



Transport Research Series

Review of the Air
Discount Scheme

**REVIEW OF THE
AIR DISCOUNT SCHEME**

Halcrow Group Limited

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LIST OF ACRONYMS

| | |
|----------|---|
| ADS | Air Discount Scheme |
| ARDF | Air Route Development Fund |
| BA | British Airways |
| CAA | Civil Aviation Authority |
| GDP | Gross Domestic Product |
| HIAL | Highlands and Islands Airports Limited |
| HIE | Highlands and Islands Enterprise |
| HITRANS | Highlands and Islands Transport Partnership |
| NTS | National Transport Strategy |
| PSO | Public Services Obligation |
| ZetTrans | Shetland Transport Partnership |

EXECUTIVE SUMMARY

1. In August 2007, Halcrow was commissioned by the Scottish Government to undertake an independent, research-based review of the performance and impacts of the Air Discount Scheme (ADS) in Scotland and to make recommendations on the future of the scheme. The scheme was introduced under the European Commission's Aid of Social Character mechanism and its main aim was to make air services affordable for remote communities in the Highlands and Islands, improve connectivity to Scotland's key population centres and facilitate accessibility and social inclusion by providing a discount of 40% on the core air fare on certain eligible routes for scheme members. The eligible area consists of the Western Isles, Orkney, Shetland, Islay and Jura, Caithness and North-West Sutherland.

2. The ADS is applicable to all scheduled flights to and from any airport within the eligible area to one of the four main Scottish airports – Glasgow, Edinburgh, Aberdeen and Inverness – as well as to other airports within the eligible areas. Some routes are not included within the scheme as they are served by Public Service Obligation (PSO) air services, such as the services from Barra, Campbeltown and Tiree to Glasgow. Furthermore, the scheme is aimed at the local population and therefore it does not apply to people who work, but do not live, in the eligible areas. National Health Service funded trips are also excluded from the scheme.

3. The focus of this review was to assess the performance and impacts of the ADS, to assess a number of potential improvements and enhancements and to provide recommendations on its future development beyond March 2008. The aims of the performance review were to assess the effectiveness and efficiency of the scheme's administration, members' satisfaction and reasons for lack of uptake. The impact review looked at the main impacts of the ADS in making air travel more accessible, improving connectivity, reducing journey times and increasing travel amongst eligible residents as a consequence of lower cost, as well as the impacts on service capacity and frequency.

4. The methodology used to satisfy these objectives included a literature review, a quantitative desk based analysis of available data on passenger numbers and aircraft capacity, as well as stakeholder interviews and surveys of ADS members and non-members.

5. By the end of August 2007, there were nearly 67,000 adult members of the scheme. Caithness and Sutherland was the only region where uptake was less than 90%, with a lower uptake of just over half of the eligible population. Just over one third of members have used the scheme since its inception. Use of the scheme is lower for ADS members in Caithness and Sutherland where only 4% of members have made use of the scheme compared to 38% or higher in all other regions.

6. A total of 13% of residents in eligible areas are not yet members of the scheme. The profile of ADS non-members surveyed was different from that of members surveyed. The majority of non-members surveyed were aged over 60, and a relatively high proportion reported that their mobility was impaired due to a disability. Not being aware of the scheme

and not knowing how to apply were the main reasons for not joining the scheme for residents aged under 60. The most important reason for non-members over 60 was that they have no reason to travel, and many also stated that they preferred surface transport. Awareness of the scheme was particularly low for respondents based in Sutherland. Caithness and Sutherland was the one area identified by stakeholders that would benefit from further promotion and marketing activities to further raise awareness of the scheme within the region.

7. Over 60% of ADS members have not yet used the scheme. Feedback from these members suggests that the main reason for not booking tickets was because air fares were still considered to be too high. This was particularly the case for respondents with children (the full fare is payable for children aged 12 or over on Loganair flights) and those living in Caithness, who would otherwise have travelled by private car. Air fares, even with the 40% discount, are particularly prohibitive for ADS members on lower incomes or those travelling with children. The ADS may have had less impact on making flying more affordable for such individuals.

8. Based on the findings in this study, the ADS has been well received in the eligible regions and has had a positive impact on making air services more affordable in the most peripheral regions of the Highland and Islands, particularly for non-business trips for which the main purpose was to visit family and friends. A majority of respondents reported that their community was now a better place to live as a result of the ADS. Average satisfaction ratings ranged from 7.5 (out of 10) for agreeing that the scheme has improved connectivity to employment to 8.2 for agreeing that connectivity to important services has improved for the local community.

9. A range of stakeholders reported that there had been some issues with the initial operation of the scheme, such as multiple cards issued within the same household and delays in receiving ADS cards and PIN numbers. However, these were considered to be teething problems, and most of the issues have now been resolved. ADS members were generally very satisfied with the ease of application, booking and ongoing administration of the scheme.

10. Total passenger numbers on the eligible routes increased by around 12% in the year subsequent the introduction of the ADS to over 415,000. Nearly 143,000 single flights were made through the scheme between September 2006 and August 2007. These flights accounted for around a third of all passengers on the eligible routes. This proportion was highest on the Sumburgh to Kirkwall route (61%) and lowest on the air route between Glasgow and Islay (19%). The largest proportion of flights booked through the ADS were to and from the Western Isles (36%) followed by Shetland (31%) then Orkney (25%). Wick and Islay each accounted for 4% of ADS travel.

11. An estimated 18,000 (13%) of these flights would not have taken place without the existence of the ADS. This figure was much higher for non-business flights (17%) compared to business flights (6%). Another 48,000 of these flights (34%) would have been made by alternative surface modes of transport if the scheme did not exist. This includes over 39,000

non-business and nearly 9,000 business flights. The principal modal shift was from a combination of ferry and private transport, which was the case for all areas, with the exception of Caithness and Sutherland, where the switch would have primarily been to private transport.

12. In terms of the impact on existing ferry services, it appears that the largest impact has been on ferry services to the Northern Isles and lowest on the ferry service to Islay. Ferry operators indicated that while passenger numbers had not declined since the introduction of the ADS, growth in passenger numbers had levelled off. Overall, it is estimated that passenger numbers on eligible routes were higher than they otherwise would have been over the past year on all eligible routes as a result of the ADS. The lowest impact was on the air route between Islay and Glasgow and highest on air routes to and from Wick airport. The stakeholder interviews also underlined the vital importance of the ADS for Wick airport in particular.

13. It was reported by Loganair (the principal operator of air routes in the Highlands and Islands) that the growth in passenger numbers was as much a factor of their business strategy (such as direct routes, changes in timetabling and frequency), which still would have been implemented without the ADS. However, it is unlikely that the increased frequency and thus capacity on these routes would have been sustainable without the introduction of the ADS. Eastern Airways operates services from Aberdeen to both Wick and Stornoway. The service to Stornoway was launched at the start of 2006, while the service to Wick has been operating since 2001. The air services to both these destinations was subsequently upgraded in February 2007, with an increase in capacity of 60% due to the operation of larger 29-seater Jetstream 41 on these routes. It is unlikely that this would have occurred without the introduction of the ADS. A service was introduced from Benbecula to Inverness in September 2006 by Highlands Airways, as a direct result of the introduction of the ADS. However, the service did not prove to be viable and was subsequently discontinued in July 2007.

14. Overall, the review concludes that the scheme should be continued in its current form beyond March 2008 as part of a longer term process of improving the level of connectivity to more outlying communities within the Highlands and Islands. Other potential enhancements to the scheme were considered, but not recommended. Extending the scheme to non-resident family members goes beyond the objectives of the scheme, as European Commission approval is limited to subsidising residents of the most remote regions in the Scottish Highlands and Islands, not their family members on the mainland. In addition, it would not be possible to extend the scheme to air routes covered by PSOs as these air fares are specifically regulated under these obligations. If the discount were to be increased to 50%, it is estimated that costs to government would increase by approximately £1.9 million, to around £7.3 million per annum. The review concludes that there is not sufficient justification at this time to increase the level of discount any further.

