

Loganair Islay to Glasgow Air Service/Transport Scotland Ferry Services

1.0 EXECUTIVE SUMMARY

At the meeting of the Community Planning Group held in Islay in August there was discussion about issues relating to the commercial air service operated by Logan Air. These were summarised as

- Fares are too high
- Cost to the NHS of patients travel using the commercial air service
- Capacity of the air service

There was a request to report on public service obligations with a view to the inclusion of flights from Islay into this service. Loganair operate a commercial service between Islay and Glasgow it therefore cannot be subsidised by a national or local authority as a Public Service Obligation.

This paper includes an update on Transport Scotland's Clyde and Hebrides ferry services tender and includes in Appendix 1 a supporting statement that has been put forward to Transport Scotland for the Campbeltown to Ardrossan ferry service as the three year pilot for this service ended this year.

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2.0 RECOMMENDATIONS

2.1 The contents of this report are noted.

3.0 DETAILS

3.1 Public Service Obligations

A Public Service Obligation (PSO) is an obligation imposed on a carrier to provide a set level of service on a particular route in order to ensure that the service satisfies fixed standards of continuity, regularity, capacity and pricing.

PSOs have also been imposed on routes within Shetland, Orkney, Comhairle nan Eilean Siar and Argyll and Bute Council, all of which are subsidised by the local authorities or by Transport Scotland.

The subsidy ensures that these isolated communities have air links with a main centre. Under the terms of the European Regulation, it is necessary to seek competitive bids on an EU-wide basis to allow subsidy to be paid.

3.2 European Regulation

Regulation (EC) No 1008/2008 sets out the economic framework for air transport in the Community. Under the Regulation, provision has been made for the imposition of public service obligations PSOs for the maintenance of lifeline air services.

The Regulation provides the basis on which non-commercial but economically and socially necessary air services can be subsidised by national or local authorities after the imposition of a PSO to ensure continued operation

In transport law of the European Union, public service obligation is an arrangement in which a governing body or other authority offers subsidies, thereby permitting the winning company to operate a specified service of public transport for a specified period of time for the given subsidy.

This is done in cases where there is not enough revenue for routes to be profitable in a free market but where there is a socially desirable advantage in this transport being available. Under current law it is not possible to impose a PSO on a route

between two regions on which air services are already being operated commercially.

The air service operated by Loganair between Islay to Glasgow is a commercial air service and it therefore cannot be subsidised by a national or local authority as a Public Service Obligation.

3.3 Transport Scotland's tender for Clyde and Hebridean Ferry Service Contract

CalMac Ferries Ltd currently provide the Clyde and Hebrides ferry services under tendered contract with Scottish Ministers. This contract will expire in September 2016 and Transport Scotland on behalf of the Scottish Government has begun the selection process for the next CHFS contract.

Two operators, CalMac Ferries Limited and Serco Caledonian Ferries Limited, have both passed the pre-qualification stage of the process and have been invited to submit tenders for the next CHFS contract, which will run from 1st October 2016 for a duration of up to eight years. The initial invitation to tender (ITT) was issued on the 31st July 2015 with the invitation for both operators to submit a final tender scheduled for December 2015, with a view to awarding the contract in May 2016.

The Scottish Government are to provide up to £1bn of funding to support the enhancement and development of the services within the contract, in addition to fares revenue.

Updates on the tender process can viewed at the following web site:-

<http://www.transportscotland.gov.uk/ferries/clyde-and-hebrides>

3.4 Transport Scotland's Campbeltown to Ardrossan Ferry Service

The three year pilot of the introduction by Transport Scotland of a ferry service between Campbeltown and Ardrossan is now complete. Appendix 1 includes a supporting statement that has been put forward to Transport Scotland for continuation of the Campbeltown to Ardrossan ferry service

5.0 CONCLUSION

5.1 Loganair operate a commercial service between Islay and Glasgow it therefore cannot be subsidised by a national or local authority as a Public Service Obligation.

6.0 IMPLICATIONS

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| 6.1 | Policy | Aligns with Outcome 2 we have infrastructure that supports sustainable growth. |
| 6.2 | Financial | No implications to the Council. |

6.3	Legal	No implications to the Council.
6.4	HR	No implications to the Council.
6.5	Equalities	As per Loganair and Transport Scotland's own policy.
6.6	Risk	Transport Scotland may not continue with Campbeltown to Ardrossan Ferry Service.
6.7	Customer Services	No implications to the Council.

