Item:
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HITRANS
THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP

Report to Partnership Meeting 6 November 2026

Research and Strategy Delivery

Air Discount Scheme Affordability Review

Purpose of Report

The purpose of this report is to present initial evidence on whether the Air Discount Scheme (ADS) continues to make necessary air travel affordable for residents of the Highlands and Islands, and to seek Members' support for a fuller review with Transport Scotland. It draws on the HITRANS working evidence note at Appendix 1 dated 23 September 2026.

ADS gives eligible residents a substantial reduction in the core fare. The evidence does not establish that the scheme has failed or that ADS has caused fares to rise. It does show why the final price paid, the underlying fare, excluded charges and the availability of useful flights need to be assessed together.

Background

ADS was approved in 2006 as social aid for residents of remote communities facing long surface journeys and relatively expensive air travel. The original proposal allowed a discount of up to 50% of the airline fare, excluding taxes, airport charges and specified surcharges. ADS launched at a 40% core-fare discount and increased to 50% in January 2016. The scheme is currently extended until at least 31 March 2027.

The discount applies to eligible residents on qualifying scheduled routes. It does not cap the undiscounted fare, cover all taxes and charges, guarantee a particular timetable or apply to compensated Public Service Obligation (PSO) services. A 50% core-fare discount therefore produces a smaller percentage reduction in the total ticket price where excluded charges are significant. For example, a £300 ticket with a £240 core fare and £60 in charges would cost £180 after ADS, a 40% reduction in the total.

Findings from the Initial Evidence

The European Commission's 2006 decision recorded estimated short-notice return fares on a number of routes. HITRANS compared nine of those examples with the lowest displayed 2026 return fares for selected dates, adjusting the 2006 estimates by UK consumer price inflation to August 2026. Seven displayed 2026 returns were above their inflation-adjusted comparator and two were below it. The comparison is a snapshot, rather than a like-for-like series of paid fares: ticket conditions, booking horizon, flight times and availability may differ.

The largest increase in the sample was Islay–Glasgow: £96 in 2006, equivalent to about £173 in August 2026 prices, against a displayed £382.98 return in the September/October 2026 sample. Sumburgh–Glasgow was £715.98 against an inflation-adjusted comparator of about £496. By contrast, Sumburgh–Aberdeen was £395.98 against about £518, and Stornoway–Glasgow was £378.98 against about £482. Several other routes were close to their inflation-adjusted 2006 estimates. These are pre-ADS advertised component fares, not verified final checkout prices.

A Transport Scotland commissioned appraisal published in 2016 found that the average core fare before ADS had risen by 32% between 2007–08 and 2015–16, compared with 23% CPI growth. Its authors cautioned that changes in the mix of tickets and routes could influence that average. The finding warrants investigation of fare development; it does not show that ADS caused the increase or establish a trend through to 2026. Published accounts record £13.64 million of ADS-labelled grants in 2024–25, but that figure alone cannot establish the average saving to residents or value for money.

Passenger Demand and Usefulness of Services

Evidence gathered by HITRANS shows that passenger carryings on five selected routes rose from 183,291 in 2005 to 255,139 in 2019, before falling to 219,690 in 2025. The 2025 figure remained 20% above 2005, but was 14% below 2019. These are total scheduled passengers, including people who are ineligible for ADS; the changes cannot be attributed to the scheme in isolation. Stornoway–Inverness fell from 33,025 in 2005 to 19,431 in 2025, while the other four selected routes were above their 2005 levels.

A separate comparison of selected weekday flight times in 2016 and 2026 suggests that the ability to make a useful day return has changed unevenly. For Stornoway–Inverness, the earliest listed arrival in Inverness is 17:25 and the latest listed return departs at 15:30, so the two listed times do not permit a same-day visit. For Stornoway–Edinburgh, the interval between the listed arrival and return departure has reduced from 7 hours 10 minutes to 45 minutes. Other selected routes show improvements. These observations need checking against the exact dates, operating days and archived schedules before a formal claim about day-return capability is made.

A lower fare has limited practical value if the journey cannot be made at a useful time. Affordability and connectivity should therefore be considered together, alongside the wider network approach discussed in the separate Item 8 report.

Proposed Review and Next Steps

HITRANS proposes to work with Transport Scotland, ZetTrans, constituent Councils, operators and other partners to develop a route-level review. The immediate check should obtain standard and ADS checkout prices for identical itineraries, separating core fare from taxes and charges. A fuller series should compare paid fares at consistent booking horizons and report median fares as well as the lowest available price.