15. Other recommendations include increasing the level of promotion and marketing of the scheme in order to increase uptake of the scheme in areas where it is still relatively low, particularly in Caithness and Sutherland; extending the provision of the ADS helpdesk to Saturday in order to enhance the level of service provided to members and travel agents; and making the scheme objectives SMARTer, particularly in relation to being measurable and time-based.

1 INTRODUCTION

1.1 Background

1.1.1 In August 2007, Halcrow was commissioned by the Scottish Government to undertake an independent, research-based review of the performance and impacts of the Air Discount Scheme (ADS) in Scotland and to make recommendations on the future of the scheme.

1.1.2 The Scottish Government launched the ADS in May 2006. Its main aim is to make air services affordable for remote communities in the Highlands and Islands and facilitate accessibility and social inclusion by providing a discount of 40% on the core air fare on certain eligible routes. The scheme was introduced under the European Commission's Aid of Social Character mechanism and is designed to deliver lower fares for residents of Scotland's most peripheral communities to Scotland's key population centres and between airports within the eligible areas. The eligible area consists of the Western Isles, Orkney, Shetland, Islay and Jura, Caithness and North-West Sutherland.

1.1.3 The discount is applicable to all scheduled flights to and from any airport within the eligible area to one of the four main Scottish airports – Glasgow, Edinburgh, Aberdeen and Inverness – as well as to other airports within the eligible areas.

1.1.4 Some routes are not included within the scheme as they are served by Public Service Obligation (PSO) air services, such as the services from Barra, Campbeltown and Tiree to Glasgow. Furthermore, the scheme is aimed at the local population and therefore it does not apply to people who work, but do not live, in the eligible areas. National Health Service funded trips are also excluded from the scheme.

1.1.5 The ADS is operated through the current sales distribution channels including 19 affiliate travel agencies and directly through the airlines' websites. The discounts are applied by the airline or booking agent at time of purchase who then invoice the Scottish Government for all the discounts applied within an agreed period.

1.1.6 The latest update from the ADS Team indicates that membership across the eligibility area is currently running at 87% with over 130,000 tickets purchased over the scheme's first year. However, there are still a high number of ADS members who have subscribed to the scheme, but not purchased any tickets, with only 34% of scheme members having booked discounted flights since the scheme began. In addition to that, membership has not been uniform between eligible regions, being particularly low in Caithness (55%) and Sutherland (31%) while all other eligible regions have membership rates of over 95%.

1.2 **Methodology**

1.2.1 The research part of the review involved both documentary analyses of procedural and promotional materials, as well as primary research with a wide range of stakeholders on the supply and demand side, to ensure that the diverse social and economic impacts of the ADS were captured in a coherent and robust manner. The research allowed the views of those affected by the scheme to feed into the investigation.

1.2.2 The primary research included telephone and face-to-face interviews with 30 wider stakeholders within the public and private sector (including representatives from airports, airlines and ferry operators, travel agents, Local Authorities, Regional Transport Partnerships, enterprise companies and some local businesses), as well as an online survey with 418 ADS members and a postal survey with 68 non-members.

1.2.3 Further information about the methods, research questions and sample are given in at the start of the relevant chapters (chapter 4 for the ADS member survey, chapter 5 for the non-member survey and Appendix 1 for the stakeholder interviews). The methods sections for the two surveys include discussion about the reasons for the chosen approaches and their potential limitations. It should be noted that there is some bias towards ADS users (rather than non-users) within in members' survey, and that the non-members survey is based on a small sample size. Therefore, while analyses of the surveys provide an indication of people's opinions about the ADS, generalisation to the wider population is not always possible.

2

POLICY AND CONTEXT REVIEW

2.1

Introduction

2.1.1

This chapter places the introduction of the ADS within a policy and strategic context. This is necessary to establish the role and function of the ADS within a social and economic context and establish a clear rationale and objective for the policy. The chapter focuses on a review of key strategy documents in outlining the rationale and how the scheme contributes to Scottish Government policy. The chapter then progresses by developing a set of indicators against which the performance of the policy, in terms of meeting its objectives, can be measured.

2.2

Strategic overview

2.2.1

People living in remote areas in many parts of the Scottish Highlands and Islands have a strong dependence on transport to access essential services such as health, education, leisure, as well as employment in the main economic, population and administrative centres in Scotland. The choices faced by these communities when travelling to these centres are typically journeys of a long duration and high air fares.

2.2.2

The National Transport Strategy (NTS) for Scotland published in December 2006 set out the then Scottish Executive's overall aims and objectives for transport in Scotland. The overall aim was to "promote economic growth, social inclusion, health and protection of our environment through a safe, integrated, effective and efficient transport system".

2.2.3

The objectives of the NTS focussed on the key issues of economy, integration, environment, safety and social inclusion, with the objective for the latter to "promote social inclusion by connecting remote and disadvantaged communities and increasing the accessibility of the transport network" across Scotland. More specifically, the NTS states "**Supporting lifeline airports and air services**" as one of the key commitments to improve accessibility and social inclusion. The NTS indicates that the then Scottish Executive made a commitment to continuing the ADS until March 2008 as the scheme has approval from the European Commission until that date, with a maximum budget of £11.2 million per annum.

2.2.4 Following the change in administration in May 2007 the new Scottish Government is considering its priorities for Scotland and these will ultimately be reflected in future policy documents. Following their election to Government, the new administration outlined its purpose as follows:

“To focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

2.2.5 To achieve this, it has identified five Strategic Objectives, which build on the key themes. The five objectives are:

- (a) **Wealthier and fairer** – enable businesses and people to increase their wealth and more people to share fairly in that wealth
- (b) **Healthier** – help people to increase their health, especially in disadvantaged communities, ensuring better, local and faster access to healthcare
- (c) **Safer and stronger** – help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life
- (d) **Smarter** – expand opportunities for Scots to succeed from nurture through to life long learning ensuring higher and more widely shared achievements
- (e) **Greener** – improve Scotland’s natural and built environment and the sustainable use and enjoyment of it

2.2.6 One of the aims of this study is to gather evidence to examine whether the ADS is contributing to and supporting these high-level strategic objectives, as well as achieving the more specific scheme objectives. For example, is there evidence to demonstrate the ADS is helping to make remote communities **stronger** and offer **improved opportunities** for accessing the main administrative and economic centres of Scotland? In addition, is improving accessibility and reducing journey times through more affordable air services helping to support economic development and therefore in line with the objective of making Scotland **wealthier and fairer**?

2.3

Policy rationale

2.3.1

The rationale for publicly funded policies needs to be based on an identification of market failures, in order to justify public intervention. The ADS is targeted at the populations of the most peripheral areas of the Highlands and Islands. The choices faced by these communities when travelling to the main economic, administrative and population centres of Scotland can be typically journeys of extremely long duration or relatively expensive air services. These high fare levels relative to other parts of the UK and Europe are a consequence of the “thinness” of typical routes in the region. The commercially viable routes in the Highlands and Islands attract few passengers due to the lack of population and peripheral nature of the region. This leads to relatively high fares that make the services unattractive for the majority of journeys undertaken by residents in these areas.

2.3.2

Consequently, the then Scottish Executive took the view that the lack of affordable air services can act as a barrier to social and commercial inclusion for remote communities in the Highlands and Islands and decided to intervene by introducing the ADS in May 2006. The scheme was introduced under the European Commission’s Aid of Social Character Scheme, which allows public intervention in accordance with Article 88(3) EC Treaty to promote social inclusion of the populations of very remote and isolated areas such as the remotest parts of the Scottish Highlands and Islands.

2.3.3

When seeking approval for the scheme from the European Commission, the then Scottish Executive stated that the scheme is necessary and appropriate given the remoteness of the eligible areas. The European Commission specified that the aid could be granted by way of discount set at up to 50%. The discount to be offered is a set percentage of the airline fare excluding taxes, airport charges and fuel/insurance/security surcharges.

