

Report to Partnership Meeting 26 April 2013

RESEARCH AND STRATEGY DELIVERY

Regional Air Service Development Study

PURPOSE OF REPORT

To inform Members of the progress made on the commission of consultants to undertake the Regional Air Service Development Study as outlined in the Research and Development Programme for 2012/13.

Background

Lifeline air services in the Highlands and Islands are a crucial part of the transport network. They comprise a combination of commercial routes and those supported by Public Service Obligation linking internal communities and destinations external to the region. They carry over one million passengers per annum through some 20 airfields operated by Highland and Islands Airports Ltd and Local Authorities.

Most scheduled passenger services operate commercially. The exceptions are the intra-local authority flights along with those from Glasgow to Barra, Campbeltown and Tiree. The Orkney Islands Council and Argyll and Bute Council PSO services are operated by Islander aircraft while the The timetables and fares for those routes are set through their tendering by the public sector, with subsidy provided for them. This is via PSOs (Public Service Obligations). On other intra-Scottish routes fares for residents of the areas served are provided at reduced rates through the Air Discount Scheme.

The air services complement the options available for surface travel. In particular they offer:

- Fast passenger travel for what would otherwise be long surface journey times. This is due to long distances to main centres plus the physical barriers of indented coastlines, mountains and the sea.
- Alternative travel when ferry services are disrupted by poor weather conditions.
- Day trip opportunities to/from major service centres.
- Travel suited to time sensitive business trips.
- Travel suited to some passengers travelling for health treatment, where surface travel would be relatively slow and uncomfortable.

Purpose of Study

The Scottish Government has committed funding in their budget to the procurement of two new Twin Otters to serve the Glasgow / Tiree and Barra PSO air service. These aircraft are expected to be in operation from 2014.

Consideration should be given as to how to maximise the effectiveness of the provision of these assets and how they will add to existing service provision including those PSO Air Services procured by local authorities. This should be developed with consideration of securing best value to the public purse and supporting sustainable economic growth within the Highlands.

Barra and Tiree are currently served by a Scottish Government funded PSO air service. The unique beach air strip in Barra means this element of the service has to be run by aircraft with fixed landing gear. In practice this narrows down the aircraft options to the Twin Otter. This aircraft also currently serves the local PSO air service between Barra and Benbecula funded by Comhairle nan Eilean Siar (with funding in place until the end of March 2013).

In the summer months there are capacity constraints on the route and factoring in this and the need to facilitate on-going aircraft maintenance, the decision has been taken that the Scottish Government should fund the purchase of two aircraft for their PSO operations. The current Barra services alone will not utilise the full capacity of these aircraft. This provides an opportunity to consider how best to optimise the use of these valuable assets whilst sustaining or even enhancing the provision of air services to these communities and the region in general.

The study should consider any opportunities to strengthen existing timetables such as through the introduction of additional services to Barra. Comhairle nan Eilean Siar has reviewed the internal Western Isles PSO and are currently consulting the community on a reduction of their PSO that would see the Barra – Benbecula service cancelled.

The study should take into account relevant research that has been undertaken in this field and this can be agreed with the client at inception. Previous relevant work should though include the following:

- Review of Air Services in the Highlands and Islands – undertaken on behalf of HITRANS and ZetTrans by Mott MacDonald (final report dated February 2010)
- Skye Air Service Feasibility Study – undertaken on behalf of HIE, Highland Council and HITRANS in 2013.
- Review of Western Isles PSO Air Services – undertaken on behalf of Comhairle nan Eilean Siar by Reference Economic Consultants in 2012
- Argyll Air Service Development Study
- Campbeltown Weekend Air Services Market Assessment – undertaken on behalf of the Kintyre Development Company
- An Expanded Air Services Network for the Highlands and Islands – undertaken on behalf of HITRANS by the Aviation and Travel Consultancy

The study report will consider how individual service enhancements can best be delivered. We expect this to consider the use of the PSO instrument as well as other methods of improving service levels such as the extension of the Air Discount Scheme and whether de minimis support would be appropriate for any service developments. In considering each of these the consultants should be familiar with the subject matter and offer expertise on how such enhancements are delivered in other EU members states as well as how the UK Government has adopted these instruments.

Opportunities

There are a number of missing links in the West Highland air network the market for which, and the resultant economic benefit, could usefully be tested using the spare airtime capacity that will be available.

