

Review of Argyll and Bute Public Service Obligation Air Services

Survey and Analysis Report

September 2018 v1.1



7-9 North St David Street, Edinburgh, EH2 1AW
Tel 0131 524 9610, email info@dhc1.co.uk, web www.dhc1.co.uk

Document Control

Issue record

Version	Date	Approved by	Distribution
1.0	6 September 2018	DH, NF	First draft of interim analysis to inform Council debate on tendering
1.1	18 September 2018	DH	Interim draft for release to tenderers

Summary

Flights to the islands of Colonsay, Coll and Tiree are relatively new compared to other more established air services within Scotland. This review has identified significant potential to recommence growth of these services through a new public service obligation (PSO) contract. The current PSO contract ends on 15 May 2019 and this report provides insight into current usage, performance and potential for the air service, options for timetable, frequency, capacity and route changes taking account of the needs of local communities.

Only about one in every six available seats on the flights is currently used. Although demand is unevenly distributed throughout the week and across the year, so that some flights are full, there is substantial potential to sell more seats to help reduce the costs of the service per passenger. Increasing utilisation of the service should enable the Argyll PSO to progress from the current level of subsidy of about £220 per passenger towards subsidy levels about half of this level and more consistent with the nationally delivered PSO to other west coast islands.

The air services are used predominantly for three main trip purposes: work, health and leisure/shopping. The services provided for health trips benefit the lowest income groups most. Most users would accept a small fare increase but the current fare levels are considered to be about right for most users. Users do not think that practical fare reductions would encourage them to make more trips.

All communities and all stakeholder groups considered that the services needed to be marketed better. Awareness of the services from people who were not regular users continues to be low. Residents and visitors alike suggested three scheduling changes that would help the services to better meet their needs: the ability to get on and off each island every day either by ferry or by air; the ability to make return trips each day with at least 6 hours on the island to undertake business; and the ability for each island to offer Friday afternoon and Sunday afternoon ferry or air travel options between Oban and each island.

Most island residents rated the experience at Oban airport as very good but business travellers and visitors tended to give lower scores, particularly for food and drink.

There are many benefits delivered by the air services which are non-quantifiable, but at least £250k of costs would immediately pass to others if the air services were not available. Benefits could be further enhanced with more sales of unused seats through local hotels and agents to tourists, better targeting of available capacity at the greatest social needs, and more optimal pricing options for seats with different booking criteria.

Scheduled air services to remote communities across the world face all of the challenges experienced in Argyll and Bute. If the lessons about competition, contract flexibility and approaches to subsidy are learned, then the prospects for the Argyll PSO are for future growth.

Contents

1.0	Introduction	1
	<i>Approach to the work</i>	1
2.0	Use of the Air Services.....	2
3.0	Survey Results	5
	<i>Community needs</i>	5
	<i>Making improvements</i>	5
	<i>Business</i>	6
	<i>The passenger experience at Oban Airport</i>	6
	<i>Surveys of potential operators</i>	7
4.0	The Costs and Benefits of Changes.....	8
	<i>Usage and performance</i>	8
	<i>Environmental benefits</i>	8
	<i>Benefits for delivering public services</i>	8
	<i>Tendering approaches</i>	9
	<i>The Benefits of Tiree to Glasgow flights versus Tiree to Oban</i>	9
5.0	Best Practice in Tendering Air Services	10
	<i>Competition Issues</i>	10
	<i>Flexibility within contracts</i>	11
	<i>Subsidy levels</i>	11
6.0	Conclusions.....	12
7.0	Appendix A - User and Community Consultation	13
	<i>Household and passenger survey</i>	13
	<i>Community Consultation Events</i>	16
	<i>Specific Issues for Coll</i>	18
	<i>Colonsay Community Consultation</i>	18
	<i>Specific issues for Tiree</i>	19
	<i>Specific issues for Oban</i>	19
8.0	Appendix B -Business Survey	20
	<i>General Issues</i>	20
	<i>Restaurants</i>	21
	<i>Accommodation Providers</i>	22
	<i>Construction</i>	22
	<i>Retail</i>	22

<i>Transport & Tour Operators</i>	22
<i>Other Services</i>	23
9.0 Appendix C - Consultation with Public Service Providers and Other Stakeholders.....	24
<i>NHS Highland</i>	24
<i>Argyll and Bute Council - Social work</i>	25
<i>Tiree Community Trust</i>	25
<i>Bid4Oban</i>	25
<i>SEPA</i>	25
<i>VisitScotland</i>	26
<i>Police Scotland</i>	26
<i>Scottish Natural Heritage</i>	26
<i>Scottish Fire and Rescue Service</i>	26
10.0 Appendix D – Potential Operators.....	27

1.0 Introduction

- 1.1 This short project has sought to identify options for the future development of the Argyll Air services to make them more economically, socially and financially sustainable. Argyll and Bute Council and HITRANS commissioned this review of the Public Service Obligation Air Services (PSO) serving Oban, Coll, Colonsay and Tiree in July 2018. This report presents the interim findings from the surveys and analysis. Once all survey returns have been received a final report is scheduled to be completed in early October.
- 1.2 The current PSO Air Service contract ends on 15 May 2019 and, in preparation for the re-tendering exercise, this report provides insight into:
- Current usage, performance and potential for the air service including demand for air services from residents, visitors and businesses;
 - Options for timetable, frequency, capacity and route changes, taking account of affordability within Council budget constraints;
 - The impact of a reduction/withdrawal in service on the communities and businesses served and the public sector;
 - Best practice in the tendering of PSO air services elsewhere in the UK and Europe;
 - Improvements to the passenger experience at Oban Airport.
 - Industry interest in tendering for future PSO air service contract.

Approach to the work

- 1.3 The work includes:
- Analysis of patronage data on the air services.
 - Surveys of residents, businesses, travellers and service providers to identify their needs and to hear their suggestions for changes to the air service.
 - Discussions with prospective air service providers.
 - A brief literature review of best practice in tendering air services
 - Analysis of the costs and benefits of changes to the service provision.
- 1.4 This report has been prepared with initial survey findings from responses received during August. The surveys will be completed during September to allow the final report to be prepared in early October. However, it is understood that the procurement process for the air services must start in September 2018, so this interim report has been prepared to assist with this process.
- 1.5 This report was prepared by staff from DHC and the University of Strathclyde.

2.0 Use of the Air Services

2.1 The air services to Coll, Colonsay and Tiree comprise:

- Monday and Wednesday flights morning and afternoon from Oban to Coll and Tiree and back to Oban and from Oban to Tiree and Coll and back to Oban in the afternoon.
- Tuesday and Thursday flights from Oban to Colonsay and Islay and back to Oban in the morning and from Oban to Islay and Colonsay and back to Oban in the afternoon.
- There are also Friday (summer)/Saturday (winter) and Sunday flights scheduled to meet the needs of high school pupils from Coll and Colonsay that attend Oban High School. Seats unused by school pupils are available to be booked by other travellers.

2.2 This scheduling enables visits from Coll to Tiree for 5 hours and from Colonsay to Islay for 6 hours in addition to the journeys to and from the mainland.

2.3 With at least 8 seats for sale on each flight there are therefore at least 10k potential flight seats available for booking each year (about 850 per month), with the precise number depending on the take up of the school flights by pupils from the islands.

2.4 Figure 2.1 shows the actual sales of seats per month outbound to the islands over the most recent 12 months for which data is available within the Argyll and Bute Council records. Figure 2.2 shows the equivalent data for the inbound flights.