2.3.4

Contrary to the PSO mechanism, which applies to those routes that have no prospect of being commercially viable, the then Scottish Executive considered the ADS under the aid of social character mechanism to be more appropriate for air services which can be provided commercially but at a cost that is a barrier to social inclusion. The aim of the measure was to target the support at those remote communities and reduce their isolation by tackling the high fare levels that create a barrier to social and commercial cohesion.

2.3.5 The European Commission approved the scheme until March 2008 with a maximum budget of £11.2 million per annum stating that it is established Commission practice in this regard as set out in a number of decisions concerning similar schemes that residence in a remote region may be regarded as a ‘social handicap’, which justifies the grant of such individual aid.

2.4 **Development of performance indicators**

2.4.1 At the start of 2006, the Scottish Government was very restricted in time scale in setting up the ADS and therefore no specific quantified targets or indicators were set that would allow continuous assessment and monitoring of the scheme’s performance and impacts. Consequently, Halcrow agreed with the Scottish Government to develop a set of **performance indicators**, which can be used to measure the impacts of the ADS, and also for continuous future monitoring and evaluation purposes. The indicators are discussed below

2.4.2 The primary objective of the scheme is one of social character and aims **“to facilitate greater social inclusion in the most peripheral areas of the Highlands and Islands through affordable access to air services to the main economic and administrative centres of Scotland”**.

2.4.3 At the set up of the ADS, there was a general expectation that the scheme would have the following three main impacts:

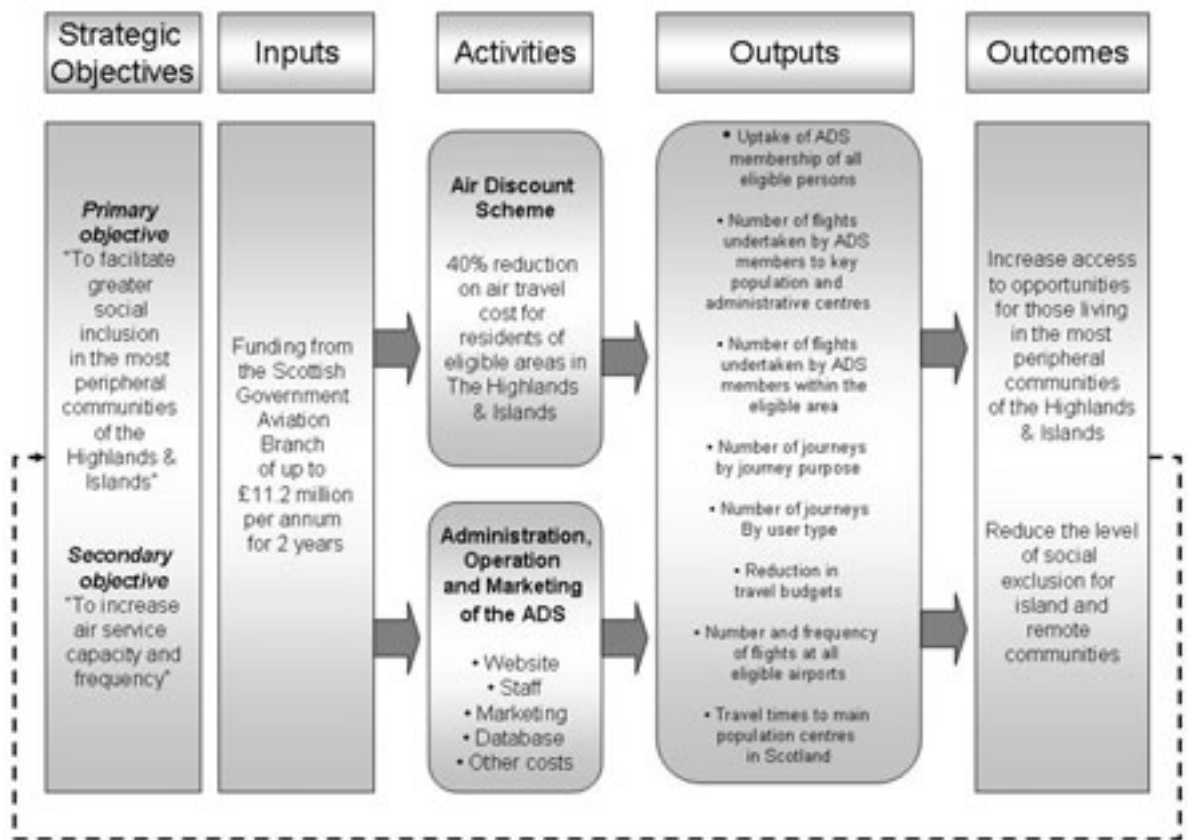
- Making air travel more accessible, improving connectivity and reducing journey times
- Increase travel amongst eligible residents as a consequence of lower cost
- Improvements in service capacity and frequency

2.4.4 It was important that the structure of the study provided a clearly defined path for the review and was able to show the relationship between strategic objectives, inputs, activities, outputs and outcomes, which are measured by performance indicators. Figure 2-1 overleaf outlines the intended relationship between the strategic objectives of the ADS and the policy outcomes. Meeting the strategic objectives and the intended policy outcomes is often dependent upon an efficient allocation of inputs, developing a range of effective activities and the establishment of key policy outputs.

2.4.5

One of the aims of this study is to gather evidence to demonstrate the linkages between the various boxes, and ultimately the impact on the outcomes. The performance indicators play an essential role in determining and measuring the impacts of the scheme.

Figure 2-1 Strategic Performance Measurement Framework



2.4.6

Overall, the purpose of the performance framework is to:

- Consider how the Air Discount Scheme meets strategic objectives
- Measure the impacts of the Air Discount Scheme
- Demonstrate the success of the Air Discount Scheme
- Learn and improve for the future

2.4.7

The initial expectations of the impacts of the scheme were translated into the desired outcomes of the ADS as part of the performance measurement framework. The outputs are the direct, more measurable results of the ADS that are meant to lead to the outcomes and form the basis for the development of outcome indicators. Given the difficulty in the time allotted to measuring the change in levels of social inclusion (the key focus of the scheme) it was proposed that the indicators focussed on a series of outputs. Given the expected strong linkages between these outputs and the desired outcomes it is likely that these output indicators will provide a good proxy for measuring the performance of the scheme.

Performance Indicators

1) Percentage of ADS Members as part of population in each eligible region

The above indicator will give information on the number of people registered under the scheme. This will reflect the intention to use the scheme by region and could also indicate if there is a need for further marketing (and if so, in which region). This will be based on monitoring data collected through the administration of the scheme.

While this indicator will provide a useful insight into the proportion of eligible members who have joined, it will not necessarily provide an indication of the impact on the overall objective as it does not tell whether or not people are using the scheme after they join.

2) Percentage of ADS members using the scheme

The second indicator will therefore inform how many of the ADS members have actually used the scheme. This will also be presented at a regional level to assess how the scheme is being used in each of the eligible areas. This will be based on monitoring data collected through the administration of the scheme.

3) Purpose of journey (business versus leisure and social trips in %)

The third indicator will be used to measure the purpose of journey and thus provide an insight into what the journey is being used for in each of the eligible areas. It will be important to determine the purpose of journeys undertaken using the ADS to assess the extent to which the scheme is meeting the primary objective of supporting social inclusion,

or if the scheme is being used for other purposes such as business trips. This will be based on data collected from the survey of ADS users.

4) Journey by user type

Given the social inclusion focus of the scheme it will be important to know whether the ADS has had a particular impact on those groups that have historically been affected by being socially excluded, such as the elderly, people with disabilities and the unemployed. The fourth indicator will therefore gather data on the type of user. This will be based on data collected from the survey of ADS users.

5) Regional patterns of travel via ADS

The above indicator will show the regional patterns of travel and will be essential in determining whether travel amongst all eligible regions has increased as a consequence of lower cost, which would be in line with initial expectations. This information will also inform whether the scheme has had different impacts in different geographic areas of Scotland. This indicator will be based on monitoring data collected through the administration of the scheme as well as data collected from the survey of ADS users.