Possible links to be considered:

- Barra – Oban. There are strong links between Barra and Oban that have been fostered by the ferry service to the island. With journey times of hours by ferry it is not possible to undertake any day trips to Oban and conversely for visitors from the tourism centre of Oban and district to enjoy short trips to Barra.
- Campbeltown to Oban – There would be opportunities to improve internal links within Argyll that could be beneficial for improving the opportunity to localise patient services within NHS Highland rather than taking patients to the central belt. A service on this route would be useful for intra local authority area travel and could link in well with other opportunities.
- Oban – Central Belt. A successful part year sea-plane service was run from Glasgow (taking off and landing on the River Clyde) to Oban from 2007 to 2011. This route demonstrated the demand for a year round service to Oban. The Sea-plane was regularly oversubscribed during the time it operated and capacity was limited by the relatively small capacity of the Cessna Caravan aircraft that operated the route. There may be an opportunity to further develop and test the route on a year round basis utilising the Twin Otter aircraft.
- Skye – Central Belt. A study is currently being progressed to establish whether a business case exists for this service overcoming a 4-5 hour road journey time alternative. If the case is proven and the airstrip at Broadford upgraded, the Twin Otter could usefully test the market before any long term commitment is made. Establishing a Twin Otter service to Skye could be achieved for much less than the construction costs of upgrading the airport facilities to accommodate a larger aircraft type.
- Barra – Skye – Oban – Benbecula. A service between these centres would provide visitors to the currently successful tourism centres of Oban and Skye with additional options for linked visits to less visited settlements in the Outer Hebrides to the benefit to the greater attraction of the West Highland and Outer Hebrides tourism product as a whole.
- Barra to Glasgow. The community of Barra has made the case in the recent work undertaken by Reference Economic Consultants in their study on behalf of Comhairle nan Eilean Siar for increased service frequency from Barra to Glasgow. The feasibility of enhancing this service should be investigated in consultation with Transport Scotland and HIAL.
- Kirkwall to Glasgow. There could be an opportunity to strengthen external links to Orkney.

Consultants have been invited to investigate the feasibility of introducing timetable enhancements such as those outlined above. This work should investigate the feasibility of any new operations and forecast the impact these are likely to have in terms of fleet, crewing and ultimately operating costs. In taking forward the feasibility of each possible enhancement it will be crucial to consult with Transport Scotland and Highlands and Islands Airports Limited (HIAL) to establish the impact this will have on contract costs and infrastructure costs / management.

Consultation

It is not expected that public consultation events will be required as part of this study. A significant amount of consultation has already been held to gather views on Air Service developments in the Highlands and Islands. Information from earlier consultation exercises associated with the background research listed under the “Purpose of Study” heading will be a useful source of evidence.

Instead this work will rely on desk top review of these earlier consultation events and new information gathering will be through the use of internet survey gathering and key agency interviews.

Key agencies for face to face or telephone interview contact will be agreed with the client but we expect this to include the following key air services users:

- Local Authorities
- Scottish Government
- NHS
- HIE
- UHI network
- Federation of Small Business
- SCDI

Presentation of Analysis, Reporting and Conclusion

The report should include recommendations on how optimum utilisation of aircraft can be achieved by maximizing the potential of the existing PSO air services particularly with reference to additional operating potential of the new aircraft that will operate the existing Transport Scotland PSO service.

In so doing the work should incorporate the information gathered and present an overall business case assessment incorporating the opportunity to deliver sustainable economic growth and improved connectivity to, from and within the Highlands and Islands.

The reporting must be robust when scrutinised by Transport Scotland, Local Authority budget holders and airlines.

Selection of Consultants

A tendering process was held in February/March with proposals submitted by three consultancy teams in response to the invitation to tender sent out by HITRANS.

This process resulted in the joint submission led by Northpoint Aviation being selected as preferred bidder and the contract to deliver the study was duly awarded to Northpoint Aviation.

Budget and Study Management

Northpoint Aviation's proposal will see the work delivered at a cost of £19,000 which is within the £20,000 budget allocated to this work.

An Inception meeting with the successful consultants was held on 28th March 2013.

A client group will oversee the study comprising officials from Argyll and Bute Council, Comhairle nan Eilean Siar, The Highland Council, Orkney Islands Council, Highlands and Islands Enterprise and HITRANS.

The Consultant will report to the client group at key points during the work including face to face at the inception meeting and thereafter by telephone or video conference.

Once the study has been concluded it is the Client's intention to establish a Member / Officer Working Group under the HITRANS Chair Cllr John Semple to take forward the

recommendations of the study and engage with Ministers and Transport Scotland on how their implementation can be advanced.

Recommendation

1. Members are asked to note this report.

Risk	impact	Comment
RTS delivery	√	This work supports RTS Strategic priority enhance intra-regional connectivity between island and peripheral communities and regional centres and national gateways.
Policy	√	This work supports development of the Aviation policies set out in the RTS
Financial	-	The project is identified in the 2012/13 Business Plan and is within the budget allocated
Equality	-	

Report by: Neil MacRae
Designation: Partnership Manager
Date: 15th April 2013