Figure 2.1 – Mainland to Island Passengers per Month

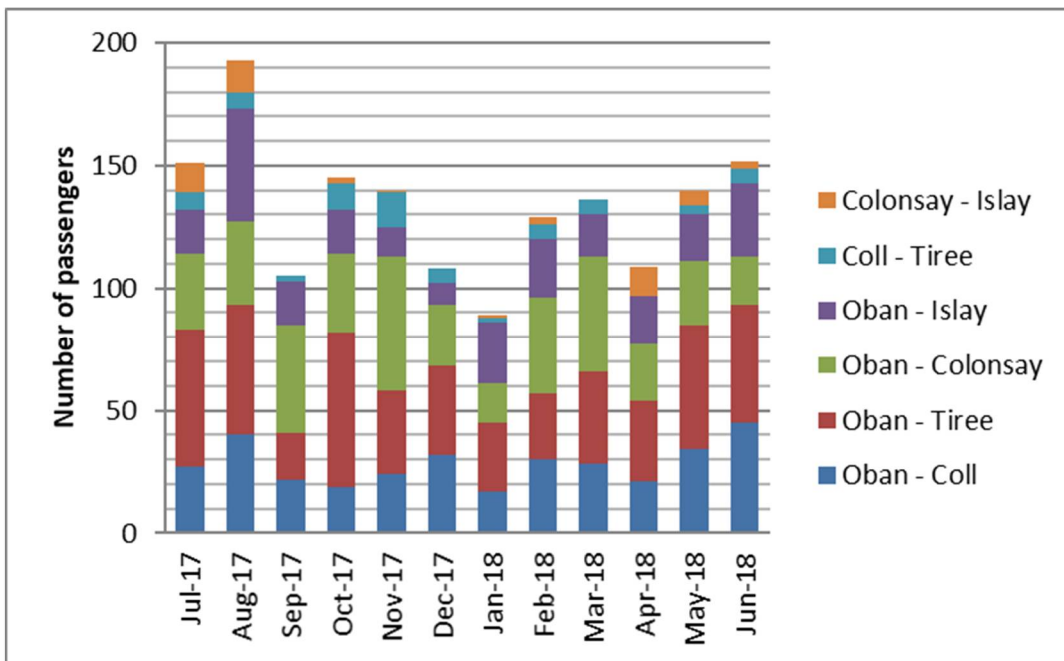
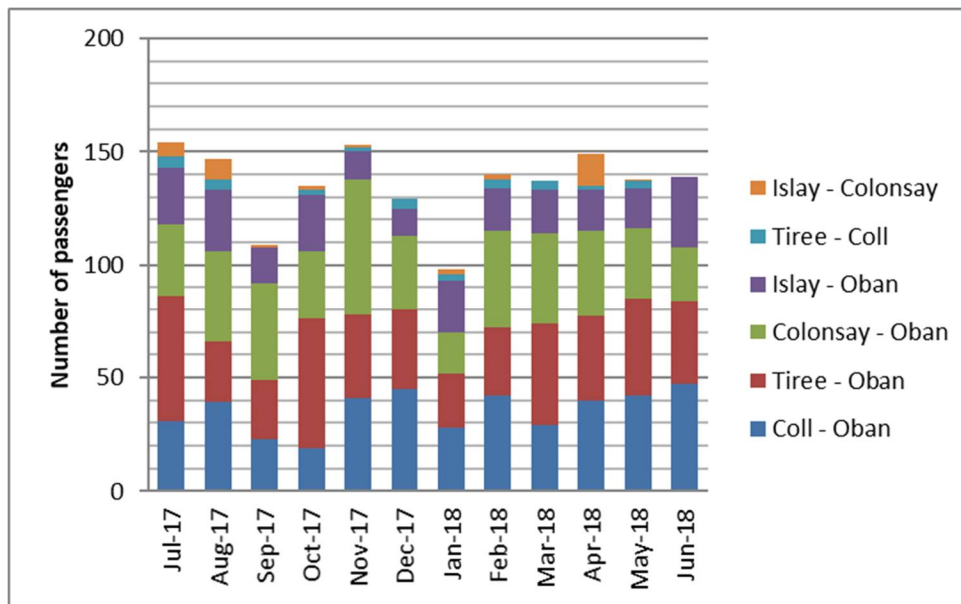


Figure 2.2 – Island to Mainland Flights per Month



- 2.5 The current PSO contract requires the operator to provide monthly totals. More disaggregate data would allow a more detailed analysis of trip patterns but this is not available within the current data. It would be prudent to require future PSO operators to provide to the Council data on all flight bookings.
- 2.6 Based on the available data only about one in every six available seats on the flights is taken. Although this demand will be unevenly distributed throughout the week and across the year, for each extra seat filled on the service about an extra £55k of revenue could be generated per year at current fare levels¹. By selling more of the unfilled seats to achieve levels of seat occupancy more typical for PSO air services in Scotland there is potential to fill perhaps as many as an average of four extra seats per flight generating up to £220k of extra revenue at current fare levels. Increasing utilisation of the service in this way would potentially reduce the subsidy per passenger from about £220 per passenger² to less than £50 per passenger. The average subsidy per passenger for the national PSO contract serving the Glasgow to west coast islands routes is about £125 so based on current capacity the Argyll Air Services should be capable of reaching levels of subsidy per passenger more consistent with the National PSO.
- 2.7 Since the PSO was last tendered, the average subsidy per passenger has risen. Passenger demand has fallen from the peak in 2016 and costs have risen. Ferry fares have been reduced on some routes providing increased competition with the higher air fares and fuel costs also have required increased subsidy at their peak levels. Until 2016 the use of the air service had risen year on year but over the last

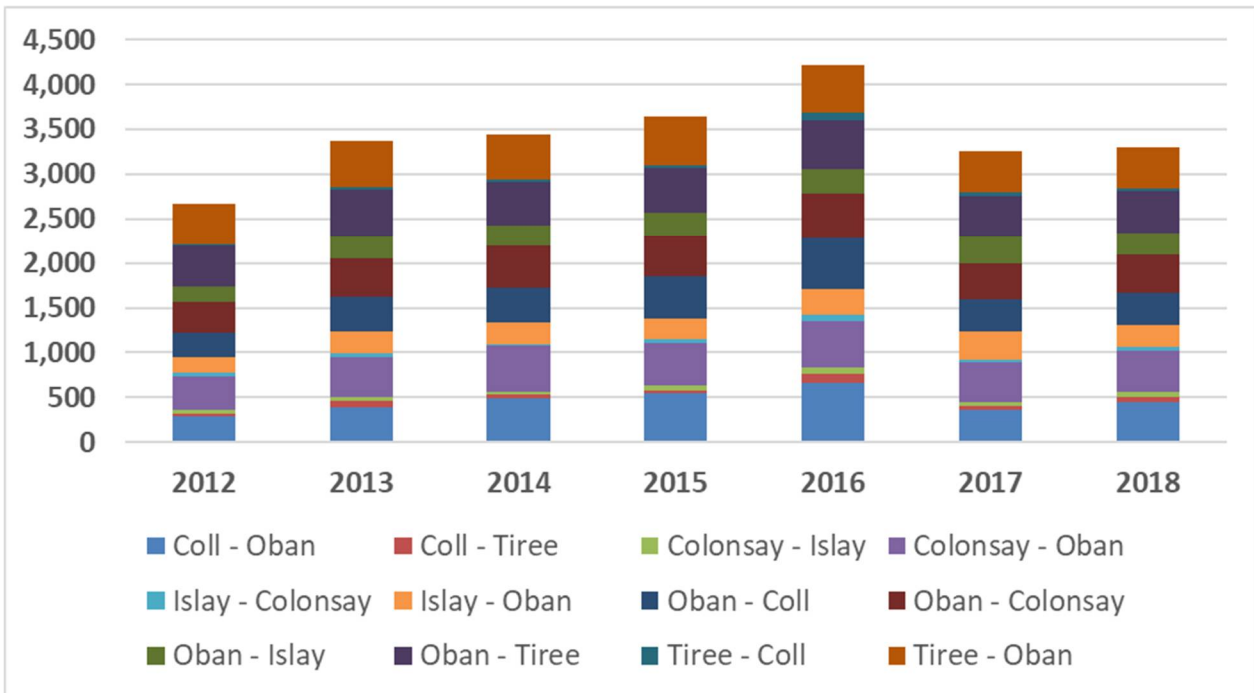
¹ Current fares are £32.50 and £65 on the Oban flights with the lower cost flights being available for island residents making day trips to the mainland and the higher costs for mainland passengers making day trips to the islands.

² In addition to the cost of the PSO contract the Council pays for the operation of Oban, Coll and Colonsay airports. If a notional charge for the use of these airports is allowed similar to the charge made by Highlands and Islands Airports Ltd HIAL for the use of Tiree airport then the current PSO contract cost including variable fuel subsidy plus airport charge would be between £210 and £230 depending on the prevailing fuel cost.

two years use has fallen back closer to the levels of use seen in the early years of the flights.

2.8 Figure 2.3 shows the changes in the use of the air service by route.

Figure 2.3 – Passenger Numbers by Year and Route



2.9 Overall the data on the use of the Argyll Air Services suggests that some changes are needed to reset the services on a new path to growth. The initial growth of the services associated with introducing air services has stalled. The re-rendering of the PSO contract is a good opportunity to restart growth going forward.

3.0 Survey Results

3.1 To identify their needs and to hear their suggestions for changes to the air service, a programme of surveys was undertaken comprising:

- A questionnaire was sent to all households on the islands of Coll, Colonsay, and Tiree seeking information about travel patterns, perceptions and needs.
- Consultation events were held on Coll, Colonsay and Tiree offering the opportunity for residents to discuss with the review team any issue relating to the air services.
- Businesses in Oban and on the islands were interviewed to identify how the air services affected business operation, competitiveness and opportunities.
- Service providers were interviewed covering health, education, social work, housing, police, fire and rescue services.
- Potential operators of the service were surveyed to identify the factors they thought were most important for future service development.

3.2 The results of these surveys are summarised in Appendixes A to D, and key findings are discussed below.

Community needs

3.3 The survey sought predominantly quantitative data through a travel diary and perceptions questionnaire and qualitative views through four consultation events.