The indicator will also help determine the extent to which the scheme is simply being used by people who would have flown in any case or whether it is generating new trips, which will be important in determining the effectiveness of the scheme. This is known as scheme additionality – i.e. the extent to which the trips would have taken place anyway without public subsidy.

All five indicators set out above will be essential in drawing a clear picture of the use of the ADS, the number and purpose of trips undertaken under the ADS and the patterns of demand and travel. This will be important – together with qualitative responses obtained through the survey – in order to determine whether connectivity and access to important services has improved for people living in the eligible area and whether air travel has become more accessible.

6) Reduction in journey times

Estimates will be made of the journey time for particular trips before and after the introduction of the ADS, based specifically on responses from the survey of ADS users. The indicator will help inform by how much journey times to the main economic and administrative centres in Scotland have decreased since the launch of the ADS and whether it has improved connectivity and accessibility.

7) Flight capacity and frequency

Flight capacity will assess the total available seat capacity on each of the routes on an annual basis. This will then be monitored over time to assess how capacity has evolved since the introduction of the ADS. Flight frequency will report on the number of flights on each of the routes and how these have changed since the introduction of the ADS. This will then be monitored over time to assess how capacity has evolved since the introduction of the ADS.

The two indicators presented above will help determine what impact the ADS, and consequently the increased demand for air travel, has had on the capacity on flights serving eligible routes and the frequency of flights on these routes. An increase in flight capacity and frequency formed part of the initial expectations regarding the impacts of the scheme. It is anticipated that these two indicators will be based on monitoring data collected from the airlines.

8) Change in travel budgets

One of the main purposes of introducing the 40% fare reduction on eligible routes was to ensure that the overall cost of making the journey was more affordable. This indicator will measure whether the fare reduction has resulted in a reduction in overall costs or whether other costs have risen to negate some of the 40% discount. This will be based on data collected from the survey of ADS users.

9) Mode shift

The level of modal shift will reveal the percentage or number of people who travelled to the mainland by ferry before the introduction of the scheme and then switched to air services. It will also enable us to assess the impact on different transport operators and on the environment, particularly carbon emissions.

Comparison of indicators with baseline

It should be noted that all above performance indicators will be compared against a **baseline scenario** developed to enable clear “before and after” comparisons. The aim is to assess additionality and take account of a counterfactual situation (e.g. what would have happened without the scheme?) and assess the extent to which the intervention has contributed to the policy objective compared to a “Do Nothing” scenario. The focus will be to identify the specific impacts which would **not** have occurred without the intervention. This will be based on data collected from the survey of ADS users, by asking them what they would have done without the introduction of the ADS.

3 PERFORMANCE OF ADS ELIGIBLE AIR ROUTES

3.1 Introduction

3.1.1 This chapter of the report presents an overview of the performance of the ADS eligible air routes over the past two years. This is based on data derived from the Civil Aviation Authority (CAA) as well as other data supplied by Highlands and Islands Airports Limited (HIAL), Loganair (the operator on the majority of the ADS routes) and the Scottish Government.

3.1.2 Eligible routes operating out of all of the six relevant airports are examined to assess how overall passenger demand has evolved over the past two years. The six airports covered by the scheme include:

- Kirkwall, Orkney
- Sumburgh (Lerwick), Shetland
- Stornoway, Western Isles
- Benbecula Western Isles
- Islay, Argyll and Bute
- Wick, Caithness and Sutherland

3.2 Overall trends in air travel in the Highlands and Islands

3.2.1 Alongside the three principal airports in Scotland (Edinburgh, Glasgow and Aberdeen) Inverness Airport has also experienced consistently strong passenger growth over the past five years. In 2006/2007, passenger traffic grew to over 700,000, an increase of 72% since 2002/2003, and substantially higher than any other airport in the Highlands and Islands. The number of air routes from Inverness has increased substantially over this period and it now offers a comprehensive range of UK domestic connections. Many of these new routes have benefited from the Air Route Development Fund (ARDF)¹, another initiative funded by the Scottish Government which sought to enhance Scotland's direct air links

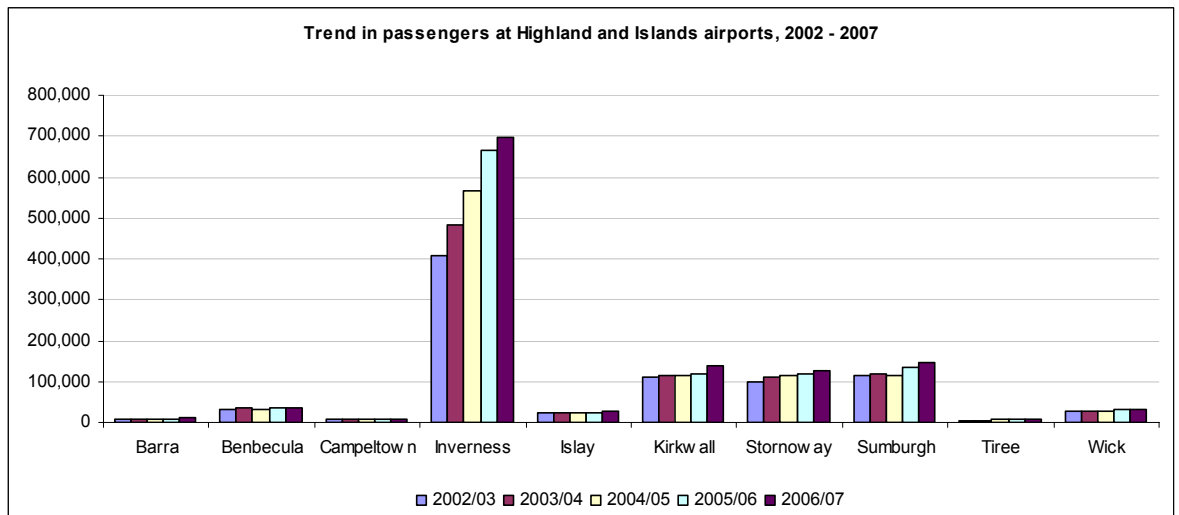
¹ The ARDF was launched in November 2002 and is delivered by Scottish Enterprise and Highlands and Islands Enterprise. It is a multi-million pound fund designed to provide an additional public subsidy to airline operators in order to attract new direct airline links into Scotland. Routes from Inverness to Birmingham, Bristol, Newcastle, Leeds Bradford, Dublin, Liverpool and East Midlands have all been supported through the ARDF.

to the rest of the world in order to promote increased business connectivity.

3.2.2

Passenger numbers at Kirkwall, Stornoway and Sumburgh airports have all risen to around 115,000 per annum in 2006/2007, an increase of between 24% to 28% since 2002/2003. Passenger growth at Kirkwall airport was much flatter in the first four years of this period, with passenger growth concentrated in the last year between 2005/2006 and 2006/2007 – corresponding to the period when the ADS was introduced. During this period overall passenger numbers grew by 17% compared with 6% at Sumburgh and Stornoway. These passenger trends are illustrated in Figure 3-1 below.