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APPENDICES

Appendix 1

APPENDIX 1

Ardrossan – Campbeltown Ferry Service

Supporting Report

1.0 Summary

The third year of a pilot ferry service between Campbeltown and Ardrossan has now ended and this paper outlines key benefits that this service has brought to the Kintyre area and also considers the additional potential impact the service could make if it now becomes permanent.

Transport Scotland introduced the Campbeltown to Ardrossan pilot ferry service which runs from May to September on a Thursday to Sunday inclusive between 2013 and 2015. Transport Scotland will be carrying out a full evaluation of the pilot service to assess the extent to which the pilot has met its objectives:-

- To provide a boost to Campbeltown's economy and develop Campbeltown as an attractive place to visit, work and do business.
- To enhance the transport choices and links for local people and businesses in the Kintyre peninsula.
- To increase visitors to Campbeltown and the Kintyre peninsula, support existing tourism markets and develop new opportunities.

This report will consider alternate transport links for Kintyre to the central belt and the importance of the ferry link to Ardrossan. It will consider the economic growth in the Kintyre peninsula and the importance of a permanent ferry connection to the central belt to unlock further opportunities and potential and consider the emerging findings of the evaluation on the ferry's usage.

2.0 Background

The Kintyre Peninsula has in recent years attracted significant investment in business sectors that are central to the Government Economic Strategy and vital to Scotland's economic competitiveness: renewable energy; manufacturing; tourism; and food and drink, including whisky. In the same period, the area has also increased public transport connections to the Central Belt with the introduction of the new ferry link to Ardrossan. The introduction of the new ferry link to Ardrossan has repositioned the importance of the A83 road connection to Campbeltown with the section between Kennacraig and Campbeltown becoming part of the strategic trunk road network in summer 2014.

3.0 Transport links to central belt

A number of ferry services currently operate from ports within Kintyre and the surrounding area as follows:-

- Kennacraig – Islay (Cal Mac);
- Claonaig – Lochranza (Cal Mac);
- Tayinloan – Gigha (Cal Mac);
- Campbeltown – Ballycastle/Ayrshire (Kintyre Express);
- Tarbert – Portavadie (Cal Mac);

These ferry services provide lifeline connections to remote island communities and are also vital to support local businesses e.g. distilleries on Islay and tourism. Islay and Campbeltown in particular are key tourism destinations due to local golf courses and distilleries. The Kintyre Express Service is a passenger only ferry which provides rapid connections between Northern Ireland and Ayrshire. This service caters mainly for the

tourism market and can also be hired for private charters.

The road distance between Campbeltown and Glasgow is 139 miles and can take a journey time of over 3 hours. Bus services are operated with return services offered between Campbeltown and Glasgow seven days a week with a journey time of slightly over 4 hours.

Air services between Campbeltown's airport at Machrihanish and Glasgow take around 40 – 50 minutes. The first arrival at Campbeltown is at 0940 which gives around 7 hours in Kintyre until the final flight departs at 17.30.

The ferry service linking Campbeltown with Ardrossan has improved connections between Argyll with the Central belt providing resilience in the event of emergency and planned trunk road closures which have a significant negative impact on the economy of Argyll network (e.g. landslides at the Rest and Be Thankful and A82 Pulpit Rock). In the event of future landslides the ferry service to Ardrossan could be an important lifeline with opportunities to increase the timetable. Opportunities also exist to encourage greater usage with a more frequent service. The Campbeltown to Ardrossan ferry service provides a much needed additional route between Kintyre and the Central belt and the Central Belt and West Highlands. The ferry service has potential to benefit further in removing vehicular trips, in particular haulage, from the A83 network.

This potential has already been recognised with the trunking of the A83 in recognition of the strategic importance of this route which provides connections to Campbeltown and the ferry service to the central belt - vital to the economy of the Kintyre region.

4.0 Economic Benefits and Potential within Kintyre Peninsula

Argyll and Bute Council's Economic Development Action Plan sets out the Council's ambitions, key priorities and related actions for the sustainable economic development of the area. The plan is centred around the four key themes of competitive, connected and collaborative and compelling. Connected is the key theme in relation to the Campbeltown to Ardrossan ferry service as this sets out transport and infrastructure priorities that will connect the economy of Argyll and Bute and integrate it with the wider economy. The following key outcome set out within the EDAP is considered consistent with the provision of a permanent ferry service between Campbeltown and Ardrossan

- Transport encourages a growing, well connected and sustainable economy;

The ferry service provides improved connection between Argyll and the Central Belt with the following key business sectors benefiting from a permanent service:-

4.1 Renewables

The Kintyre Peninsula is a national hub in the renewable energy sector and Campbeltown and Machrihanish are one of eleven sites identified in The National Renewables Infrastructure Plan (NRIP). The NRIP was published by Scottish Enterprise and Highlands and Island Enterprise with the aim of bringing forward a first phase of off-shore renewable locations in order to establish a competitive position for Scotland in this market.