3.4 The air services are used predominantly for three main trip purposes: work, health and leisure/shopping. Although the lowest income group represented in the sample (£1000 to £1999 per month) made up only 25% of the total respondents, about 40% of the trips made by this group were for hospital visits and other health purposes where the fares were paid by the NHS compared with only 20% of trips for other income groups. The air services are therefore disproportionately benefitting health in lower income groups.

3.5 When asked about fare levels respondents considered that current fares were about right but fare increases to £70 were considered acceptable by most travellers. Fare reductions were not associated with any substantial increase in trip making.

Making improvements

3.6 All communities and all stakeholder groups considered that the services still needed to be marketed much better. Awareness of the services from people who were not regular users continues to be low.

3.7 The island communities are fearful of changes that could reduce the provision of air services, but has many suggestions about how services could be improved. Residents and visitors alike suggested three main things in terms of the scheduling of air services:

- The ability to get on and off each island every day either by ferry or by air.
- The ability to make return trips each day with at least 6 hours on the island to undertake business
- The ability for each island to offer Friday afternoon and Sunday afternoon ferry or air travel options between Oban and each island to enable workers on the islands to get away at the end of the week yet be back for Monday, residents to visit family on the mainland at weekends (e.g. several retired people and wanted

to visit grandchildren at weekends when they were off school), high school pupils to get home

Business

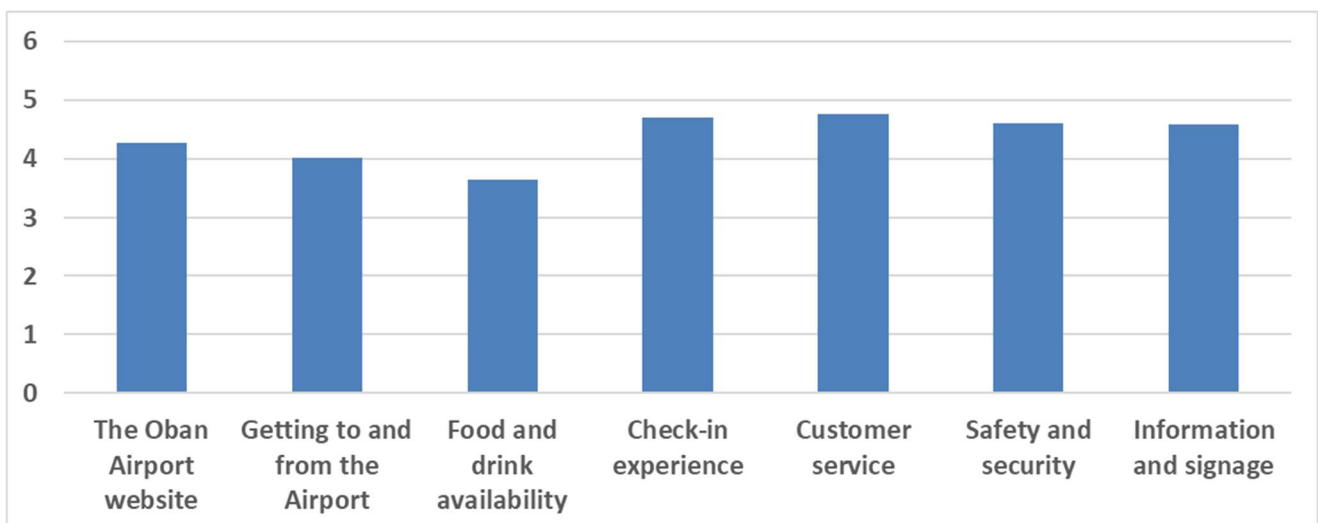
3.8 The results of the business survey are summarized in Appendix D. Key points emerging from this were that:

- Nearly 20% of the mainland accommodation providers did not know that there is an air service to the islands which could be used by their guests.
- Few businesses thought that the air services were very important for them but they were viewed as an essential component of attracting people to live and work on the islands.
- The mainland tour operators were currently the least likely to say that the air service was important to them, and they did not currently sell tours by air to the islands. However, when questioned about this some businesses said it was probably a missed opportunity and businesses on Tiree noted that there was growing collaboration with Loganair, but not yet with tour operators on the Oban air services.
- The air services were of limited benefit for freight transport due to the weight restrictions, but some businesses used air for express delivery of parts for cars and machines.
- Businesses employing or training staff on weekdays noted the importance for staff of being able to get off the islands on a Friday afternoon and back on a Sunday night or Monday morning.

The passenger experience at Oban Airport

3.9 Most island residents rated the experience at Oban airport as very good but business travellers and visitors tended to give lower scores, particularly for food and drink, the airport website and directions to the airport. Figure 3.1 shows the scores given by respondents. A score of 5 indicates that all respondents rated the service as excellent and a score of 1 indicates all respondents rated the service as poor. All average scores are 3 or above indicating that overall people are more happy than unhappy with the service.

Figure 3.1 - Oban Airport Experience



3.10 Other airports were rated similarly to Oban but with slightly lower scores for food and drink and safety and security.

Surveys of potential operators

3.11 Both the current operator Air Task/Hebridean and the operator of the national PSO, Loganair responded to request to clarify the terms under which they might be interested in the tender. Both operators noted that they considered there was potential for improvements in the Argyll Air Service PSO.

3.12 Key points to emerge from the discussions were that:

- Within the current contract there is no incentive for operators to market the services. The marketing function rests with the Council who also carry the financial risk. Given that customers have day to day contact with the operator rather than the Council, the operator is far better placed to market the services on a day by day basis. There is extensive anecdotal evidence available to the operators and potential operators that if the services were promoted more effectively they would be much better used.
- Potential operators suggest that they can offer better value when providing the services if the fuel price risk is carried by the Council as at present. This was not offered as an option in the previous tender four years ago but was negotiated as part of the final contract. Operators could look at hedging fuel prices but this is costly in the current uncertain climate reducing the value for money the Council could obtain.
- The introduction of road equivalent tariff on the ferries has distorted the social support for transport to the islands. The increase in subsidy for ferries requires a review of the air fares to ensure that an optimal social balance is achieved.
- Current fares are sensible but there should be greater flexibility in fare types including return tickets that combine ferry and opportunities for special tickets such as those on the national PSO.

4.0 The Costs and Benefits of Changes

Usage and performance

4.1 As discussed in Chapter 3, some residents report they cannot book flights when they need them due to capacity constraints on the flights. Despite the low overall levels of utilisation there are some flights that are full. With subsidy levels per passenger exceeding £200 it is important that the greatest social needs are prioritised in the booking of flights. This means that future contracts for the PSO should seek to segment the market for ticket purchases more clearly with:

- The marketing of unused seats through local hotels and tour agents as last-minute opportunity purchases for visitors to the area. The surveys identify this as an untapped market that would cost little to deliver but the spare capacity on the flights would allow at least £220k in additional fare revenue to be generated.
- Seats on each flight should be reserved for the user groups with the highest social needs such as unplanned health appointments or urgent needs for island residents to access family and friends.
- The current cost of flights at £65 each direction seems to be about right for most work and tourist trips but many of these customers are paying only £32.50 for some of their travel by air. Based on the survey responses there would be little fall in demand for the flights if the cost per seat rose to about £70 in each direction. This could be achieved by making more of the standard seat prices £70 on the Coll and Colonsay services (slightly more for Tiree due to the airport charges) but allocating a few lower costs seats on each flight for the urgent social needs where lower costs tickets are needed. These changes could add £35k to the fare income from the service with little loss of passengers or social benefits.

Environmental benefits

4.2 Based on current air service and estimates of ferry service emissions, the CO₂ per passenger by air is very approximately 1% of the emissions per ferry passenger. Residents report that some winter ferries have only a few people and sometimes no vehicles.

4.3 There is currently pressure for both more ferry and air services but it is likely from this broad comparison of fuel use and emissions that by far the more environmentally friendly way to provide extra transport for passengers would be by air. If the demand for extra ferries could be reduced then there would be environmental benefits, and probably financial savings for the national ferry franchise.

Benefits for delivering public services

4.4 Savings in public service delivery from using flights result mainly from staff time efficiency. The need for overnight stays on islands by staff delivering public services on the islands helps to reduce the cost of providing public services. However, the fares on the flights are higher than by ferry so higher travel versus lower accommodation costs very approximately balance out. Based on the proportion of the air service users in the survey providing public services for housing, social work, health and education at least £60k per year is being saved per year by using the air services.

4.5 The savings from being able to close the hostel for school pupils in Oban are estimated in Appendix C from figures provided by the hostel as at least £55k per year. Additional savings could be made if the air service timetable could be continued throughout the year with services landing in the dark at Coll and Colonsay airports. This is not possible at present as only Tiree airport is currently designated for commercial passenger flights during hours of darkness. Based on the many benefits of longer hours of operation at Oban, Coll and Colonsay it may be that a case could be made for investment in the lighting and regulatory compliance for operation during hours of darkness. There was however some concern expressed in Coll about this given their special status as a dark sky location.