Figure 3-1 Passenger trend at Highlands and Islands airports, 2002-2007

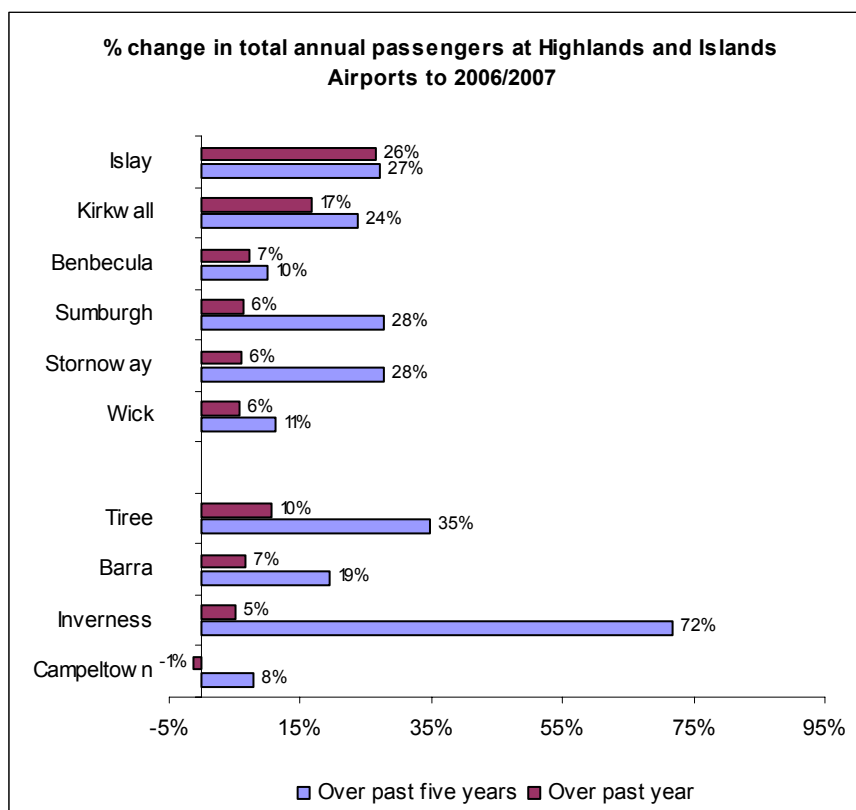


Source: Highlands and Islands Airports Ltd

3.2.3

Islay airport also exhibited strong growth in the last year of the five year period, which accounted for nearly all (97%) of the growth in passenger demand since 2002/2003 (Figure 3-2). For the other two ADS eligible airports, Benbecula and Wick, passenger growth was also more concentrated in the period subsequent to the introduction of the ADS, which accounted for 72% and 51% respectively of total passenger growth at these two airports over the past five years.

Figure 3-2 Change in annual passengers at Highlands and Islands airports to 2006/2007



Source: Highlands and Islands Airports Ltd

3.2.4

The introduction of the ADS coincided with significant changes on a number of eligible routes, with changes in frequency, capacity and timetabling. All of these factors will need to be accounted for as part of the analysis to attribute the impact of the ADS on air travel within the Highlands and Islands. These factors will be explored in more detail in the remainder of this section.

3.3

Eligible air routes to and from Kirkwall, Orkney

3.3.1

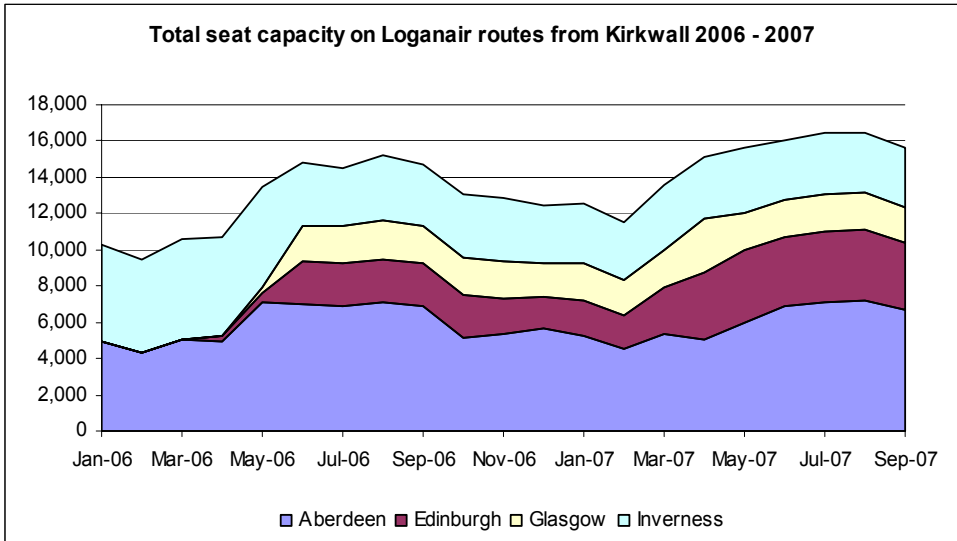
All of the routes to Kirkwall in Orkney are operated by British Airways franchise partner Loganair, using Saab 340 aircraft (as do all of the other eligible ADS air routes operated by Loganair). The launch of the ADS in May 2006 coincided with changes to most of the air routes operating to and from Kirkwall, in anticipation of increased patronage arising from the introduction of the scheme.

3.3.2 An additional weekday flight was added to both the Aberdeen and Inverness routes, while non-stop services were introduced to Edinburgh and Glasgow. Previously, these services would have stopped in Inverness (for Glasgow) and Wick (for Edinburgh) on route to the central belt. Flight timetabling was also adjusted on the Kirkwall to Sumburgh route, making it easier for day trips from Shetland. This service now operates as an inter-island return flight from Sumburgh to Kirkwall to Inverness (and back again), rather than travelling on to Glasgow. As a result the air service between Glasgow and Inverness was discontinued in May 2006.

3.3.3 A service had also operated between Kirkwall and Wick as part of the onward flight to Edinburgh. This was also discontinued with the launch of the new summer timetable in 2007, and so there are now no flights operating between Wick and Kirkwall.

3.3.4 Figure 3-3 shows the total seat capacity on direct flights from Kirkwall to Aberdeen, Edinburgh, Glasgow and Inverness since the beginning of 2006. In the first four months of 2007, total capacity on these routes grew by 28% compared to the same period in 2006, before the ADS was introduced. The total capacity over the summer of 2007 (May to September) was 10% higher than in the same period in 2006 (which corresponds to the first five months when the scheme was introduced).

Figure 3-3 Total seat capacity on Loganair routes from Kirkwall

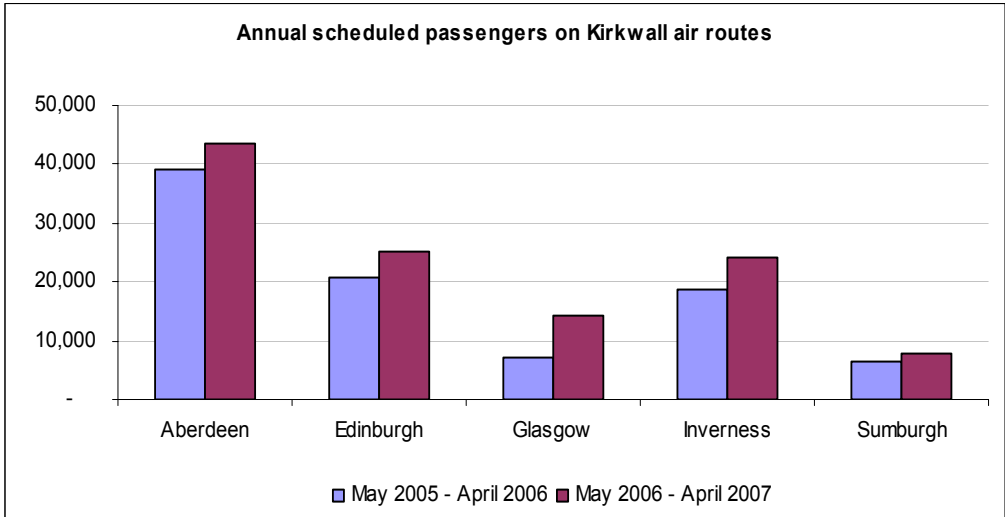


Source: Loganair

3.3.5 While capacity on these direct routes has increased, this has corresponded with a substantial fall in capacity from Inverness to Glasgow and Edinburgh over the same period. Total capacity on these routes has fallen by over 50% in the period January to September 2007, compared to the same period in 2006. Overall, the seat capacity across the Loganair network has remained relatively stable, with the focus being on more direct routes across the network (primarily to the Northern Isles), which no longer stop in Wick or Inverness.

3.3.6 Figure 3-4 presents the annual scheduled air passengers on routes to and from Kirkwall. The graph presents annualised data on these routes, for the year before and after the ADS was introduced in May 2006. The air service to and from Aberdeen is the most heavily used from Orkney accounting for over 40,000 passengers per annum. This amounts to an average of around 3,500 single trips per month, and is equivalent to around 40% of total air passenger traffic from Orkney. This is followed by the routes to Edinburgh and Inverness, which both account for around 20% of total passengers.