In addition to offshore renewable sites, the Kintyre Peninsula has a number of on-shore wind farms and there are proposals for further sites to be installed in this area. Currently, the key operational sites are Beinn an Tuirc which has 46 turbines with a further 19

currently under construction and Tangy which has 15 turbines with a further 2 under construction. In addition, there are a number of potential wind farm sites currently at the scoping or planning stage of development in Kintyre which could result in over 80 additional turbines being constructed.

In recognition of the significance of Kintyre as a national renewable energy hub, £12m has been invested in a major infrastructure project in Campbeltown in order to provide improved road access, berthing and quay facilities for the expanding renewables industry. The project has been part funded by the European Regional Development Fund (ERDF) and involved local road improvements such as widening and passing places to facilitate the transportation of component parts between the factory in Machrihanish and the New Quay in Campbeltown. The project has also involved constructing a new concrete ground slab over the quay and dredging the harbour to provide an additional five metres of depth at the low tide to allow berthing of larger vessels, as well as allowing for changes in vessel size and shape in the future.

The Wind Towers Scotland Ltd facility at Machrihanish is the only wind turbine manufacturer in the UK capable of producing offshore wind turbines and one of only two onshore tower manufacturers in the UK. This facility is a major employer in an area of high unemployment (currently 135 staff) and has significant growth potential given that the NRIP identifies Campbeltown and Machrihanish as sites for the further manufacturing and operation/maintenance of offshore wind infrastructure sites.

4.2 CHORD

Through its CHORD programme, Argyll and Bute Council has agreed to invest more than £30 million in five of its waterfront towns (Campbeltown, Helensburgh, Oban, Rothesay and Dunoon). £6.5m has been spent to assist regeneration and economic development in Campbeltown by progressing the following three projects:-

- Campbeltown Berthing Facility – New marina has been developed in Campbeltown harbour with 54 berths and new on-shore facility;
- Kinloch Road Regeneration – New gateway to town centre, 39 affordable residential units, upgraded public realm features and public transport facilities;
- Campbeltown Conservation Area Regeneration Scheme (CARs) and Townscape Heritage Initiative (THI) - Improvements to a number of the town's key heritage buildings and conservation area via the Campbeltown Town Centre Regeneration Project.

A permanent ferry service to Ardrossan and the central belt will further stimulate this economic growth.

4.3 Machrihanish Airbase Community Company

The Machrihanish Airbase Community Company (MACC) purchased the former RAF base at Machrihanish in 2012 and working with Scottish Government, HIE and Argyll & Bute Council hope to encourage as many industries and businesses as possible to set up within the site boosting the local economy and generating jobs. The 1000 acre site is currently home to Campbeltown Airport and the Wind Towers Scotland Ltd facility and it is a key site in phase one of the National Renewable Infrastructure Plan. It is hoped to build on this and create a national area of excellence for the manufacturing and development of renewable energy projects. Machrihanish Airbase is also one of the key sites being considered as part of the UK's first Spaceport project. The creation of a Spaceport at

Machrihanish would deliver huge development opportunities across the whole of Argyll and Bute with the potential for up to 5,000 jobs and multi-billion pound investment in vital infrastructure. If successful this could be transformational for the area. Connectivity to the central belt will be a key determinant of the realisation of MACC's development plans.

4.4 Tourism

Kintyre now boasts two internationally recognised golf courses (Machrihanish and Machrihanish Dunes) and a choice of high quality visitor accommodation following recent investment from American developers in the Ugadale and Royal Hotels (the Village at Machrihanish Dunes complex). The area is also benefitted by the Long and Winding Way long distance footpath that connects Tarbert to Southend in South Kintyre. In addition, the area also benefits from sailing and whisky tourism given Campbeltown's internationally renowned distilleries and its close proximity to Islay. Golf and whisky tourism in Scotland are predicted to continue to grow and the high quality golf courses and visitor accommodation available in Kintyre make these markets very attractive to visitors. In addition, the renewable energy and whisky industries are drivers of national growth and are likely to continue to expand stimulating additional growth for Kintyre.