Tendering approaches

4.6 There is agreement amongst air operators, users, stakeholders and businesses that the lack of marketing of the air service means it carries far fewer passengers than it could. Within the short questionnaire surveys, users report their flights as the highlight of their holiday and question why such as hidden gem is not more widely marketed.

4.7 Currently marketing of the service would be a cost for the operator but as the revenue risk is carried by the council they get no benefit from that cost. The onus on marketing therefore falls to the Council which is poorly equipped to deliver information into the target markets for service growth. Any new contract should be able to deliver more passengers and cost savings to the Council by creating financial incentives within the contract for operators to attract more passengers.

The Benefits of Tiree to Glasgow flights versus Tiree to Oban

4.8 Most of the people who currently use the Oban to Tiree flights could travel any day of the week to Tiree from Glasgow. However this may add costs to public sector provision if social work, health, housing and other services were delivered from area offices and hospitals that already provide services via Glasgow rather than Oban. Loganair also report that the spare capacity on the Glasgow to Oban flights that might be taken up by this demand could save the national PSO franchise up to £60k per year.

4.9 Tiree and Coll are so close that there is no significant cost saving to the current operation from not calling at Tiree provided there is adequate capacity on the flights for all Coll travellers. With eight scholars from Coll the weekend flights that are most in demand for growth are largely unavailable for residents so there are capacity constraints on Friday/Saturday/Sunday flights.

5.0 Best Practice in Tendering Air Services

5.1 Scheduled air services to remote communities across the world face very similar challenges to those experienced in Argyll and Bute. There are some lessons which have been learned which are important to consider for any new PSO contract in Argyll and Bute. Three main lessons that are particularly relevant for Argyll are identified from a brief review of the current state of the art in the literature³:

- Competition
- Flexibility
- Subsidy

5.2 Across the European Union (EU) and the European Economic Area, the established mechanism for the public support of air service to remote regions is the Public Service Obligation (PSO) scheme; this scheme is also applied to road, rail and sea modes. The program was introduced as a flanking measure to the liberalization of air transport within the EU in 1992. There are currently over 300 aviation PSOs in effect within the EU.

Competition Issues

5.3 Perhaps the greatest problem for air services around the world is that markets can quickly become local monopolies. Providing services in remote areas is associated with high fixed costs and low demand so it is relatively easy for providers to establish local monopolies especially over fuel supplies which can weaken competition and artificially increase public subsidy costs.

5.4 A 2004 EU study of PSOs⁴ found that with each successive contract secured by operators profit margins for the operator grow. This places a burden on public authorities to tender services in a way that maintains competition.

5.5 In Norway the introduction of the PSO system in 1997 to replace the previous license system delivered the same historical pattern of air services at a considerably lower cost to government. However, in the years since then competition for air transport PSOs in Norway has become increasingly weak and recent research⁵ notes that it is possible that those advocating increased demand for PSO services may be less focused on local social needs than boosting the profitability of local companies in which they have an interest. In small remote communities the economy and society are connected in complex ways.

5.6 Some countries subsidise airports to avoid needing to subsidise flights³. Negative charges for flights from some airports are used to develop the market with a light touch in specifying which categories of flights receive the subsidy. That way the

³ EU Competition in Air Transport. Policy Department for Economic, Scientific and Quality of Life Policies Directorate-General for Internal Policies PE 618.984 - April 2018

Canadian Transport Authority 2015 Comparison of Approaches for Supporting, Protecting & Encouraging Remote Air Services. Review Secretariat Transport Canada Place de Ville, Tower 'C' Ottawa, Ontario

⁴ Transport Policy, Volume 11, Issue 1, January 2004, Pages 55-66. A comparative analysis of the application and use of public service obligations in air transport within the EU George Williams, Romano Pagliari

⁵ Regional aviation and the PSO system e Level of Service and social efficiency Svein Bråthen a, Knut Sandberg Eriksen Faculty of Logistics, Molde University College and Møreforskning Molde AS, Molde, Norway and Institute of Transport Economics, Oslo, Norway

airports provide a competitive platform from which operators can develop services. In Argyll both the airports and the services are subsidised which creates a particularly complex arrangement from which to assess the future role of competition in delivering better services. Moving the current airports on to a more commercial basis where the discrete roles of income and subsidy for flights and airports are more clearly identified might assist with market development.

Flexibility within contracts

- 5.7 Travel needs are constantly changing, but opportunities can be suppressed by PSO contracts that do not encourage regular changes to schedules, fares and routes. The best PSO contracts encourage operators to constantly review and optimise provision, often with annual break points with targets and financial incentives for passenger growth and the flexibility for the operator to change services to achieve these.
- 5.8 A clear set of criteria as to what constitutes remoteness and lifeline air services can be used to define the basis for the services. Subsidy for services needs to be adopt a clear and co-ordinated approach with regard to spatial policy goals such as regional development. In particular any setting of air fare prices requires great care not to restrict potential through the use of any minimum or maximum fares, peak and off-peak pricing, and discounts for people with special needs or residents of particular places.

Subsidy levels

- 5.9 In some countries such as the United States of America limits are placed on how much subsidy per passenger is allowable based on various road, distance island/ferry access criteria. The lowest threshold in the US is \$200 per passenger which is well below the current subsidy for the Argyll PSO but for island communities the subsidy can be much higher. The Argyll and Bute PSO is currently the most expensive in Scotland in terms of subsidy per passenger but it also comprises the newest routes. Developing routes requires greater subsidy. However Norwegian experience is that if growth cannot be achieved to get down to more typical subsidy per passenger for the region then that is probably a signal that the optimal service patterns have not been identified.

6.0 Conclusions

- 6.1 Retendering the Argyll and Bute PSO is a complex process. If undertaken with care following best international practice this review suggests that growth in the use of the services can be restored.
- 6.2 Air services to Coll, Colonsay and Tiree are relatively new routes and will not yet have found settled patterns consistent with sustainable growth. Growth has stalled in recent years for many reasons and the average subsidy per passenger has been rising. Tackling this trend to ensure that air services to the islands can re-commence growth should be a key priority for the retendering.
- 6.3 Based on the available data only about one in every six available seats on the flights is taken. Each extra seat filled on the service throughout the year should generate about an extra £55k of revenue.
- 6.4 The success of the islands and the success of the air services are inter-dependent. The future planning of the air services must address all of the factors needed to grow the island economies, in particularly the provision of education, health and social services, land use planning, support for sectors such as construction, and tourism.
- 6.5 Residents and businesses on the islands are now highly dependent on the flights so any change will be disruptive. However all groups recognise that scheduling changes are urgently needed, particularly to deliver better weekend travel opportunities between Friday and Sunday.
- 6.6 Better scheduling air services in summer and winter to enable day trips to the islands using ferry one way and air for the other appears to be possible. Day trips with at least four hours on the island at least twice a week and some opportunity to get off and on each island every day appears to be an achievable goal for the next PSO.
- 6.7 Offering potential operators the opportunity to design these schedules and the associated performance criteria for the release of incentive payments for growth should help the next PSO to better meet the needs of everyone.
- 6.8 The benefits which should be most easily and rapidly achieved is increased numbers of tourists using the air service. No evidence was found within this review of any community group, stakeholder or business that was associated with the air service that did not think that better marketing to tourists would be successful.
- 6.9 At least three categories of seat prices should be designed to serve the needs of public agencies and businesses, tourists and local residents better. These seats can be released in advance over different time periods, and priced to reflect market opportunities.
- 6.10 There is scope to improve the passenger experience at the airports for food and drink which were rated poorly by business passengers.

