

ANNEX II – 2.1c

PUBLIC SERVICE COMPENSATION FOR AIR LINKS TO ISLANDS

Due to the geographical remoteness of much of Scotland it is vital that there are lifeline air links to the islands. The services reported on are operated by Orkney Island Council, Shetland Island Council, the Western Isles Council and the Scottish Government.

ORKNEY ISLAND COUNCIL

PUBLIC SERVICE OBLIGATIONS – EC REGULATION 1008/2008

BACKGROUND

Under the provisions of the Highlands and Islands Air Services (Scotland) Act 1980, and also section 63 of the Transport Act 1985, subsidy is made available to meet deficits incurred in providing economically and socially necessary air services in the Highlands and Islands of Scotland which cannot be provided on a commercial basis. Orkney Islands Council (OIC) and Shetland Island Council make subsidies available under the Transport Act 1985 to meet the deficits incurred and to ensure the continued provision of scheduled air services between Kirkwall and the Islands of North Ronaldsay (population 60), Papa Westray (population 70), Westray (population 563), Sanday (population 478), Stronsay (population 343) and Eday (population 121). The routes are not commercially viable.

The Economy of the Areas

The maintenance of scheduled air services between the Orkney Mainland and the outlying islands is essential to counter the peripherality, fragile economic base and the depopulation of the islands. There is no rapid alternative means of transport to the Orkney Mainland and for onward connections with the Scottish Mainland, for the services (financial, commercial, professional, advisory, health etc) which cannot be provided locally and which are essential for the maintenance of the economic and social fabric of the islands. The ferry services linking the islands to Kirkwall have journey times in excess of one and a quarter hours. The 6 islands, which have fragile economies, are primarily dependent on agriculture with a limited amount of creel fishing, mainly in Westray which has a processing factory for the local catch. Two salmon farms have developed in recent years - a small one in Westray and a larger one in Eday – which provide a small amount of employment in those islands. All islands are making efforts to develop their tourist industry but this is highly seasonal and relatively small-scale.

According to recent estimates the islands have been losing population. This is most alarming in the case of Westray, the largest and strongest of the islands, which between 1971 and 1991 had a stable population of approximately 700. However, the communities are actively addressing the underlying problems and are, or have been, designated under the Scottish Government's Initiative at the Edge programme aimed at arresting decline in the most fragile and peripheral areas of Scotland. Initiative at the Edge has brought together the main public

agencies (Highlands and Islands Enterprise, the Crofters' Commission, Scottish Homes and Scottish Natural Heritage) and the local authorities in a way that encourages a strengthened, integrated approach to the uncertainty facing fragile communities. Part of the Initiative, which runs for a defined period of time, was aimed at improving transport links. It looks increasingly likely that the Initiative will be replaced by a multi-agency partnership pursuing the strategic development of the islands individually and collectively.

The Services

The present scheduled air services operate reliable links with Kirkwall on a regular basis as follows:

North Ronaldsay	3 return trips all year round on Wednesday, three returns during the summer timetable and two returns during the winter timetable on Monday, Tuesday, Thursday, Friday and Saturday, and two returns on Sunday all year round.
Papa Westray	3 returns during the summer timetable and two returns during the winter timetable on Tuesday Wednesday Thursday and Friday and two returns all year round on Monday and Saturday, and one return on Sunday all year round.
Westray	2 return trips per day and one return trip on Saturday all year round (all combined with another island)
Sanday	2 return trips per day and one return trip on Saturday all year round (all combined with other islands)
Stronsay	2 return trips per day except and one return trip on Saturday all year round (all combined with other islands)
Eday	2 return trips on Wednesday all year round (combined with another island)

The aviation-supporting infrastructure in the 4 islands is owned and operated by OIC; and at Kirkwall by Highlands and Islands Airports Ltd which is owned by the Scottish Ministers. Passenger carryings on the network were **19,942 in 2005/6, 21,014 in 2006/7, and 21,746 in 2007/8**. The services are currently operated by the air carrier Loganair Ltd using a Britten-Norman Islander (total capacity 8 seats). Loganair also carries newspapers, post and freight.