The connection of a ferry service to Ardrossan and the central belt is key to unlocking the further potential of this growing market.

5.0 Emerging Evaluation

With regard to the Ardrossan to Campbeltown route Vector Research in association with JMP Consultants, have been commissioned by Transport Scotland to undertake an evaluation of the Campbeltown to Ardrossan pilot ferry service which runs from May to September on a Thursday to Sunday inclusive between 2013 and 2015. The evaluation will seek to assess the extent to which the pilot service has met its objectives:

- To provide a boost to Campbeltown's economy and develop Campbeltown as an attractive place to visit, work and do business.
- To enhance the transport choices and links for local people and businesses in the Kintyre peninsula.
- To increase visitors to Campbeltown and the Kintyre peninsula, support existing tourism markets and develop new opportunities.

Passenger and vehicle returns for the ferry service in 2013 and 2014 show a fairly constant trend. 7484 passengers and 1226 vehicles used the ferry in 2013, with 106 sailings averaging 70.6 passengers and 11.6 vehicles. In 2014, 6666 passengers and 1124 vehicles used the service, averaging 67.3 passengers and 11.5 vehicles. In 2015, 7,515 passengers and 1515 vehicles used the service.

To inform the evaluation a baseline report was completed in September 2013 to provide a backdrop to the data collected in both 2014 and 2015. Vector Research has undertaken and completed the 2014 data collection comprising on-board passenger surveys and telephone surveys with local businesses and households in both Campbeltown and South Kintyre and Ardrossan, Saltcoats, and Stevenston (the Three Towns).

1,578 people responded to the passenger survey and 200 households responded to the telephone survey with 180 businesses also responding.

From those businesses in Campbeltown and South Kintyre surveyed, 43.5% of respondents claimed that turnover increased in the past 2 years, whilst 13.5% claimed that turnover had decreased. Businesses in the Three Towns report a less favourable response with only 26% claiming an increase in turnover with 14.3% claiming turnover had decreased.

Of those claiming an increase in turnover in Campbeltown and South Kintyre, 66.7% attribute at least a minor role to the arrival of the ferry. Almost a quarter, 23.1%, claim that the ferry had played a significant role. In the Three Towns a quarter of those in growth felt that the ferry had played a minor role in that increase. There is further opportunities in the future for local businesses and communities to assist in advertising and promoting the ferry service.

Of the households in Campbeltown and South Kintyre surveyed, 99% reported an awareness of the pilot service and 42% reported using the service. In the Three Towns 56.4% reported awareness and only 3% reported using the service.

The passenger surveys indicated that just over half of trips (55.3%) are for holiday short breaks or days' out. Other key purposes identified included visiting friends and relatives (18.1%), commuting to and from work (8.6%), and those using it for shopping (3.5%).

Around 40% of those interviewed would not have made the trip in the absence of the ferry service and around 30% travel one way by ferry and use an alternative mode for the other journey.

6.0 Conclusion

Analysis for the final year of the pilot is to still to be completed and it would be premature to draw any conclusions until the evaluation is completed in its entirety.

What can be concluded however from the above is that Kintyre is an area of national significance. The Kintyre Peninsula has in recent years attracted significant investment in business sectors that are central to the Government Economic Strategy and vital to Scotland's economic competitiveness: renewable energy; manufacturing; tourism; and food and drink, including whisky. The Campbeltown area has been a recipient of a major strategic programme of public sector investment by the Scottish Government, HIE, ERDF, Council Historic Scotland, and Lottery (e.g. £6.5M for town centre regeneration and £10M plus of marine and road infrastructure improvements for the renewable energy industry). The Kintyre Peninsula has attracted significant investment in the tourism sector in recent years and now boasts two internationally recognised golf courses and a choice of high quality visitor accommodation. In addition, the area also benefits from whisky tourism given Campbeltown's internationally renowned distilleries (and its proximity to Islay). Campbeltown has a resident population of almost 5,000 with significant potential to expand in the years ahead.

In addition, the renewable energy and whisky industries are drivers of national growth and are likely to continue to expand stimulating additional business demands for improved transport connections to the central belt.

The permanent introduction of the new ferry link to Ardrossan is fundamentally important as it provides an alternate strategic connection from Kintyre to the Central Belt and is key

to unlocking the further potential opportunities for economic growth across many business sectors.