



Briefing for the Public Petitions Committee

Petition Number: [PE1472](#)

Main Petitioner: Councillor Gordon Murray and Councillor Rae Mackenzie

Subject: Calls on the Scottish Parliament to urge the Scottish Government to review its national policies on the provision of lifeline air services between Scotland's islands, consider the impact on local communities by the withdrawal of subsidies which enable such air services and to develop air transport public service obligations in the Hebrides and throughout Scotland.

Background

Direct State Aid aimed at covering operating losses is, in general, not compatible with the principles of the single European market. However, state subsidy of air routes designated as public service obligations (PSO) is permitted. A PSO is defined as any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest.

Under EU Regulations member states have the legal authority to impose a PSO in respect of scheduled air services on routes serving peripheral or development regions within their jurisdiction. They can also impose PSOs on cross-border routes. The rationale for imposing a PSO should be based on the fact that the maintenance of regular air services is considered vital for the economic development of the region where the airport is located. Where a member state wishes to create a PSO a public invitation to tender must be published in the Official Journal of the European Communities.

The invitation to tender covers the following points:

- the minimum service levels in terms of capacity, frequency and scheduling which an operator would need to satisfy
- any limits on the level of fares or specific fare types and rules, which must be adhered to
- rules concerning any amendments and termination of the contract, in particular those which cover termination of the contract as a result of unforeseeable changes in costs and demand
- the length of the contract (up to a usual maximum of three years)
- penalties imposed on the operators in the event of failure to comply with the PSO terms and conditions

Initially, carriers are invited to tender for the PSO on the basis of no financial compensation (subsidy). If no carrier is willing to provide the level of service

and fares without subsidy, the awarding authority then re-issues the tender, this time offering subsidy and limiting access to one carrier for a period of three years. Selection of the submissions by the relevant public authority takes into consideration the adequacy of the services offered, the fares to be charged to passengers and the level of subsidy required, if any.

Current air PSOs in Scotland, funded by the Scottish Government, are:

- Glasgow-Tiree
- Glasgow-Barra
- Glasgow-Campbelltown

The current PSO contract for these three routes, operated by Loganair, runs until 31 March 2013. The Scottish Government considers the air PSOs that are specified, let and managed by Scottish local authorities, which serve destinations entirely within a single authority area, to be a matter for those authorities.

Scottish Government Action

The Scottish Government has indicated that air PSOs specified, let and managed by local authorities are a matter for those authorities.

Scottish Parliament Action

The Scottish Parliament has not considered the issue of air public service obligations currently specified, let and managed by local authorities.

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