The review should also examine the number of ADS journeys and eligible residents using the scheme, effective saving per journey, public reimbursement, seat availability, frequency, reliability and the time available at destinations. Historic and current timetable evidence should be validated. This will allow Members and Ministers to judge whether public support gives residents an affordable and usable journey, and whether changes to ADS or complementary measures are required.

The £149 Wick–Aberdeen return cited in the evidence note is a useful PSO comparator, but Wick–Aberdeen is outside ADS. It should be assessed as a different form of public intervention and not treated as evidence of ADS performance.

Risk Register

<u>RTS Delivery</u>

Impact – Positive
A review of affordable and usable air links supports the Regional Transport Strategy objectives on access to services, reduced inequalities and inclusive economic growth.

Policy
Impact – Positive
Route-level evidence will inform engagement with Transport Scotland on ADS, fare oversight, PSOs and wider regional air connectivity policy.

Financial
Impact – Neutral
This report commits no additional expenditure. Any proposed scheme change will need a separate assessment of cost, distributional effects and value for money.

Equality
Impact – Positive
Examining actual resident prices and the availability of useful journeys will help identify barriers faced by remote and island communities.

Recommendation

Members are invited to:

1. Note the initial evidence on ADS affordability, including the qualified historic fare comparison, passenger trends and selected timetable observations.
2. Agree that the evidence warrants a fuller route-level assessment of the fare paid by eligible residents, the underlying core fare, charges and the usefulness of available flights.
3. Endorse engagement with Transport Scotland and partners on that assessment and on the relationship between ADS and other measures supporting affordable regional air connectivity.

Report by: Ranald Robertson
Designation: Partnership Director
Date: 28 September 2026

Appendix 1 Air Discount Scheme affordability evidence report

HITRANS working evidence note | 23 September 2026

Purpose and provisional finding

This note examines whether the Air Discount Scheme (ADS) is fulfilling its original purpose of making necessary air travel more affordable for residents of Scotland's most peripheral communities. It distinguishes the discount that an eligible passenger receives from the undiscounted fare on which the discount is calculated. The current fare sample is an initial test, not a full evaluation of the scheme.

ADS provides a material and direct reduction in eligible core fares. The question that remains open is whether the price before discount, the charges excluded from discount, and changes in route availability have altered the real benefit to residents. A nine-route booking sample is mixed: seven displayed returns exceed the inflation-adjusted 2006 short notice benchmark and two fall below it. Passenger counts on five selected routes grew overall between 2005 and 2025, while the usefulness of flight times changed unevenly. These observations warrant closer examination; the available evidence cannot assign the changes to ADS. [1, 2, 3, 9, 10]

Why the Scottish Government sought the intervention

In March 2006 the UK notified the European Commission of a Scottish Executive proposal for aid of a social character for residents of specified Highlands and Islands areas. The Commission approved it on 16 May 2006. The areas originally included the Western Isles, Orkney, Shetland, Islay and Jura, and Caithness and parts of north-west Sutherland. The case rested on remoteness, few practical alternatives and a choice between lengthy surface journeys and expensive flights to Scotland's economic and administrative centres. The submission attributed relatively high fares to thin routes with small populations and argued that fares constrained social and commercial activity. [1]

The 2006 proposal envisaged a discount of up to 50% of the airline fare, excluding taxes, airport charges and specified surcharges, for eligible residents and students whose main home was in the area. It covered scheduled services to Glasgow, Edinburgh, Aberdeen and Inverness, and between eligible airports; compensated PSO routes and NHS-funded journeys were excluded. The initial planned provision was £11.2 million a year for two years. Officials estimated that a 50% fare reduction could increase eligible journeys by up to 40%, explicitly acknowledging capacity and seasonal constraints. These were a funding provision and an ex ante demand estimate, not measured outcomes. [1]

The Commission accepted consumer aid to all residents of a remote area as a social measure, provided the benefit reached individual consumers and access was open without discrimination between carriers. The notified safeguards required equal access to fare inventory for discounted and other passengers, itemised discounts, monitoring data and consultation before fare increases. This last feature is pertinent to a present assessment of headline fares. [1]

ADS launched in May 2006 at a 40% core-fare discount. It rose to 50% in January 2016; Colonsay was added in 2011. Business travel generally ceased to qualify in April 2011, with a later arrangement for eligible third-sector activity. The scheme currently provides 50% off the core fare on eligible services and has been renewed until at least 31 March 2027. [4, 5, 6]

