

Update on Argyll Air Services

1.0 EXECUTIVE SUMMARY

- 1.1 The current contract for the provision of Air Services between Oban and the Islands of Coll, Colonsay and Tiree is operated by Hebridean Air Services Ltd (HASL) on behalf of the Council at a cost of £720,756 per annum. This contract will expire on 15 May 2019.
- 1.2 Following a non-compliant tender submission for the next Argyll Air Services Public Service Obligation (PSO) contract, the procurement had to be abandoned. Given the delay in securing a new operator there was a risk of a break in service from one contract finishing to the next starting.
- 1.3 Following the Council's budget decision of 18/19 the funding available for the new PSO contract is £512,207 per annum.
- 1.4 An interim contract has been awarded to Hebridean Air Services Ltd for the provision of scheduled air services between Oban and the islands of Coll, Colonsay and Tiree covering the period of 16 May 2019-15 September 2019.
- 1.5 The interim timetable includes commercial flights between Islay and Colonsay/Oban and scholar flights at the weekend term time.
- 1.6 This funding is awarded under the Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid. Full details of the Regulation can be found at:

http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf

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2.0 INTRODUCTION

- 2.1 The current contract for the provision of Air Services between Oban and the Islands of Coll, Colonsay and Tiree is operated by Hebridean Air Services Ltd (HASL) on behalf of the Council at a cost of £720,756 per annum. This contract will expire on 15 May 2019.
- 2.2 Following a non-compliant tender submission for the next Argyll Air Services Public Service Obligation (PSO) contract, the procurement had to be abandoned. Given the delay in securing a new operator there was a risk of a break in service from one contract finishing to the next starting.
- 2.3 An interim contract has been awarded to Hebridean Air Services Ltd for the provision of scheduled air services between Oban and the islands of Coll, Colonsay and Tiree covering the period of 16 May 2019-15 September 2019. The details of the amended timetable is enclosed in **Appendix 1**.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members consider
- (i) The details of this paper and the award of an interim contract to Hebridean Air Services Ltd covering the period 16 May 2019 until 15 September 2019.

4.0 DETAIL

- 4.1 Following a non-compliant tender submission for the next four year Argyll Air Services Public Service Obligation (PSO) contract further engagement with market operators has taken place. This was to ensure that the second tender round included a contract and specification that was as attractive as possible to market operators.
- 4.2 The deadline for submissions to the second tender was the 2 May 2019 and the procurement process for the four year PSO contract is now at the evaluation stage.

- 4.3 Given the delay in securing a new operator there was a risk of a break in service from one PSO contract finishing to the next PSO starting.
- 4.4 An interim contract has been awarded to Hebridean Air Services Ltd for the provision of scheduled air services between Oban and the islands of Coll, Colonsay and Tiree covering the period of 16 May 2019-15 September 2019. The details of the amended timetable is enclosed in **Appendix 1**.

5.0 CONCLUSION

- 5.1 The deadline for submissions to the second tender round was the 2 May 2019 and the procurement process for the four year PSO contract is now at the evaluation stage. An interim contract has been awarded to Hebridean Air Services Ltd for the provision of scheduled air services between Oban and the islands of Coll, Colonsay and Tiree covering the period of 16 May 2019-15 September 2019.

6.0 IMPLICATIONS

- 6.1 Policy – Argyll and Bute Council provide PSO air services to some of our fragile island communities.
- 6.2 Financial – Argyll and Bute Council has a budget of £512,207 available per annum (2019-2023) for the provisions of the air services.
- 6.3 Legal – Tenders for PSO air services must be compliant with EC regulations
- 6.4 HR – None directly from this report.
- 6.5 Equalities/Fairer Scotland Duty – Air services provide connections to rural island communities primarily for scholars but are also used by public and private sector services e.g. NHS, Housing Associations
- 6.6 Risk – Risk of break in air service – PSO tender currently under evaluation stage of procurement process
- 6.7 Customer Service –.None.

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Appendix 1 Argyll Air Services Interim Contract Timetable