The current operator provides an integrated network of services to the 6 North Isles in the Orkney Group (Westray, Sanday, Stronsay, Eday, Papa Westray and North Ronaldsay). 3 Islander aircraft are allocated to the network

Necessity of the Air links

Orkney is served by one local government unit, Orkney Islands Council. It is also served by NHS Orkney. Both of these organisations would find it very difficult to service the area without the provision of the lifeline air services. It is essential and of vital importance that, in

the absence of fast, alternative links to Kirkwall, regular and reliable air services are provided for both islanders and visiting professionals. The largest group of users is specialised itinerant teachers who travel to the primary schools in each of the islands, and to the junior secondary schools in Westray, Stronsay and Sanday. This group accounts for about half of the usage. There are other services provided by the local authority which rely on the air services, for example building inspectors. Companies which provide electricity and telephone to the islands also rely on the air services to react quickly to breakdowns in the distribution system which can occur at any time but especially in the poorer weather, and bank staff provides a face to face financial service to islanders. Island residents also make some use of the air services for business and emergency travel. There is some tourist use of the air services and the operator currently has fares which are structured to encourage this kind of traffic.

Air Fares and Conditions for Users

There is no prospect of the routes becoming commercially viable and subsidies are required to ensure the continuation of the lifeline air links with Kirkwall. Tariffs, which all relate to adult single fares, for the present Loganair services to North Ronaldsay and Papa Westray is £15 and on the 4 other routes is £31

Other Air Carriers

The air services in Orkney are at present operated by one dedicated carrier, Loganair. Public Service Obligations (PSOs) have already been imposed on these routes under EC Regulation 2408/92.

In accordance with EC Regulation 1008/2008, it is intended to limit access to the route to only one air carrier for a period of 3 years and 8 months.

Without subsidy the air services will be withdrawn as the routes are now loss making. The routes will be secured through public sector support. Under EC Regulation 1008/1008, on common rules for the operation of air services in the Community, a PSO may be imposed on a route serving a peripheral or development region in order to protect a service which would not otherwise be offered on a purely commercial basis. It is, therefore, essential that the routes between the Orkney Mainland and North Ronaldsay, Papa Westray, Westray, Sanday, Stronsay and Eday should continue to be the subject of the imposition of PSOs.

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SHETLAND ISLAND COUNCIL

BACKGROUND

Shetland Islands Council (SIC) makes subsidies available under the Transport Act 1985 to meet the deficits incurred and to ensure the continued provision of scheduled air services between Lerwick (Tingwall Airport) & Sumburgh Airport and the Islands of Fair Isle (population 69), Foula (population 32), Papa Stour (population 24) and Skerries (population 76)¹. The routes are not commercially viable.

The Economy of the Islands

The maintenance of scheduled air services between the Shetland Mainland and the outlying islands of Fair Isle, Foula, Papa Stour and Skerries are essential to counter the peripherality of these islands. The Shetland archipelago is half way between Scotland and Norway, and these Outer Isles are as much as 25 miles from the Shetland Mainland. They have a fragile economic base and access to services and opportunities that can not be provided in these small communities is essential to their survival.

Ferry services run to each of these islands, but do not provide the frequency, reliability (particularly during winter months) or the speed to enable the level of access required to sustain viable economic and social communities.

The islands have fragile economies, based on service industries, tourism and agriculture. The Skerries community is also highly dependent on employment through the fish factory, and the Fair Isle community is working alongside the Fair Isle Bird Observatory Trust to seek funding to build a new Bird Observatory, of international repute, able to maintain and increase the number of visitors to the island. The Foula community have recently established a Ranger Scheme, which is highly dependent on visitors being able to readily access the island. This increased reliance on tourism means the air services are vital to enable trade to access these islands.

The Services

The present scheduled air services operate reliable links with Tingwall Airport on Shetland Mainland on a regular basis as follows:

Fair Isle	Two return trips on Monday, Wednesday and Friday all year round and one return trip on Saturday to Tingwall and Sumburgh from May to early October;
Foula	Two return trips on Wednesday and one return trip on Monday and Friday all year round, and an additional return trip on Friday from February to October;
Papa Stour	Two return trips on Tuesday all year round;

¹ 2001 Census

Skerries Two return trips on Thursday and one return trip on Monday and Wednesday all year round.

A detailed timetable can be found at <http://www.shetland.gov.uk/transport/air/> .

Tingwall airport is owned and operated by Shetland Islands Council. The island airstrips are owned and operated by local Airstrip Trusts with grant funding from the Council. The licensed airstrip at Fair Isle is owned and operated by the National Trust for Scotland.

In 2007, the **number of passenger journeys** was **1943** on the **Fair Isle Service**, **1324** on the **Foula Service**, **355** on the **Papa Stour Service** and **1087** on the **Skerries Service** – a total of **4709**.