What the scheme changes for a traveller

If the undiscounted ticket is a core fare plus taxes and charges, an eligible ADS ticket is half the core fare plus those same undiscounted taxes and charges. The effective reduction in the total ticket price is therefore less than 50% when charges are material. For illustration only, a £300 ticket comprising £240 core fare and £60 charges becomes £180 with ADS, a 40% saving on the total. The booking sample below does not disclose each ticket's

eligible core fare and charges; actual ADS checkout prices cannot responsibly be calculated from its headline totals. [1, 4, 5]

ADS also does not set a maximum headline fare, specify the number or timing of flights, or apply to compensated PSO services. A £149 Wick–Aberdeen return supplied for 29 September to 1 October is a useful affordability comparison, but that route is now supported as a PSO and is outside ADS; it should not be presented as an ADS success or failure. [1, 5, 7]

Historic and current fare snapshot

The Commission's 2006 table explicitly describes its figures as estimated short notice return fares. The middle column uprates them by UK CPI, using the 2006 annual index of 79.9 and the latest available August 2026 index of 143.6: multiplier 1.79725. The 2026 Loganair figures add the lowest displayed fare for each leg for one adult, before ADS. Most travel is 30 September outbound and 1 October return; Kirkwall–Inverness is 3 October outbound and 4 October return, because there was no flight on the weekday pair. [1, 2, 3]

Route	2006 return	2006 in 2026 Prices	Late Sep / Oct 2026 return	Real change
Sumburgh–Aberdeen	£288	£518	£395.98	−24%
Sumburgh–Glasgow	£276	£496	£715.98	+44%
Sumburgh–Edinburgh	£318	£572	£586.98	+3%
Kirkwall–Aberdeen	£252	£453	£462.98	+2%
Kirkwall–Inverness*	£190	£341	£417.98	+23%
Kirkwall–Edinburgh	£316	£568	£624.52	+10%
Stornoway–Glasgow	£268	£482	£378.98	−21%
Stornoway–Edinburgh	£268	£482	£492.48	+2%
Islay–Glasgow	£96	£173	£382.98	+121%

* Saturday 3 October, 11:00 Kirkwall–Inverness (£225.99); Sunday 4 October, 13:05 Inverness–Kirkwall (£191.99). The earlier Wednesday–Thursday sample showed no service, not the withdrawal of the route.

These are advertised component prices, not confirmed basket totals. Loganair cautions that some lowest fares require a Saturday night stay. A single itinerary may not mirror the 2006 estimates in fare flexibility, flight timing or advance-purchase conditions. The separate £152 bmi Stornoway–Edinburgh entry in the 2006 decision belongs to a carrier and service that no longer exist and is omitted from the like-route comparison. [1, 3]

For comparison outside ADS, the Air Charter Scotland Wick–Aberdeen service has transitioned from a commercial to a PSO service and the standard fare on this route is £149 return including taxes (29 September out, 1 October back). The decision listed £99 in 2006, or about £178 in August 2026 prices once CPI was applied. Wick–Edinburgh appeared at £270 in the 2006 decision and the equivalent service today is the Wick to Glasgow PSO service with a standard fare of £229. [1, 7]

Evidence already available on effectiveness

A Transport Scotland commissioned appraisal published in 2016 calculated the average core fare before ADS from scheme claims. It reported a 32% rise between 2007–08 and 2015–16 against 23% CPI growth, and a 22% rise from 2011–12 against 8% CPI growth. The authors cautioned that a shift towards more flexible tickets or more journeys on expensive routes could affect the scheme-wide average. The finding is evidence that the undiscounted core fare deserved scrutiny at that time, not proof that ADS caused the rise or that it continued to 2026. [4]

The same appraisal showed how the mechanism could benefit consumers: illustrative 2016 fully flexible returns fell by around 41–47% of the total price when the 50% ADS discount was applied to their core component. These were modelled fare examples, not a measured 2026 saving. Published accounts show £13.64 million of ADS-

labelled grants in 2024–25, including £13.33 million to Loganair. This establishes public expenditure, but by itself does not reveal the average resident saving, the evolution of the undiscounted core fare, or the effect on journey-making. [4, 8]

Passenger demand on selected routes

Evidence gathered by HITRANS records scheduled passenger carryings on five selected routes for six years between 2005 and 2025. Their combined total rose from 183,291 in 2005, immediately before ADS, to 255,139 in 2019, a rise of 39%. It was 219,690 in 2025, 20% above 2005 but 14% below 2019. Growth occurred on four routes between 2005 and 2025; Stornoway–Inverness moved in the other direction. [9]

Scheduled route	2005	2019	2025	2005–25
Sumburgh–Aberdeen	63,004	75,322	66,058	+5%
Kirkwall–Edinburgh	20,423	48,413	41,962	+105%
Stornoway–Glasgow	45,853	75,839	67,171	+46%
Stornoway–Inverness	33,025	29,763	19,431	−41%
Benbecula–Glasgow	20,986	25,802	25,068	+19%
Five selected routes	183,291	255,139	219,690	+20%