Figure 3-4 Annual scheduled passengers on Kirkwall air routes

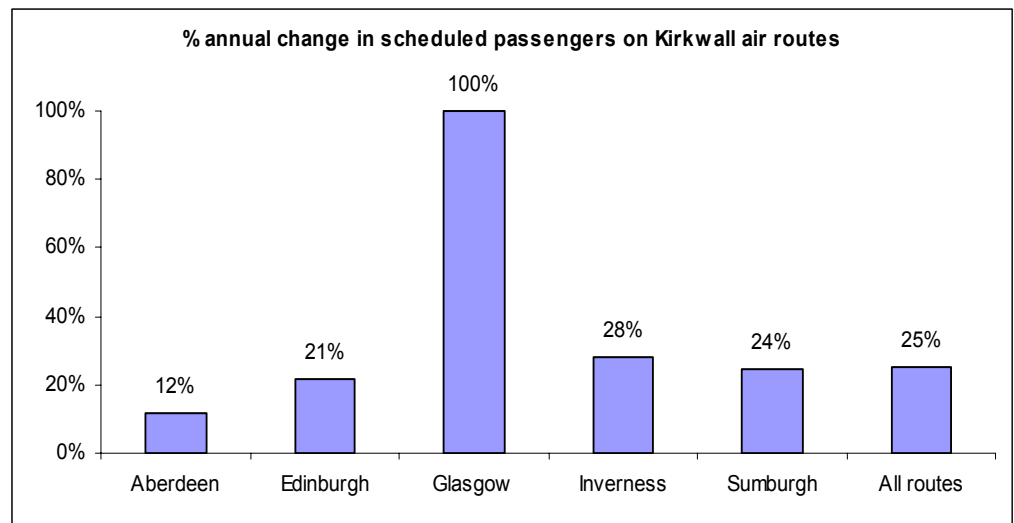


Source: CAA

3.3.7 Comparing the annual performance of these routes after the ADS was introduced (May 2006 to April 2007) with the same period in 2005/2006, the number of passengers has increased on all routes from Orkney. The percentage increase in passenger numbers has been greatest in relation to

the route from Kirkwall to Glasgow, where annual passenger numbers doubled (equivalent to an additional 7,200 passengers). The smallest percentage increase was on the Kirkwall Aberdeen route at 12%, which amounted to an increase of around 4,500 passengers. This is shown in Figure 3-5 below.

Figure 3-5 % annual change in scheduled passengers on Kirkwall air routes

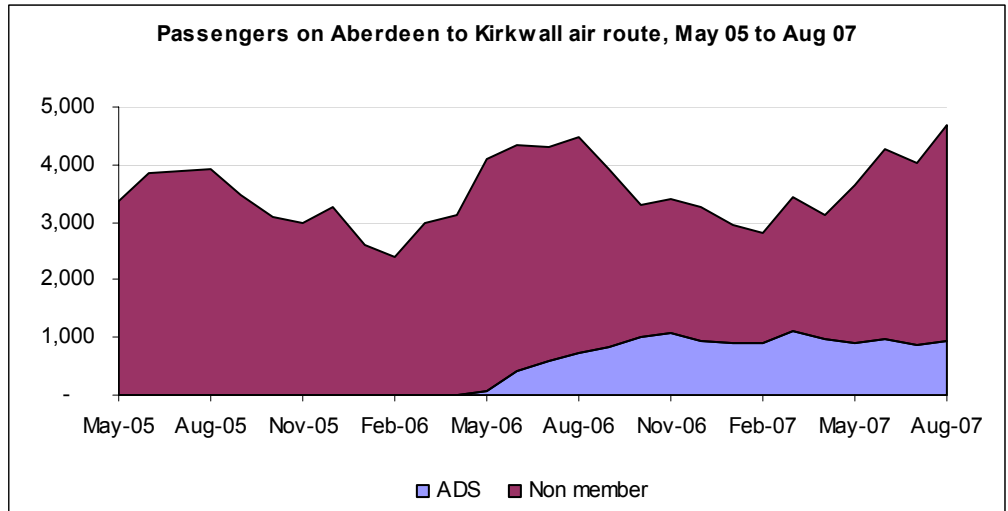


Source: CAA

3.3.8

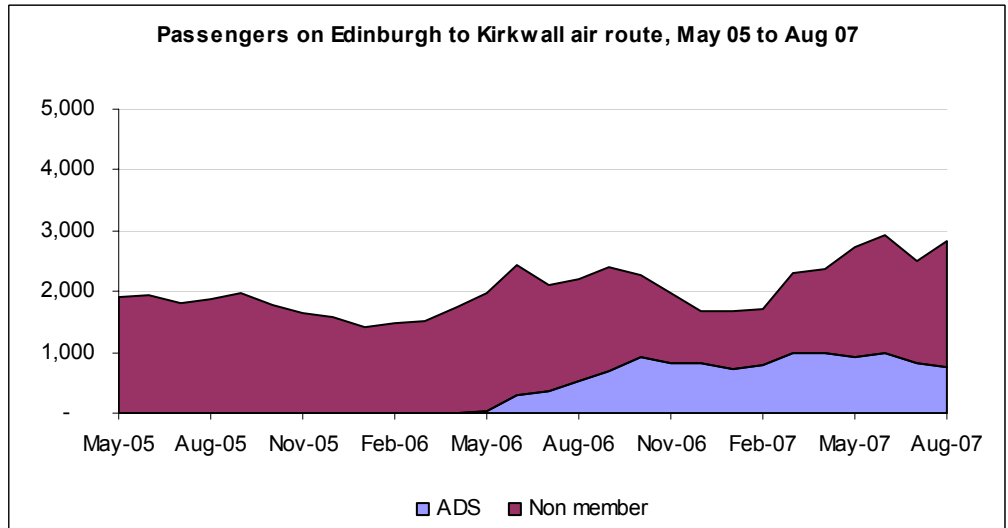
Trends in monthly passenger numbers on all of the routes from Orkney is profiled in the following set of graphs illustrated in Figure 3-6 to Figure 3-10. These show the total number of passengers travelling on these routes every month, split by ADS and non-ADS bookings. The same scale is used on each of the graphs in order that clear comparisons can be made regarding the performance of each of the routes.

