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# Review of Ferry Fares for Freight Carried by Trailers, Containers and Other Means (excluding Commercial Vehicles)

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# Overview of Study

- Transport Scotland commissioned SYSTRA, together with Peter Brett Associates LLP, ProVersa Ltd and The Maritime Group International to review ferry fares for freight carried by means other than commercial vehicles.

The purpose of this study is to:

- Set out current practice in relation to the charging of non-CV freight.
  - Review best practice internationally and commercially.
  - Work with Transport Scotland to develop a series of options and test these against defined appraisal criteria.
  - Consult with stakeholders on the criteria and options.
  - Present the findings to stakeholders and seek feedback, communicating this to Transport Scotland in the final report.
- This presentation covers
    - The review of existing practice on all publicly supported ferries networks in Scotland.
    - The international / commercial best practice review.



# What do we mean by Non-CV Freight?

- Non-CV freight has been defined as:
  - Unaccompanied (drop trailers)
  - Freight on mafi trailers
  - Agricultural vehicles and equipment (self-powered or towed)
  - Specialist industrial plant and equipment (self-powered or towed)
  - Loose loaded cargo (eg bags and pallets)
  - Livestock cassettes
  - Loose livestock
  - Containers (LoLo)
  - Abnormal or Wide Loads
  - Other goods craned and lifted onto the vessel



# Task 2 - Current Practice



# Current Practice – Key Themes (1)

- The Market for Non-CV freight
  - Advent of Ro-Ro era and rise of the haulage industry has led to a process of consolidation (or 'groupage') – very little non-CV freight is now carried on ferries.
  - Even within the non-CV category, freight is typically CV derived (eg drop trailers, mafi trailers, plant etc).
    - The economics of 'shuttle' ferry services requires quick turnaround of the vessel, meaning that freight which is not self-propelled is typically consolidated.
  - Operators have responded to this change by simplifying tariff structures, with fares typically being based on a single variable (eg lane metres, weight etc).



# Current Practice – Key Themes (2)

- Rationale for Non-CV Charging
  - Non-CV freight is generally charged on the basis of the scarcest commodity being consumed
    - This is typically the lane metre on the car deck, which is the most common basis of charge in Scotland.
  - There is some difference between networks which use an incremental half lane metre (eg Orkney) or lane metre (eg A&B, CalMac and NorthLink) for charging compared to lane metre bandings (eg Shetland).
    - The latter is easier to administer but can create incentives at the margin to keep a vehicle within a particular length class.
  - On non-Ro-Ro routes, the basis of the charge is often weight / tonnage, typically defined in a series of weight bandings.
- Surcharges
  - Levied across most networks for vehicles exceeding the width of a car deck lane (typically 2.3 metres).
  - Levied across some networks for excess weight, particularly on routes with small vessels which have a deadweight restriction.
  - No Scottish ferry operator levies a Bunker Adjustment Factor (ie a fuel surcharge), meaning the fuel price risk lies with the operator.
- Level of Fares
  - Whilst there is a rationale for fare setting, there is a lack of a clear basis for current fares levels, which are often based on historical fares.



# CalMac Ferries Ltd

- Business proposition – carriage of freight from quay-to-quay with no handling activity pre or post-journey beyond immediate loading to and from the vessel.
  - Exceptions include the Mallaig – Small Isles and Sconser – Raasay routes, where CalMac offer a freight consolidation, carriage and onward delivery service on company vehicles.
- Fares are set in the tendered contract and uplifted annually on the basis of CPI.
- Standard charging unit is the lane metre, with charges being levied in incremental lane metres above 6 metres on RET routes and 5 metres on non-RET routes.
- Loose freight is charged on the basis of weight bandings.
- There are a number of historical inconsistencies on the CalMac network:
  - Drop trailer service on the overnight Stornoway – Ullapool freight crossing.
  - Various types of agricultural vehicles obtain a discount for return travel as they have limited prospects of obtaining a backload.
  - Differences between routes – eg the availability of Traders Rebate Scheme (TRS).
- CalMac explained that the current fares system for non-CV freight has emerged over time, often reflecting specific policy considerations, negotiations with industry bodies and historic practices.
- Whilst the regulations in the Fares Manual appear relatively clear cut, they are often very difficult to apply in practice.



