/kg

- 6.3 This would result in the following discounted general freight rates for Treasury-approved Camp businesses being effective from 1 July 2010:

Category	From Stanley	From Camp
General Freight	40p/kg	20p/kg

7.0 Annual Review of Freight Charges

- 7.1 In June 2009 the Executive Council approved the following recommendation from paper 128/09 (FIGAS Passenger Fares for 2009/2010 and Beyond – Supplementary)

“That in order to provide advanced notice of changes in FIGAS Shuttle fares and charges, the Budget Select Committee shall consider and announce ALL Shuttle fares and charges (in accordance with section 5.2) in May of each year, with any new rates being effective on 1 July of the following year.”

- 7.2 The purpose of this procedure is to ensure that the opportunity exists to review charges on an annual basis in order to avoid large corrections at infrequent intervals.
- 7.3 It is recommended that air freight charges also be included in the above Budget Select Committee considerations in order to ensure that appropriate adjustments can be made on an annual basis if necessary.
- 7.4 If this procedure is adopted, the Budget Select Committee would have the opportunity to set revised air freight charges for the 2011/2012 year in May 2010.

8.0 Financial Implications

- 8.1 Since the introduction of the Concordia Bay ferry service there has been a large reduction in revenue from FIGAS air freight operations. The actual revenue from air freight services in 2008/2009 was £24,747.
- 8.2 Budget estimates for 2010/2011 have included a 20% increase in revenue from air freight operations. The air freight revenue estimate for 2010/2011 is currently £30,000.
- 8.3 If air freight charges are not increased, the revenue estimate for 2010/2011 will reduce to £25,000.

9.0 Legal Implications

None.

10.0 Human Resources Implications

None.