Figure 3-6 Passengers on Aberdeen to Kirkwall air route



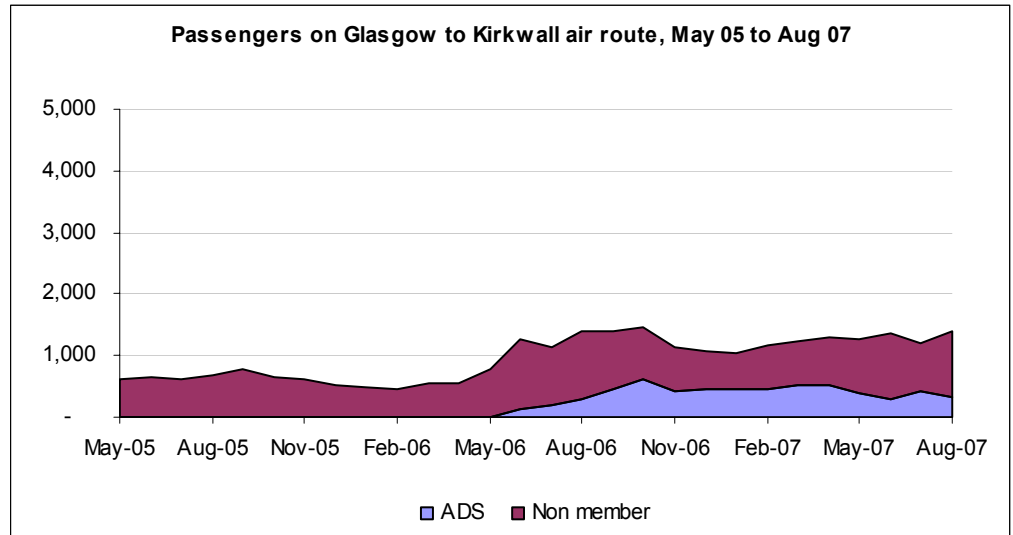
Source: CAA and Scottish Government

Figure 3-7 Passengers on Edinburgh to Kirkwall air route



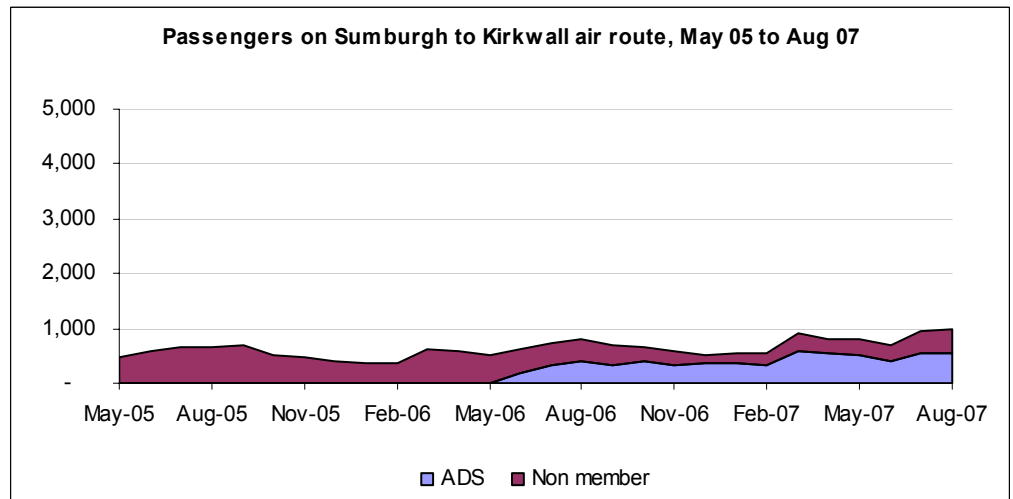
Source: CAA and Scottish Government

Figure 3-8 Passengers on Glasgow to Kirkwall air route



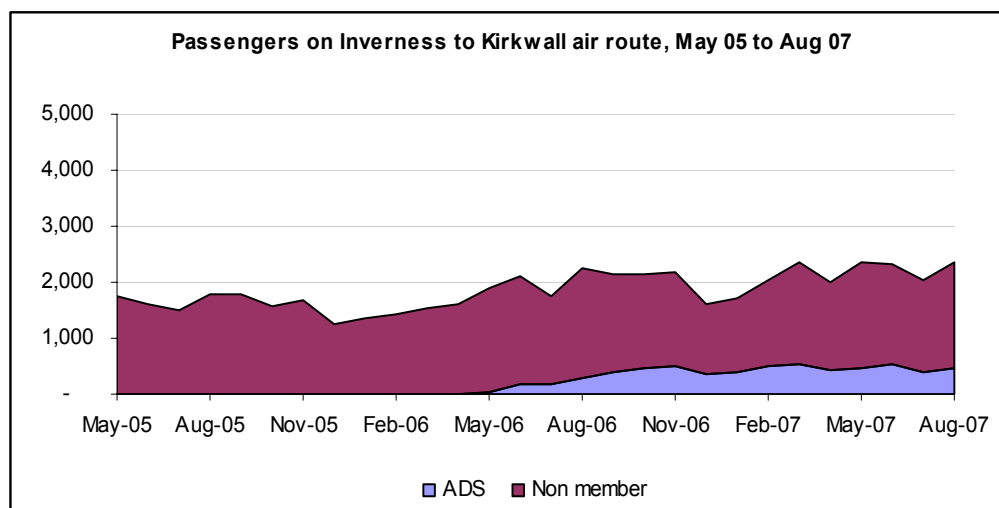
Source: CAA and Scottish Government

Figure 3-9 Passengers on Sumburgh to Kirkwall air route



Source: CAA and Scottish Government

Figure 3-10 Passengers on Inverness to Kirkwall route



Source: CAA and Scottish Government

3.3.9 The graphs underline that a large proportion of travel on these routes is not undertaken using ADS. ADS bookings ranged from around 21% for the Kirkwall Aberdeen flight to 57% on the Kirkwall Sumburgh flight. Non residents will constitute the largest proportion of non-ADS bookings. NHS funded passengers are also not covered by the scheme.

3.3.10 The graphs illustrating air passenger demand to and from Kirkwall also underline that ADS travel is less prone to seasonal fluctuations, and has been more constant throughout the year, when compared to non-ADS travel. Seasonal peaks and troughs appear more pronounced in relation to non-ADS bookings on the two busiest air routes to Orkney from Aberdeen and Edinburgh. The less seasonal nature of ADS bookings is also reflected across all other eligible routes as seasonal fluctuations are likely to have a much greater correlation with incoming tourist passenger demand, which does not qualify for the ADS discount.

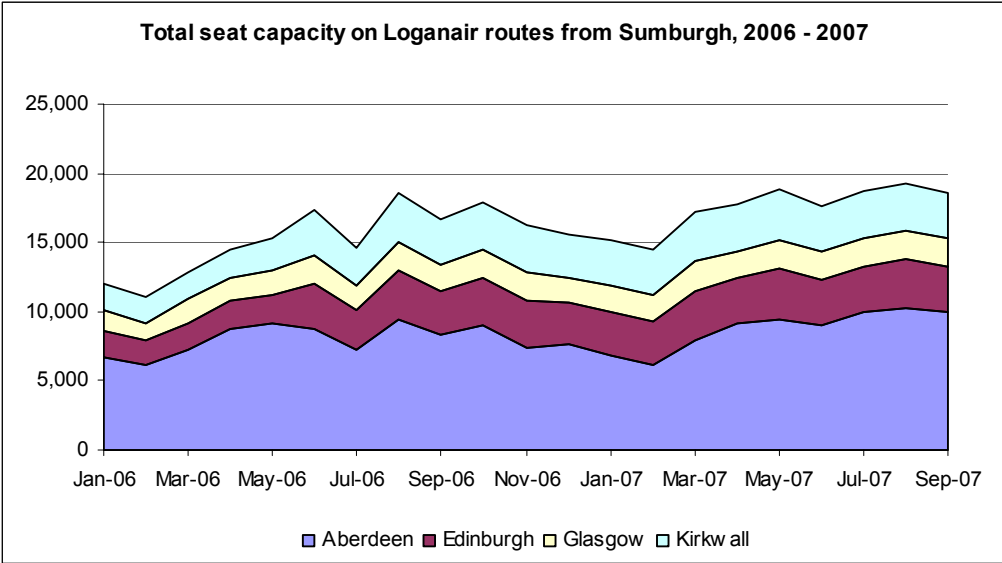
3.4 Eligible air routes to and from Sumburgh, Shetland

3.4.1 Loganair operates direct scheduled services to and from Sumburgh to Aberdeen, Edinburgh, Glasgow and Kirkwall. The launch of the ADS in May 2006 coincided with changes to some of the air routes operating to and from Sumburgh. An additional flight was added on the Aberdeen route every Sunday, while a second non-stop flight was added between Sumburgh and Edinburgh on weekdays.

3.4.2 Figure 3-11 shows the total seat capacity on direct flights from Sumburgh to Aberdeen, Edinburgh, Glasgow and Kirkwall since the beginning of 2006. In the first four months of 2007, total capacity on these routes grew by 28% compared to the same period in 2006, before the ADS was introduced. The total capacity over the summer of 2007 (May to September) was 13% higher than in the same period in 2006 (which corresponds to the first five months when the scheme was introduced).

3.4.3 Capacity on the Aberdeen to Sumburgh route was affected by adverse weather conditions (primarily during July 2006), which explains the unseasonal downturn during this summer period.

