



**PE1472/B**

Mr Stuart Todd  
Assistant Clerk to the Public Petitions Committee  
Public Petitions Committee

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Dear Mr Todd

### **CONSIDERATION OF PETITION PE1472**

Thank you for your letter of 22 March 2013 and request to respond, as part of the consideration of the above, as to how Argyll and Bute Council manage air PSO services and the considerations that arise from provision of these services.

I will first provide details of the PSO air services operated within Argyll and Bute and how they are managed and secondly highlight some of the considerations that arise.

#### **1. Details**

##### **Argyll and Bute Council Airports**

Argyll and Bute Council operate three licensed airports; one at Oban, and each on the islands of Coll and Colonsay. These aerodromes are licensed by the Civil Aviation Authority as required by law to allow scheduled passenger flight services to land and take off. The license stipulates the required safety standards and fire cover required for each aircraft movement. Operations at the licensed aerodromes are audited on a regular basis by the CAA and require the appropriate level of resource.

The Council's licensed aerodromes above support the Public Service Obligation air services out to the islands of Coll, Colonsay and Tiree.

##### **Argyll and the Isles Air Services**

Argyll and Bute Council Public Service Obligation air services from Oban to Coll, Colonsay and Tiree are essential to the social and economic wellbeing of the islands they serve providing resilience in the event of ferry cancellations and helping to counter issues such as depopulation. The services operating to and from Oban Airport provide island residents with access to essential services which cannot be provided locally (e.g. access to education, employment and health services) and also support the development of tourism in Argyll.

### **Passenger Figures**

The current operator is Hebridean Air Services who was awarded the current three year PSO contract in May 2011. Patronage on Argyll and the Isles Air services operated out of Oban airport grew last summer with 48.5% more passengers carried in May, June and July 2012 than the equivalent months in the previous year. This is despite difficult market conditions given the current economic climate. In total the operator Hebridean Air Services Limited carried 906 passengers between May and July 2012 on services between Oban Airport and the islands of Coll, Colonsay, Tiree and Islay.

For the annual period 2012 passengers carried on Argyll Air Services has now risen to over 3000. In total 3,224 passengers were carried during 2012 compared to 2,510 during 2011. This equates to a 28% annual increase.

### **Scholar Figures**

The PSO air services also transport pupils from the islands of Coll and Colonsay to Oban High School allowing them valuable time with their families during the weekend and offering further resilience in the event of ferry service cancellations during the winter months.

During 2012 there was in total 91 scholar flights made to Coll and Colonsay with a total of 304 seats occupied by scholars over this period.

### **Local Business Use**

The air services operating out of Oban airport have also supported the local economy being regularly used by local businesses. The PSO air services have proved essential for service provision to the islands with the NHS being key business users. The air services are vital for access to health care e.g. there is no resident Community Nurse on the island of Colonsay.

In 2011 a full public consultation was carried out with island residents on Coll and Colonsay. Questionnaires were posted out to every address on Coll (129 addresses) with a questionnaire return rate of 40%. Of the responses received from Coll 64% agreed that air services are vital to the island, 27% disagreed and 9% were not sure.

Questionnaires were also posted out to every address on Colonsay (95 addresses) with a questionnaire return rate of 41%. Of the responses received 80% agreed that air services are vital to the island, 15% disagreed and 5% were not sure.

### **Other Airports and PSO Air Services in Operation within Argyll and Bute**

It is worth highlighting that also within the boundary of Argyll and Bute are the airports located at Campbeltwon and on the islands of Tiree and Islay are managed and operated by the Scottish Government body HIAL.

Transport Scotland have responsibility for the PSO air services from Campbeltown to Glasgow and Tiree to Glasgow.

## **2. Considerations arising from Argyll and the Isles Air Services**

## **Procurement**

In relation to Argyll and Bute Council's PSO air services under the first procurement exercise the tenders received back were too high and exceeded the budget available.

Argyll and Bute Council therefore endeavoured to do as much as possible within the second re-tender exercise to try and keep the subsidy required as low as possible. Under the current Public Service Obligation contract Argyll and Bute Council do not charge the operator passenger dues or landing fees at any of the airports operated by the local authority e.g. Oban, Coll and Colonsay. As highlighted however above the airport located on the island of Tiree is operated by the Scottish Government body HIAL. Argyll and Bute Council therefore have to pay, through our operator for the PSO air service between Oban and Tiree, for the passenger dues and landing fees charged by HIAL at Tiree airport.

As Tiree is a HIAL operated airport Argyll and Bute Council have no control over the opening times. For example the operational hours of Tiree airport dictates the timings and timetabling of ABC's PSO air services routed Oban-Coll-Tiree-Coll-Oban. At present Tiree airport closes at 3pm and restricts in summer months, when the daylight flying time is extended, the amount of working day a user of the PSO air service from Oban may have on the island. Of course Tiree airport could extend its operating time in the afternoon and charge the operator whom would then increase their tender and Argyll and Bute Council would then have to increase the subsidy for the PSO air service.

## **Collaborative Approach**

Transport Scotland will be retendering the three PSO services between Glasgow to Barra, Glasgow to Campbeltown and Glasgow to Tiree. It does appear somewhat an anomaly that Argyll and Bute Council are subsidising air services with a PSO to Tiree from Oban and Transport Scotland are subsidising a PSO from Tiree to Glasgow and these are procured in isolation. Argyll and Bute Council are keen to explore any mutual benefits that could be achieved from a more collaborative approach. Argyll and Bute Council and Transport Scotland's PSO air services to Campbeltown and Tiree are currently not coordinated; however it is considered that opportunities exist to share best practice in making PSO tenders as attractive as possible and aligning tendering timetables so that PSO air services are viewed as a network rather than individual pocket of services.

## **Marketing**

Somewhat at odds is the fact that there is no incentive for an operator of a PSO air service contract to advertise the service once it has been secured e.g. if a tenderer submits within his price a large sum for advertising the services then he perversely may lose to a lower tenderer who has kept the costs for advertising services down.

Argyll and Bute Council are keen to grow local air services and have commissioned a marketing strategy aimed at consolidating and expanding operations at Oban airport. The marketing strategy will endeavour to attract

further passengers on the PSO air services, attract further operators (with a view to a service in the central belt) and also work with local businesses with an interest in the airport that could be of mutual benefit – all to try and reduce the subsidy.

Again based on advertising HIAL undertake for Transport Scotland and the PSO services their maybe as suggested above better value for money in a joint approach to marketing all PSO services in the west of Scotland. For example if you view a current HIAL timetable for air services you will only find for the Argyll area the details for Islay, Tiree and Campbeltown services– with no mention of the other air services operated out of the Council's airports. There is the potential for an integrated approach to advertising timetabling.

### **HITRANS**

In addition, the Council is working with colleagues in the Western Isles Council and other Local Authorities, supported by Hitrans, with a view towards engaging with Transport Scotland on a regional air service study. Transport Scotland intend to procure two new aircraft to serve the Glasgow/Tiree and Barra PSO air service.

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.

If an air service link were to be established between Barra, Oban and the greater Glasgow area it would provide direct benefit to the business community and tourist interests, and would also provide benefit to patients and staff within the NHS.

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.

Yours sincerely

Moya Ingram  
STRATEGIC TRANSPORTATION MANAGER