# Serco NorthLink

- Serco NorthLink's business proposition involves the carriage of freight from quay to quay; tariff inclusive holding of trailers within a defined area of the quayside for an indefinite period; handling of trailers and loads to and from the vessel; and all necessary securing of the equipment to the vessel for the voyage.
- Types of non-CV freight carried include loaded and empty drop trailers; livestock cassettes; bulk bag freight; roll trailers (mafi); agricultural plant and equipment; industrial plant and equipment; containers; and project related cargo.
- The structure and level of tariff set by Serco NorthLink is a contractual requirement of the Public Service Contract. Serco NorthLink explained that the current structure and level of the tariff is consistent with that offered by the previous operator, although the company has no understanding of the original basis of the fare.
- The default charging unit for all freight, CV or otherwise, is the lane metre, or lane metre equivalent.
- The current rate structure is set in a way that does not allow the business to match supply and demand across the network.



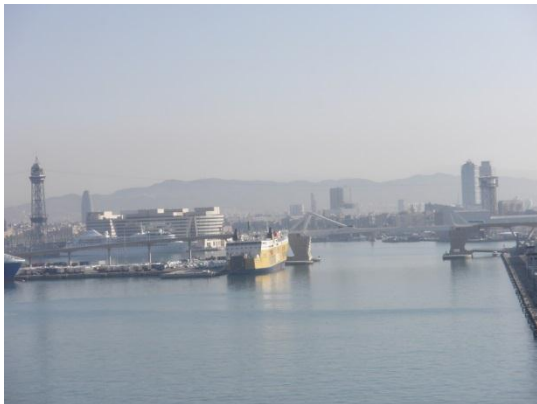


# Task 3 – Benchmarking and Best Practice Review



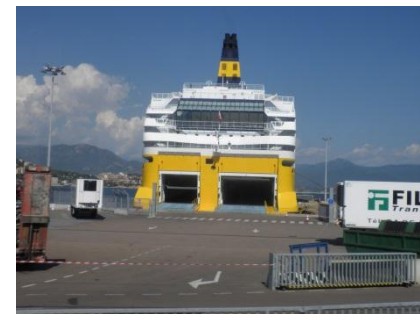
# Scope of Review

- Fares benchmarking review, with a view to contextualising practice in Scotland and identifying best practice.
- Divided into three distinct sections:
  - European Union Member States which operate publicly supported ferry services (the direct comparator to Scotland).
  - Non-EU states which operate publicly supported ferry services.
  - Commercial operators.



# Key Findings (1)

- Types of Goods and Trends in Carriage
  - Most non-CV traffic is typically wheeled (particularly drop-trailers) and is very closely linked to conventional driver accompanied CVs.
    - This again relates to the need for quick turnaround and the commensurate effort of moving non-wheeled freight from the ferry.
    - The goods being conveyed are often no different and moved in similar quantities to CVs, but the solution is used to maximise the efficiency of road logistics.
  - Exceptions to the dominance of wheeled non-CV traffic are on the smallest lifeline routes in countries like Ireland and the Netherlands.
- Determinants of Fare Structure
  - Fares are typically defined by one or more limiting factors on the vessel (eg lane metres, weight, height, volume etc).
  - Publicly supported operators typically use a single metric as the basis of the fare, whilst larger and more complex operators will use sophisticated matrices combining each of the above factors – rates are bespoke and tailored to the customer need.
  - The most common determinant of fares is lane metres.
  - Surcharges are common for CVs and non-CVs wider than a typical car deck lane.



# Key Findings (2)

- What is included in the fare?
  - Most ferry operators charge for quay-to-quay transport only.
  - A small number of operators apply a handling charge for drop trailers, whilst others offer integrated door-to-door operations.
  - The majority of commercial operators will include a Bunker Adjustment Factor (ie a fuel surcharge) as an itemised part of the fare.
  - Volume discounts are common.
- Demand Management
  - Numerous publicly supported and commercial operators make use of peak and shoulder-peak pricing to encourage CV and non-CV traffic onto quieter and / or dedicated freight sailings.
- Differences between Tendered and Commercial Services
  - Tendered operators tend to offer a consistent and advertised tariff to customers, whereas commercial operators generally offer bespoke pricing to individual customers.
  - Discounts on tendered networks are generally universal, whereas commercial firms make use of customer specific discounts, typically based on volume.