7.0 Appendix A - User and Community Consultation

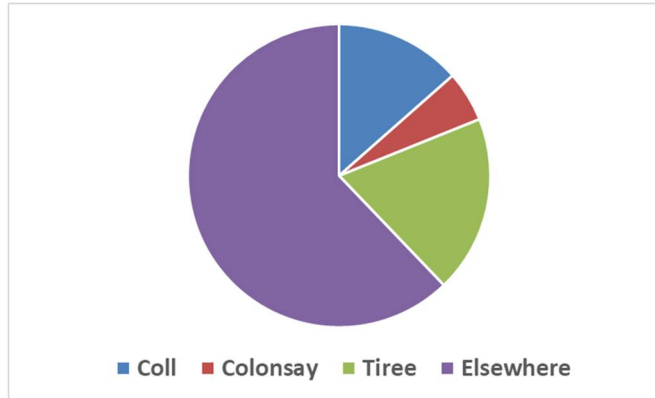
Household and passenger survey

- 7.1 To consult as many users and potential users as possible a combined household and passenger survey was undertaken covering:
- Social and demographic information about respondents
 - Travel diary information for the most recent trip to the islands covering all stages of the journey and all trip purposes for each stage of the journey.
 - Frequency of travel and trip making between the islands and the mainland
 - Information and booking of journeys
 - Sensitivity of journey choices to fare price
 - Preferences for scheduling of air travel services
 - Experiences of airports
 - Opportunities to offer general comments and suggestions
- 7.2 All house addresses on the islands of Coll (141 address points), Colonsay (102 address points) and Tiree (540 address points) were posted printed copy of the questionnaire. Respondents were invited to post responses back to a freepost address set up by the Council or to hand into council service points and development offices on each island. Staff at Oban Airports were provided with printed survey forms to issue to all passengers. These were issued from 15th August and will continue to be issued until 15th September. Completed survey forms were handed back to airport staff. The survey was also made available online and promoted through the social media pages of each island community and within other social and business networks with some local staff sending the details to colleagues and friends by e-mail.
- 7.3 Questionnaires requesting detailed travel diary data, and details of employment, income and other address details are highly personal. However, such data is essential for a detailed and segmented understanding of the air travel markets. The Council's requirements for implementing the new General Data Protection rules were highlighted in the introductory paragraph and a printed copy was included with postal questionnaires.
- 7.4 Survey responses continue to be received but at the cut-off date for the analysis in this interim report 113 responses had been received. The data for this report is based on about two weeks of responses. The tables and figures will be updated once more responses have been received.

Social and demographic characteristics of respondents

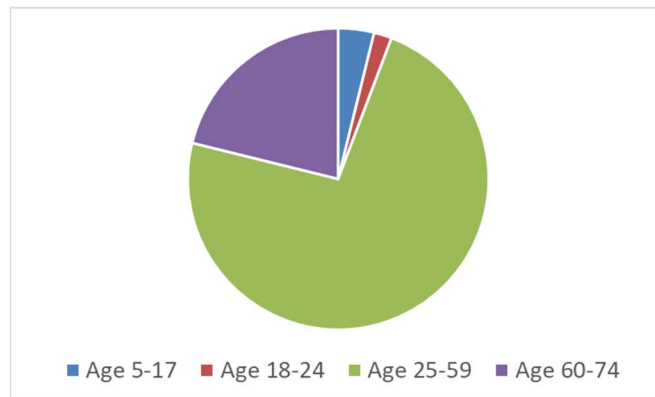
- 7.5 Despite the short timescale available for returning responses the sample obtained is sufficient to allow useful findings. The profile of the respondents broadly reflects the use of the service by residents, businesses and visitors.
- 7.6 Figure 7.1 shows the home location of the respondents identified from the travel diaries for the location identified as home, or if provided the home town and postcode of the respondent. The respondents from each island are broadly in proportion with the size of the population.

Figure 7.1 – Residence Location of Respondents



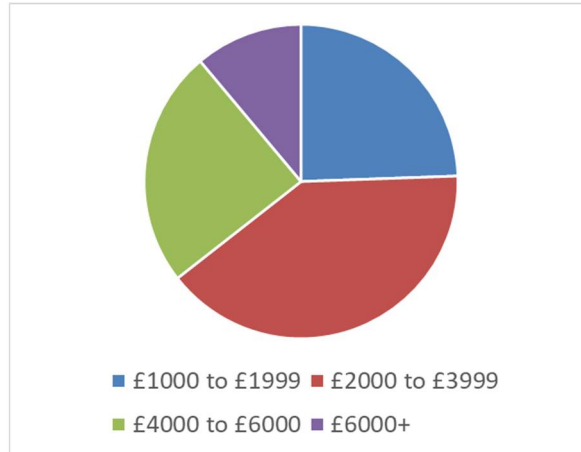
7.7 Most respondents were working age adults as shown in Figure 7.2. It is hoped that the later responses in September will have more younger people as they are currently under-represented. In the 2014 survey about 50% of respondents were over 60 so the profile of the respondents in this survey is very different with less than 20% of respondents over 60. This response also reflects the different nature of the 2018 surveys. Whereas the 2014 surveys predominantly sought opinions that older people would have been happy to provide, the 2018 survey predominantly seeks data about travel and travel choices which more people will have been cautious about providing. The current interim sample of responses may over-emphasise the views of the working age population relative to the population as a whole.

Figure 7.2 – Age of Respondents



7.8 There was also a good range of household incomes from £1000 per month to over £6000 per month as shown in Figure 7.3

Figure 7.3 – Household Income of Survey Sample

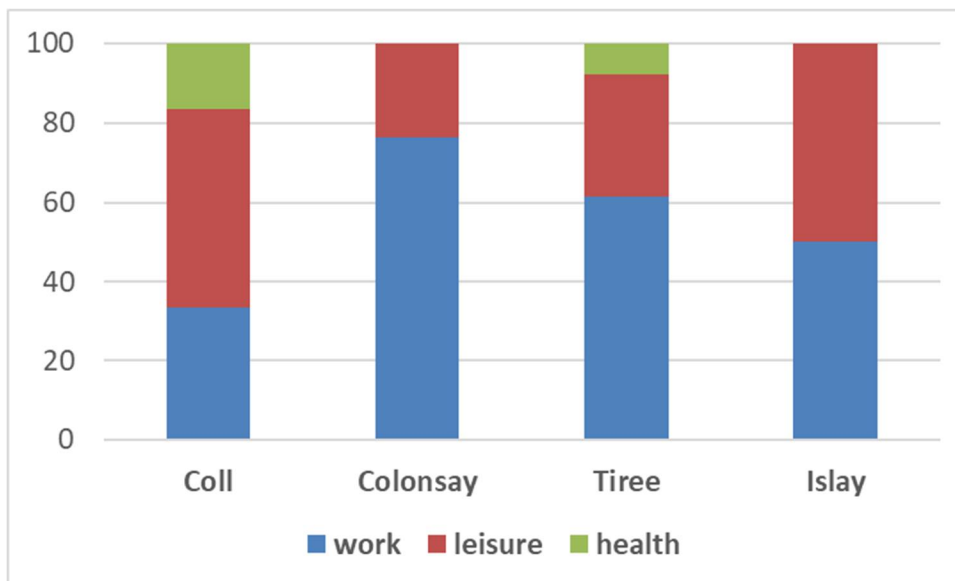


7.9 Although the lowest income group represented in the sample made up only 25% of the total respondents about 40% of the trips made by this group were for hospital visits and other health purposes where the fares were paid by the NHS. This compares with approximately 20% of trips paid for by the NHS in other income categories. The high dependence of lower income people on the air service for health related trips is an important factor when considering the social distribution of the benefits delivered.

Trip making

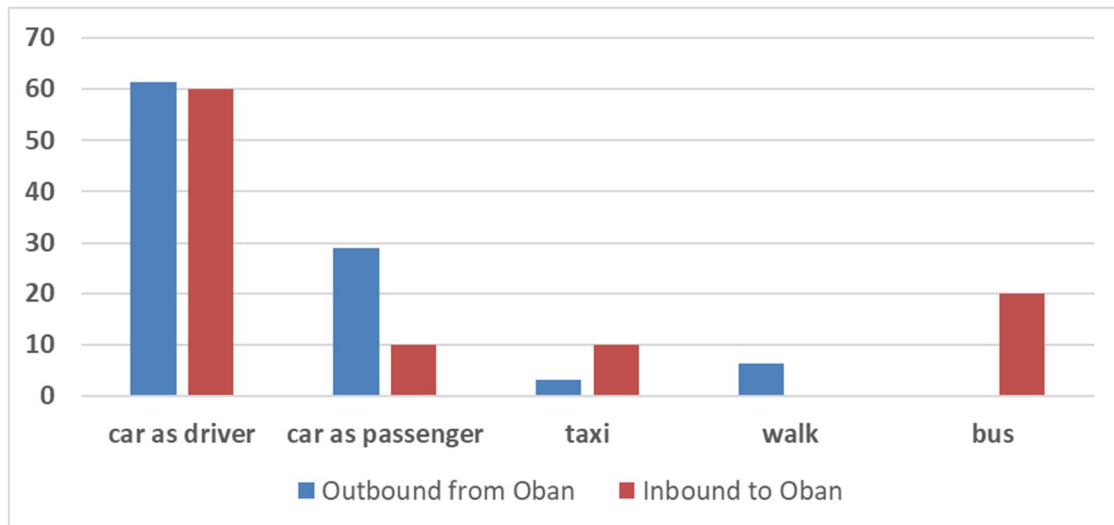
7.10 Figure 7.4 shows that the air service is used for three main purposes: work, health and leisure/shopping. The largest users of the services are for trips in the course of work. Trip purposes such as visiting friends and relatives, and commuting are amongst the most common journey purposes for most mainland travel but for this air services these purposes are almost absent. Although a few family visits are made by air as part of a more general holiday or leisure trips, the vast majority of these are by ferry. Some tourists travelled to Islay on holiday and then on to Glasgow after visiting Islay, but other than this there was no evidence of the services being used as transit hubs for onward connections to Glasgow via either Tiree or Islay.