Directflight Limited currently provides the inter-island air services. Flights operate to Foula, Fair Isle, Skerries and Papa Stour. Directflight began operation of the service on 1st August 2006. The inter-island air service, under contract to Shetland Islands Council, is provided by two eight-seater Islander aircraft.

Necessity of the air links

Shetland is served by one local government unit, Shetland Islands Council. It is also served by NHS Shetland. Both of these organisations would find it very difficult to service the area without the provision of the lifeline air services. For example, none of the islands are served by a GP: the air services enable GPs to make day trips to the islands, providing them with regular surgeries. It is essential and of vital importance to Shetland's Outer Islands that, in the absence of fast, alternative links to Shetland Mainland, regular and reliable air services are provided for both islanders and visiting professionals.

Specialist professionals, such as teachers and support staff are able to visit the primary schools in each of the islands, and to the junior secondary school in Skerries. Other services provided by the local authority rely on the air services, for example building inspectors and community care services. Companies that provide utilities services such as electricity, water and telephone to the islands also rely on the air services to react quickly to breakdowns in the distribution system which can occur at any time but especially in the poorer weather. Island residents also make use of the air services for business, recreation and to access specialist health care, opticians and other services that cannot be provided on these small islands.

Air Fares and Conditions for Users

There is no prospect of the routes becoming commercially viable and subsidies are required to ensure the continuation of the lifeline air links with Shetland Mainland.

The price of a single adult ticket will not exceed £33.00 for Foula, £33.00 for Fair Isle, £28.00 for Out Skerries and £28.00 for Papa Stour. A maximum adult return fare for journeys originating on any of the islands will be applicable as follows: Foula and Fair Isle £38.00, Skerries and Papa Stour £26.00

Other Air Carriers

The inter-island air services in Shetland are at present operated by one dedicated carrier, Directflight, which provides the only flights between Shetland Mainland and the islands of Fair Isle, Foula, Papa Stour and Skerries.

In accordance with Article 16(9) of Regulation (EC) 1008/2008, it is intended to limit access to the route to only one air carrier for a period of up to three years and eight months commencing 1 August 2009.

Without subsidy the air services to Fair Isle, Foula, Papa Stour and Skerries will be withdrawn as the routes are loss making. The four routes will be secured through public sector support. Under the EC Regulation 1008/2008 on common rules, a PSO may be imposed on a route serving a peripheral region in order to protect a service that would not otherwise be offered on a purely commercial basis. It is, therefore, essential that the routes between Shetland Mainland and Fair Isle, Foula, Papa Stour and Skerries should be the subject of the imposition of four PSOs.

Air Routes operated by the Scottish Government

Highlands and Islands Air Services (Scotland) Act 1980 makes subsidies available to meet deficits incurred in providing socially necessary, "lifeline" air services in the Highlands and Islands. Currently, [Loganair Ltd.](#) receives subsidy to link Tiree and Barra with the Mainland (Glasgow); and also Campbeltown with Glasgow. The subsidy ensures that these isolated communities have air links with the Mainland. Without subsidy, air services to these communities would be uneconomical.

Public Service Obligations (PSOs) have been in effect on the lifeline air services between Glasgow-Tiree and Glasgow-Barra since 1994, and Glasgow-Campbeltown since 1996. Loganair flies from Campbeltown, Tiree and Barra to Glasgow International having successfully tendered for the contract. This contract runs from 1 January 2007 until 31 March 2009,

The contract dictates that a minimum frequency of the following must be provided by Loganair:

- Two return trips per day (except Saturday and Sunday) between Glasgow and Campbeltown
- One return trip per day (except Sunday) between Glasgow and Tiree
- One return trip per day (except Sunday) between Glasgow and Barra

Passenger (single) journeys from 1 April 2007 to 31 March 2008 on the **Glasgow-Tiree** route were **7,493**, **Glasgow-Barra** route were **8,709**, **Glasgow-Campbeltown** route were **8,837**.

The budget for the provision of lifeline air services for 2008/09 is £1.7m. In 2007-08 the subsidy was £1.6m.

WESTERN ISLES COUNCIL

Western Isles Council operates two PSO air service contracts. The two routes are Stornoway to Benbecula and Benbecula to Barra. Contracts are awarded for a three year period. (with new contract for April 2009 to March 2012 about to be awarded).

Commercial services are not viable on each route so EU approval for the both PSO contracts is sought in advance of each three year tendering period.

Annual Passenger numbers are:

Stornoway to Benbecula -	Sept 07 to August 08	8489 passengers
Benbecula to Barra -	April 07 to March 08	1613 passengers