This five-route total is not an ADS passenger count or a total for the Highlands and Islands air network. It includes travellers whether or not they qualify for ADS and is affected by route supply, frequency, operator decisions, population, competing modes and the pandemic. The data source is the CAA Passenger statistics for each route. [9]

Usefulness of the air network

Further evidence gathered by HITRANS compares the earliest weekday arrival at the destination and latest weekday departure from it in 2016 and 2026. These are indicators of the time potentially available at the destination, not a measure of fare affordability or proof that the same-day flights connect for every traveller. Selected contrasts are shown below. [10]

Route from remote area	First arrival 2016	First arrival 2026	Last return 2016	Last return 2026
Wick–Aberdeen PSO	07:35	08:55	19:40	16:00
Kirkwall–Aberdeen	08:45	08:20	18:40	18:40
Sumburgh–Edinburgh	09:10	10:15	17:45	16:45
Stornoway–Inverness	09:20	17:25	18:15	15:30
Stornoway–Glasgow	09:25	09:20	17:45	18:00
Stornoway–Edinburgh	09:45	13:15	16:55	14:00
Islay–Glasgow	10:20	09:45	17:00	17:15

On these figures, a Stornoway traveller cannot arrive in Inverness and return the same weekday: the earliest listed arrival is 17:25 and the latest departure is 15:30. Stornoway–Edinburgh allows only 45 minutes between the two listed times in 2026, compared with 7 hours 10 minutes in 2016. Sumburgh–Edinburgh also offers a shorter interval, while Kirkwall–Aberdeen, Stornoway–Glasgow and Islay–Glasgow improve. The Wick–Aberdeen interval contracts from 12 hours 5 minutes to 7 hours 5 minutes; Wick is a PSO comparator outside ADS. These intervals assume the workbook's times are comparable weekday services. [10]

The timetable workbook does not identify exact observation dates, timetable sources, directness, days of operation or whether its earliest arrival and latest return are available on the same weekday. These should be verified against archived and current schedules before any formal claim about day-return capability. The evidence nevertheless highlights an essential limit of ADS: discounting a fare cannot restore a missing or poorly timed journey. [10]

What a full review should measure

Transport Scotland (with input from stakeholders including airlines and RTPs) should publish a consistent route-level series, preferably quarterly and with historic comparators, covering: (1) the undiscounted core fare, taxes and charges, and final fare after ADS; (2) paid fares at common booking horizons, including seven days and one month, by time of flight and fare flexibility; (3) median and distribution, not just the lowest fare; (4) ADS journeys, eligible population uptake, public reimbursement and effective saving per journey; and (5) frequency, capacity, available seats, cancellations, earliest useful arrival, latest return and connections. The data should distinguish commercial routes from PSOs, resident leisure from other travel, and any airline or timetable changes.

The key test is whether an eligible resident can make a useful journey at an affordable final price, and whether the public contribution remains effective as the undiscounted core fare and non-discounted charges change. For the 2026 sample, obtaining actual ADS and standard checkout quotes for identical itineraries would be the immediate next check. The public evidence supports an evidence-led review of fare development and oversight; it does not yet support a claim that the scheme has failed or that a carrier has raised fares because of ADS.

Sources and method

1. European Commission, State aid N 169/2006, decision of 16 May 2006, paragraphs 7–15, 19–21 and 31–37. Source

2. ONS, CPI all items index D7BT: annual 2006 79.9; August 2026 143.6. Source

3. Loganair booking results, observed 23 September 2026 for the dates specified in the fare table. Fares may change. Source

4. Transport Scotland, Appraisal of Inclusion of All Business Travel Within the Air Discount Scheme, 2016, sections 2 and 3. Source

5. Air Discount Scheme, scheme purpose, eligibility and exclusions. Source

6. Transport Scotland, Air Discount Scheme extended, 16 February 2026. Source

7. Transport Scotland, Support for Wick Air Services, 29 July 2026; £149 quotation supplied directly for this report. Source

8. Transport Scotland, Section 70 return 2024–25, Air Services – Air Discount Scheme. Source

9. Evidence gathered by HITRANS, Passenger Carryings 2005-2025.xlsx, Sheet1, rows 3–11. Five selected scheduled routes; underlying source and definitions not supplied.

10. Evidence gathered by HITRANS, Earliest Weekday Arrival at Destination Airports-Compare 2016 and 2026.xlsx, Sheet1, rows 3–31. Timetable observation dates and source not supplied.