Figure 7.4 – Percentage of Trips by Purpose when Using Argyll Air Services



7.11 Access to Oban airport is overwhelmingly by car. On outbound trips from Oban it is more common to arrive as a passenger in a car, perhaps being dropped off at the airport than to be picked up on returning when bus and taxi are more likely to be used.

Figure 7.5 – Mode of Access to Oban Airport



7.12 When asked about maximum fare levels that would be paid for using the air service fares of up to £100 single fare were suggested but most people suggested that only moderate increases would be tolerated, such as fare increases to £70 single fare. Respondents were also realistic about the effects of reducing fares, with only a few people suggesting that reduced fare levels would encourage them to make more trips by air.

7.13 Few clear overall views were expressed on the times of the year when services should run or the days of the week services should run. However, Fridays and weekend days were highlighted as priorities for services and running the same schedule all year was also a popular suggestion.

Community Consultation Events

7.14 Community halls on each island and in Oban were used for half day consultation events. These ran from 14:00 to 18:00 in each location with discussions with other islanders before and after each event in each location. Topic guides in each location were used to ensure that key issues were covered including:

- The effectiveness of the current air services for people’s needs
- The performance and reliability of the services
- Fares, costs, ticketing and affordability
- Timetabling, scheduling and flight frequency issues
- Availability and range of ticket booking and cancellation mechanisms
- Marketing and information

7.15 The four half day events held, when anyone could drop in to discuss changes to the air services, took place as follows:

- Colonsay 7th August
- Coll 15th August
- Tìree 16th August

- Oban 28th August

7.16 At all of the island meetings a broad range of people dropped in with some staying for up to two hours and others making only a few points and then leaving after a few minutes. Key common issues emerging from the meetings related to:

Concern about cuts to services

7.17 People noted that a steady increase in the frequency of the air services would be need to sustain and grow the island populations. 21st century lifestyles no longer accepted the lack of access to the mainland that might have been accepted by previous generations. There was concern that the air services are still seen as new and might be considered easier to withdraw, rather than looking at how to increase the frequency and reliability of the service.

7.18 Health and education were seen as being most vulnerable to any reduction, although business costs would increase if the frequency of flights reduced and staff needed to spend longer on business trips than at present.

Scheduling

7.19 Residents and visitors alike suggested three main things in terms of the scheduling of air services:

- The ability to get on and off each island every day either by ferry or by air.
- The ability to make return trips each day with at least 6 hours on the island to undertake business
- The ability for each island to offer Friday afternoon and Sunday afternoon ferry or air travel options between Oban and each island to enable workers on the islands to get away at the end of the week yet be back for Monday, residents to visit family on the mainland at weekends (e.g. several retired people and wanted to visit grandchildren at weekends when they were off school), high school pupils to get home

7.20 These suggestions suggest that the best way to satisfy the island communities will be to achieve more optimal scheduling of air services to fit in with gaps in the ferry services timetables. Although not every island can get the ferry and air services at the times they want due to the need for efficient use of planes and ferries, most residents commented that with a bit more thought about how ferry and air services combined, more optimal air service schedules could be delivered. The current perception was of ferry and air service being planned separately.

7.21 Even for the scholar flights some high school pupils commented that they sometimes use the ferry rather than the air service to get home to the islands for the weekend since the timing is better. This suggests that since the ferry option is available for some pupils the air service could be better deployed providing services that could open up new markets than duplicating the ferry opportunity.

Marketing and information

7.22 By far the most common criticism of the air services was that few people knew about them. Consultees guessed that only a small proportion of the residents of Oban would even know there were air services to the islands and beyond Oban general awareness of the flights was rare. This was contrasted with the longer established flights such as to Barra and Islay which were generally known to run.

7.23 People had many ideas for promoting the flights such as tourist packages for birdwatching and surfing as Loganair already offered in Tiree. Users of the service noted that they often suggested the service to their friends.

Reliability

7.24 The need for air services changes when ferry or air services are disrupted. Many people commented that the air service was more reliable for them than the ferry, whilst others thought that the ferries were more reliable than air. However, everyone agreed that when services had been disrupted one of the key strengths of the air service had been to try to respond as flexibly as possible to fit in extra flights or with weather windows to try to make the journeys.

Specific Issues for Coll

7.25 The recent decline of the population after a period of growth a decade before has affected confidence on the island. A boost to the air services was viewed as one way to nurture new confidence.

7.26 Short and day trips to Coll are still far too rare and tourism was viewed as a potential market where increased advertising of services could result in more trips. The lack of accommodation on Coll was viewed as a possible constraint which would need to be addressed in parallel with growth in air tourism.

7.27 Flights between Coll and Tiree were a contentious issue. Some argued that regular flights linking the two islands were essential for access to services such as dentists and pre-school child education.

7.28 With complex family needs and demands some said that without some way to get off and on the island every day more of the current residents would leave.

7.29 Some people suggested that larger planes will be needed if the current flight patterns were to be continued. Increasingly flights to Oban in the afternoon were full of Tiree passengers blocking opportunities for Coll residents to make last minute bookings to the mainland.

7.30 The cost of taxi services from Oban airport was considered to be a problem.

7.31 For the weekend flights for school children coming home for the weekend, residents wanted to maximise the time pupils could spend at home.

7.32 Lighting for the runway was discussed to allow evening flights but some were concerned about Coll's status as a dark sky tourist attraction could be damaged by this.

7.33 Duplication of the times when ferries and flights was felt to be an extravagance that could not be afforded. Combined timetabling of air and ferry services was needed.

7.34 Overall residents rated the air service highly and noted that there was a great need for the service to run on more separate days and to complement the provision of ferry services more efficiently.

Colonsay Community Consultation

7.35 Colonsay Hotel is at capacity May to September and lack of accommodation is becoming the most important constraint on the island economy regardless of what happens to the air service.

7.36 Ferry remains the backbone of travel to the island and some people prefer ferry.

- 7.37 Frequent air users include - Marine harvest, CMAL, chiropodists, physiotherapists. Air is the main transport for health workers – community nurse manager, physiotherapist, podiatrist, health visitor, midwife, psychiatric nurses, social work, NHS estates/fire inspections/heating etc
- 7.38 Staffing of fire cover for all flights can be a problem.
- 7.39 The cost of groceries a big travel cost issue than anything related to the flights.
- 7.40 The air service is vital for persuading residents to stay on the island. The viability of the island, particularly for younger people depends on the air service
- 7.41 The air service is and essential lifeline but the main users that help t fund the service are for travellers in the course of work.
- 7.42 Day trip tourism by air has potential for short term growth.
- 7.43 The service allows emergency hospital referrals avoiding medical evacuations for more minor injuries, and it also enables transport for relatives to accompany patients.

Specific issues for Tiree

- 7.44 The dentist and vet come out and stay on Tiree using air services so it is important to loo at the costs to these services of no flights being available.
- 7.45 Tours for visitors are a growing source of business on the Glasgow flights but not yet from the Oban flights.
- 7.46 Marketing of the Oban to Tiree services needs to be improved.
- 7.47 Patient bookings are organised very efficiently through the health centre.
- 7.48 Using the air service for a daily round trip does not leave as much time as is desirable so taxi required between airport and hospital to make the trips possible.
- 7.49 Friday night flights would be a huge help to enable more people to get on and off the island at weekends.

Specific issues for Oban

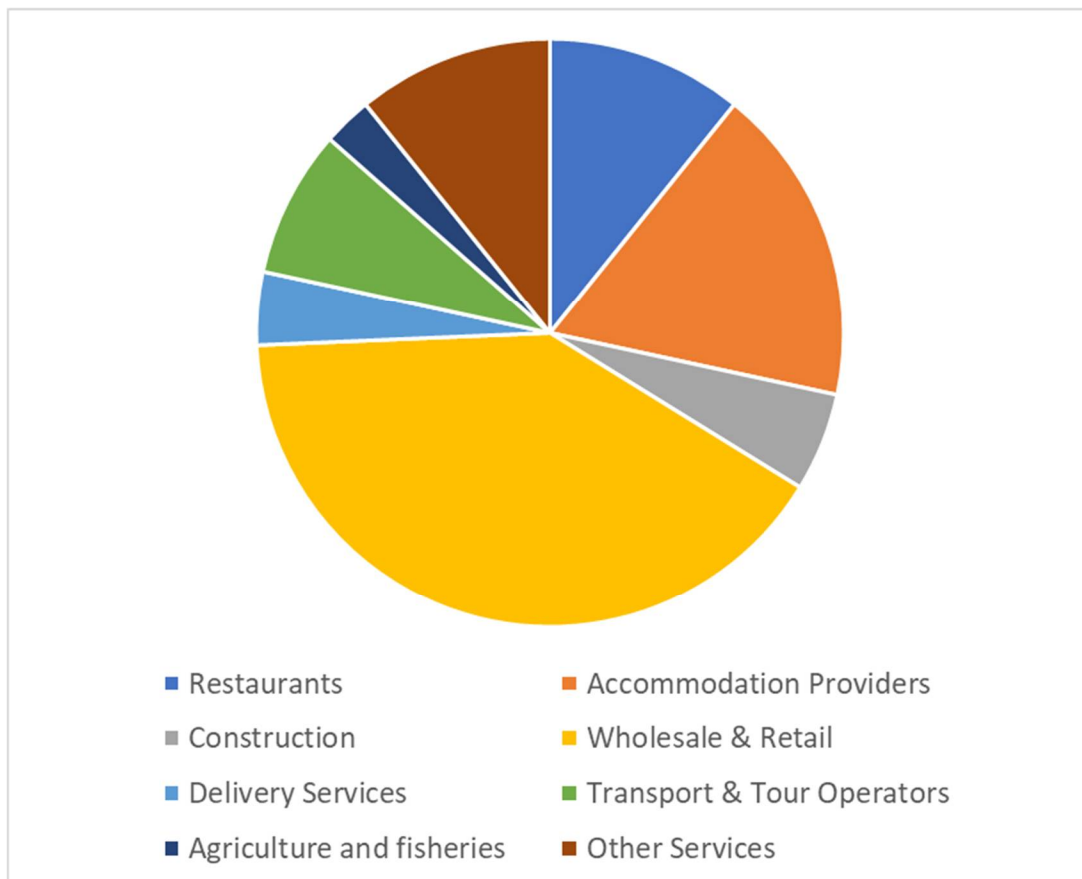
- 7.50 The lack of awareness of the benefits of the air service for Oban is of concern. Many mainland residents do not see the point in the air services.
- 7.51 Landing fees at Oban could be introduced to help the airport operate more commercially.
- 7.52 There is need and demand for tourist tickets to be offered. One idea is that 24 hours before each flights seats could be released to large hotels such as the Eriskay hotel where customers will be planning their day out a day or so in advance. From the number of requests made for activities that are in a similar price bracket to a day trip to Colonsay, Coll or Tiree, there should be strong demand if the air bookings can become more open in this way.

8.0 Appendix B -Business Survey

General Issues

- 8.1 Businesses were surveyed by telephone or face to face between August 6th and 24th.
- 8.2 72 interviews were undertaken using a survey form that explored the scope of the business, staffing, supply chains, customers, markets and transport issues. The results have been grouped and analysed by business sector to explore how the provision of air services interacts with the business community on the islands and in Oban.
- 8.3 The businesses visited sought to broadly represent the range of businesses in the Argyll and Bute Council business databases with the greatest number being shops, cafes and restaurants, accommodation providers and other service providers such as estate agents, solicitors and training companies.
- 8.4 Figure B1 shows the proportion of businesses in each broad sector.

Figure B1 – Businesses Interviewed by Sector

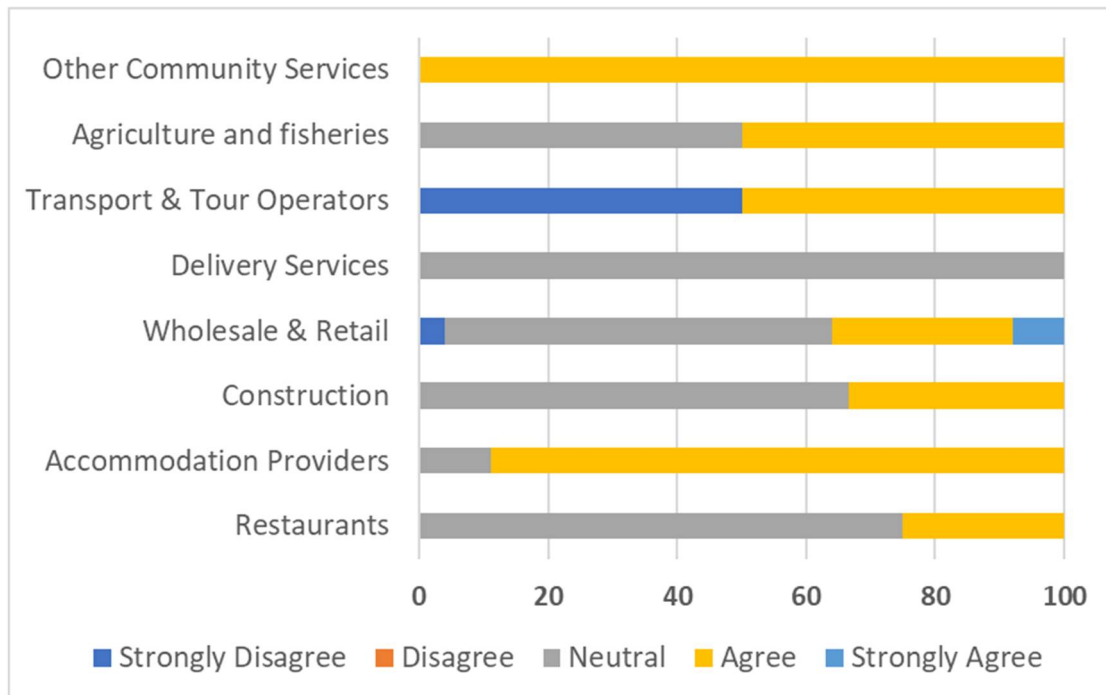


- 8.5 70% were independent single site sole traders. Eleven were subsidiaries of larger UK or global businesses and three independent businesses had branches elsewhere in Scotland. Although most businesses were unable or unwilling to provide detailed financial information some general information about sales and turnover were discussed. Key points were:
- The short length of the tourist season is a critical factor of success for all businesses related to the tourist market. Anything the air services could do to extend that season would help everyone.

- Accessibility to and from the islands is constantly affected by weather-related and other reliability issues which leads to many inefficiencies. The air services offered an alternative that could sometimes help with this. In winter the reliability of the ferry and can make transit between Oban and the islands a challenge so the air service are often able to plug the gap.
- Ferry service capacity was limited and often a constraint on travel to the islands. The air services were of limited benefit for freight due to the weight restrictions but, particularly island businesses depended on them for key personnel reaching the islands.
- Local demand for goods and services and tourism were the primary focus of most businesses. Agriculture and fisheries and Project Trust on Coll were the only businesses that had a primary focus trading across Europe and globally.
- Construction businesses noted that there was more demand for construction work than could be served and often this meant that contracts on the islands were the least attractive for businesses due to higher costs.

8.6 Businesses in Oban were asked how strongly they agreed with the statement that air services to and from the islands were important to their success. The importance was rated separately for Islay, Coll, Colonsay, Mull/Iona, and Tiree but virtually all businesses rated all islands the same regardless despite Islay and Mull being much larger islands. They commented that if the business serviced the islands the trade was important and the air service played a part, but only some businesses viewed the islands as important for their operations as shown in Figure C2.

Figure C2 - Importance of Air services to Oban Businesses by Business Sector



Restaurants

8.7 The restaurants all stated that they have very diverse customer groups, which change throughout the year and have different preferences for travel which they did not necessarily know.

- 8.8 None of the surveyed restaurants on the mainland depended on food from the Argyll islands but some restaurant operators stated that if there was fresh and regular supply such as of fresh seafood from the islands they expected that this would still be more dependent on ferry travel than air.

Accommodation Providers

- 8.9 The accommodation providers on Colonsay and Coll indicated that they tended to have few empty rooms May to September so even if transport to the islands improved there was limited scope to accommodate many more tourists.
- 8.10 On the mainland several of the accommodation providers did not operate all year round as the costs of staying open exceeded the potential revenue from guests. Accommodation providers were not able to give detailed information about the travel of their guests.
- 8.11 If guests are coming from the islands to stay in Oban they tend to stay more often in guest houses than in hotels. Most hotel operators value the accessibility of the islands by ferry and air service as an asset of their business.
- 8.12 Nearly 20% of the mainland accommodation providers did not know that there is an air service to the islands which could be used by their guests.

Construction

- 8.13 The construction businesses were all based on the mainland but had worked for customers from the islands in the past. Due to increasing demand for services they said they rarely offered services to the islands due to long travel times and too many local orders.

Retail

- 8.14 Retail businesses on the islands noted that they would like to sell more island products but the costs of these for customers was usually high so many cheaper good also needed to be sold which were brought in.
- 8.15 Attracting staff to work on the islands was a key aim of most businesses and more regular flights from Colonsay and Coll was seen as important to attract people to live and work on the islands.
- 8.16 On the mainland no shop interviewed sold products delivered directly from the islands, but some products like spirits and craft products were sold but were sourced via central dealers elsewhere in the country. Ferry was viewed as the main mode of transport for supplies to the islands but specialised shops selling tools, hardware, technical parts, and medical products said that supplying these by air might be helpful.
- 8.17 A car repair business on the islands noted that parts to repair vehicles were sometimes supplied by air for speed.

Transport & Tour Operators

- 8.18 The Wild Diamond watersports business on Tiree had linked up with transport operators to offer a range of tours and training courses with surfing, windsurfing, Kite surfing and other related activities including a camp site. The RSPB also organise tours for birdwatchers to the islands. These organisations considered there was scope for better links with the Oban air services to promote these opportunities.

- 8.19 Car hire on Tiree kept a good supply of cars considering they could expand flexibly to meet whatever demand needed to be served at the airport. They left cars for air passengers at the airport with the keys in so that visitors by air could drive away on arrival in Tiree.
- 8.20 The mainland tour operators in Oban did not currently offer tours by air and the companies selling tours to visitors in central Oban were not aware of the day trip opportunities from Oban airport to the islands or of the round trip flights from Oban airport.
- 8.21 Oban Cycles noted that a significant number of people from the islands brought in bikes for repair and that about 400 customers per year are renting bikes at their store to take them to the islands. These customers go by ferry and the cycle shop did not want to support air services by offering bikes on the islands, if their customers can easily take their bikes with them on the ferry for free. The shop was helping with the introduction of an electric bikes rental scheme at Oban airport to help air travellers get to and from Oban airport.

Other Services

- 8.22 Estate agents made regular trips to the islands associated with property sales and letting and often used the air service. This saved them time and allowed them to visit the islands in a day. The lawyers interviewed did not use the air service but there were many other service providers that commented on the air service as follows:
- Skills Development Scotland has local branches for career services and courses in Oban, Isle of Bute and Isle of Islay. Their focus is skills advice to companies, among which are also businesses on the Argyll Islands.
 - Oban Times covers events on the islands and thought that they used the air service from time to time but were not sure that it was of major significance for their business.
 - Project Trust on Coll emphasised that they relied on good transport and the air services are essential for their operation. They can use ferry Monday, Tuesday, Thursday, Saturday and Sunday on the winter timetable and flights on a Wednesday but the lack of flights on a Friday is a major problem as at the end of a working week people want to get off the island. Given the international business connections to international flights is important at Glasgow

9.0 Appendix C - Consultation with Public Service Providers and Other Stakeholders

9.1 The following stakeholders were contacted by e-mail with follow up by telephone where telephone contact details could be identified. The telephone calls were also often followed up with discussions with several other staff in the organisation.

- NHS Highland
- Argyll and Bute Council Social Work Service
- Development Coll
- Colonsay Community Council
- Tiree Community Council
- Appin Community Council
- Ardchattan Com,munity Council
- Dunbeg Community Council
- Connel Community Council
- Taynuilt Community Council
- Oban Community Council
- Kilmore Community Council
- Coll Project Trust
- Argyll and Bute Council Elected Members
- Integrated transport manager
- Council Education Service
- Glencruitten Hostel
- Oban High School
- Highlands and Island Enterprise (HIE)
- Scottish National Heritage (SNH)
- Scottish Environmental Protection Agency (SEPA)
- Police Scotland
- Scottish Fire and Rescue Service
- University of the Highlands and Islands (incl. Argyll College & SAMS)
- Skills Development Scotland
- Argyll & Bute Community Health Partnership (CHIP)
- BIDS4Oban
- Tiree Community Development Trust
- VisitScotland

NHS Highland

9.2 Patients are referred to Glasgow or Oban but the decision rest with the GP. GP awareness of the combined health and travel costs to Oban or Glasgow might help more optimal decision to be made.

9.3 Tickets are generally purchased through NHS agency contract. This has been outsourced to Capita in recent years but is currently being brought in house within the NHS which should help to make things easier to manage.

9.4 GP referral pattern depends on the GPs and varies across the islands based on various factors – transport will be one factor that is considered.

9.5 Detailed data on health costs reimbursed for air travel to add to the NHS bookings information will be sent through.

Argyll and Bute Council - Social work

9.6 Social workers serve the islands of Coll, Colonsay and Tiree from Oban and this is only efficient because the air service allows return trips to be made in a day. Other islands such as Islay are served from Helensburgh using the Glasgow to Islay flights rather than the Oban to Islay flights.

9.7 The Council run the hostel in Oban for high school pupils from islands. Without scholar flights:

- In summer extra staff hours are needed to keep the hostel open with 25 extra staff hours on a Friday, 34 hours on a Saturday and 5 extra hours on a Sunday. In addition a cook would be required to prepare and serve meals.
- In winter pupils do not fly back to the islands until Saturday so the hostel needs to stay open longer. However if the flights were not available extra staff hours would be needed to keep the hostel open with 31 hours on a Saturday and 5 extra hours on a Sunday. In addition a cook would be required to prepare and serve meals.
- Without the scholar flights at least £55k would be added to Council costs by keeping the hostel open longer.

9.8 Some pupils use ferry in summer instead of scholar flights since the timing is better so speed of journey seems less important than availability of a service

9.9 Placement requests have been made from Tiree pupils so these pupils pay for their use of the hostel

Tiree Community Trust

9.10 Tiree Community Trust is a company Limited by Guarantee and registered charity based on the isle of Tiree, with the aim to facilitate the sustainable development of the island. The company makes use of the air services, as they allow the staff attending meetings in the mainland without having to stay overnight. The coordination between the air services and public transport timetables was suggested, as at the time of some flight arrivals there is no public transport linking the airport to other destinations.

Bid4Oban

9.11 Bid4Oban (Business Improvement District) is a business-led initiative based in Oban, where businesses work together and invest collectively in local improvements to their business environment. Bid4Oban suggested that the air services need to be better marketed, and a wider press and internet coverage would be helpful. An interest in the involvement in the publicising process and marketing strategies was also expressed, if more information is made available.

SEPA

9.12 SEPA regularly uses regularly the ferry services for travelling to Islay, Colonsay, Gigha, Mull, Coll, Tiree and Bute. The staff travel is paid either through the reservation system or expenses claim forms. In case of loss of air services, the respondent stated that this would be a minor inconvenience to the organisation, as most of the travel to the islands is carried out by ferry.

VisitScotland

- 9.13 VisitScotland suggested that the air services could be improved with better marketing of day return flights.

Police Scotland

- 9.14 Police Scotland uses the air services mainly from Glasgow to Islay and Campbeltown, and from Oban to Coll and Tiree. The air services are preferred when it is considered the most efficient way to get police officers to these areas, and particularly to Tiree, as the ferry journey is more time-consuming.
- 9.15 The normal form of transport to the islands is the use of ferry services, as it allows the transportation of police vehicles too. Additionally, the transporting of prisoners is required to be carried out by ferry, for health and safety reasons.
- 9.16 Concerning the reimbursement procedures, a central booking service is used, and no personnel pays for travel. According to the respondent, the importance of the air services lies in their time effectiveness as they allow same day return visits. Therefore, in case of loss of the air services to the Argyll islands, the journeys could still take place using the ferry service, however this would incur overnight stay or overtime costs for personnel. Overall, the existing flight availability meets the needs of Police Scotland, however the application of emergency services discounts was suggested.

Scottish Natural Heritage

- 9.17 Scottish Natural Heritage stated that they had no formal view to input to the review.

Scottish Fire and Rescue Service

- 9.18 The service indicated that the local staff on the islands were much better placed to comment. The local staff input to the consultation through the community consultation events.

10.0 Appendix D – Potential Operators

- 10.1 Interest from potential operators was assessed by contacting the following operators who all offer contracts and charters using aircraft types that might potentially be able to meet the needs of the Argyll Air service. Most of these were not considered particularly likely to be interested but the contact was intended to draw to their attention the forthcoming tender opportunity and offer an opportunity to discuss factors that would affect their interest in the work.
- 10.2 The two operators who responded were unsurprisingly the current operator Hebridean and also Loganair who currently deliver the national PSO to west coast islands. Both operators saw potential for further development of the Argyll air services and noted that they would welcome the chance to review the market opportunities identified by the research to offer suggestions on how the services might be improved over the next few years. In recognition of the fast changing aviation market and in particular fuel prices it was suggested that much shorter PSO contracts should be let, so that Argyll and Bute Council would know it was getting the best value at any point in time.
- Aerovip
 - Aurigny Air Services
 - Blue Islands
 - Eastern Airways
 - Finist'Air
 - Flybe
 - Flywales
 - Galway Aviation Services
 - Gama Aviation
 - Isles of Scilly Skybus
 - Jonair AB
 - Loch Lomond Seaplanes
 - Loganair
 - Lyddair
 - NAL Jets
 - Ravenair
 - RVL Aviation
 - Saxonair Charter
 - Stobart Air
 - Twin Jet
 - Zephyr Aviation