Figure 3-11 Total seat capacity on Loganair routes from Sumburgh



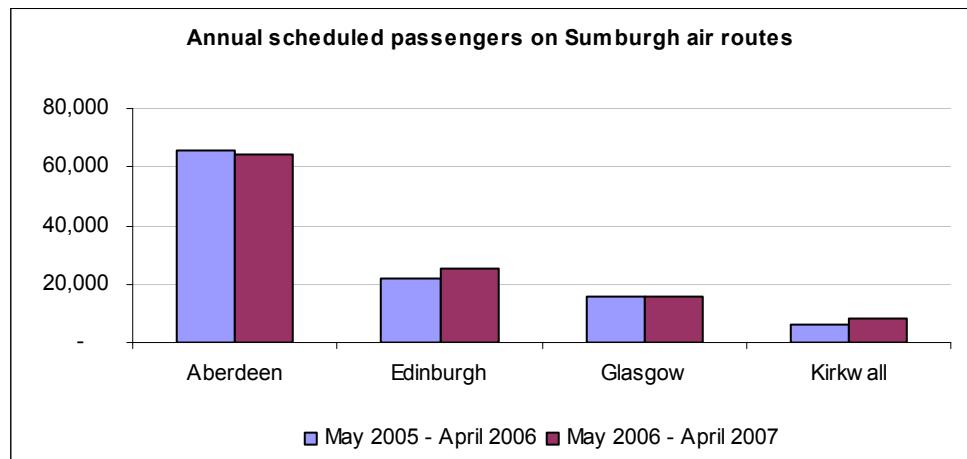
Source: Loganair

3.4.4 In contrast with Orkney, where flights to the central belt had previously stopped at Inverness (or Wick), direct flights had previously operated between Sumburgh and Edinburgh and Glasgow before the introduction of the ADS. In the period January to April 2007, the % increase in capacity was greatest on the direct route from Sumburgh to Edinburgh (78%) and Kirkwall (71%) compared to the same period in 2006.

3.4.5

The flight to Aberdeen is the most important route, accounting for around 60% of total passenger traffic. This equates to over 60,000 passengers per annum (an average of around 5,500 passengers per month) the highest of all the air routes in Scotland qualifying for ADS assistance. The second most popular route is to Edinburgh, which experiences average passenger numbers of around 2,000 per month and accounts for around 20% of total passenger traffic. This is followed by Glasgow (14%) and Kirkwall (7%), as shown in Figure 3-12 below.

Figure 3-12 Annual scheduled passengers on Sumburgh air routes

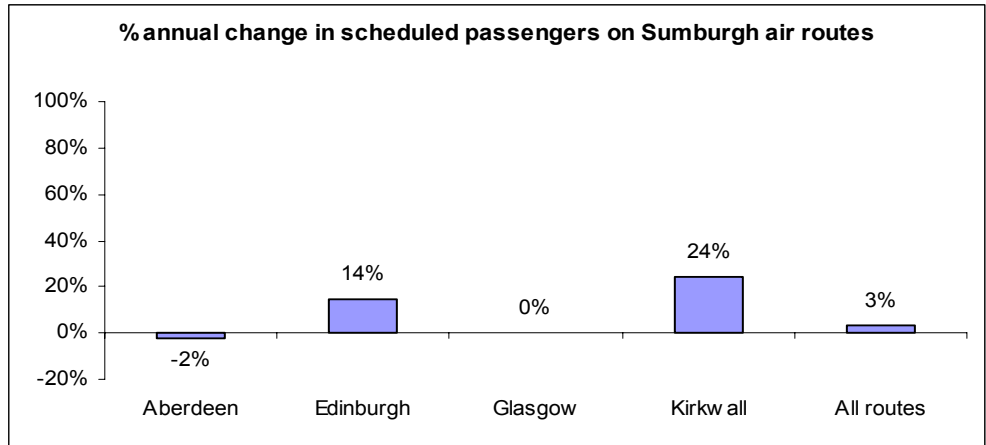


Source: CAA

3.4.6

As illustrated in Figure 3-13, the routes from Sumburgh in Shetland have experienced less pronounced change in passenger traffic when compared to Orkney, since the introduction of the ADS. Overall passenger numbers rose by 3% compared to 25% at Kirkwall in the year since the introduction of the ADS (May 2006 to April 2007) compared to the same period in 2005/2006. The greatest increase was in relation to the service between Orkney and Shetland (24%). In contrast with the substantial increase on the Glasgow Kirkwall service (100%), passenger traffic between Glasgow and Sumburgh was static, while traffic to Aberdeen fell by 2%.

Figure 3-13 % annual change in scheduled passengers on Sumburgh air routes

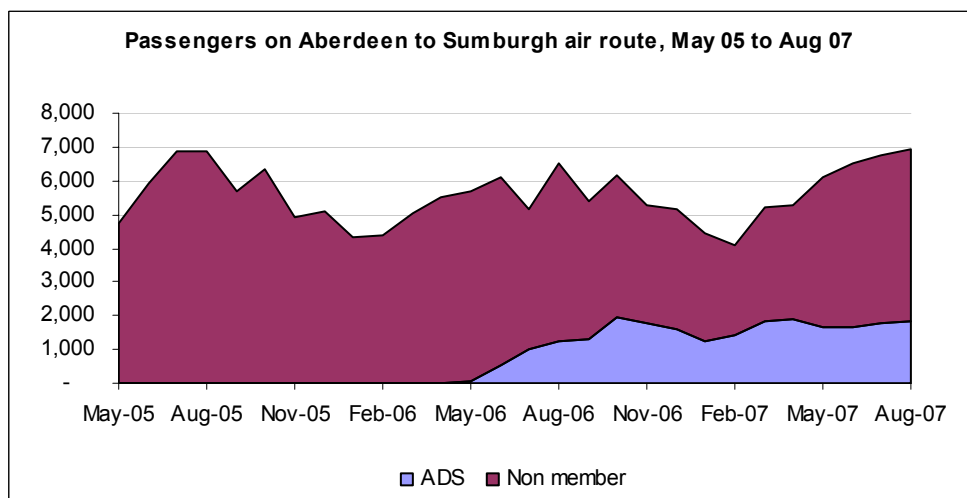


Source: CAA

3.4.7

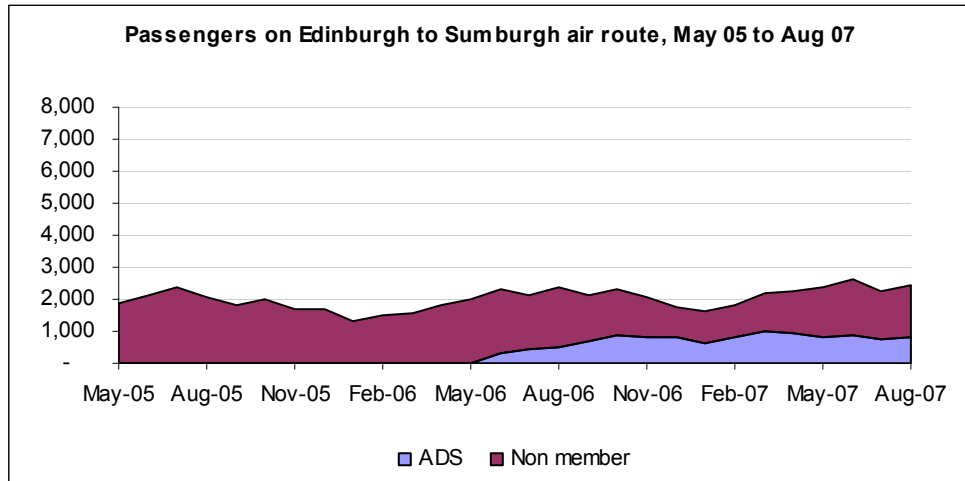
Trends in monthly passenger numbers on the Edinburgh, Glasgow and Aberdeen routes from Shetland are profiled in the following set of graphs shown in Figure 3-14 to Figure 3-16. These show the total number of passengers travelling on these routes every month, split by ADS and non-ADS bookings. The same scale is used on each of the graphs in order that clear comparisons can be made regarding the performance of each of the routes.

Figure 3-14 Passengers on Aberdeen to Sumburgh air route



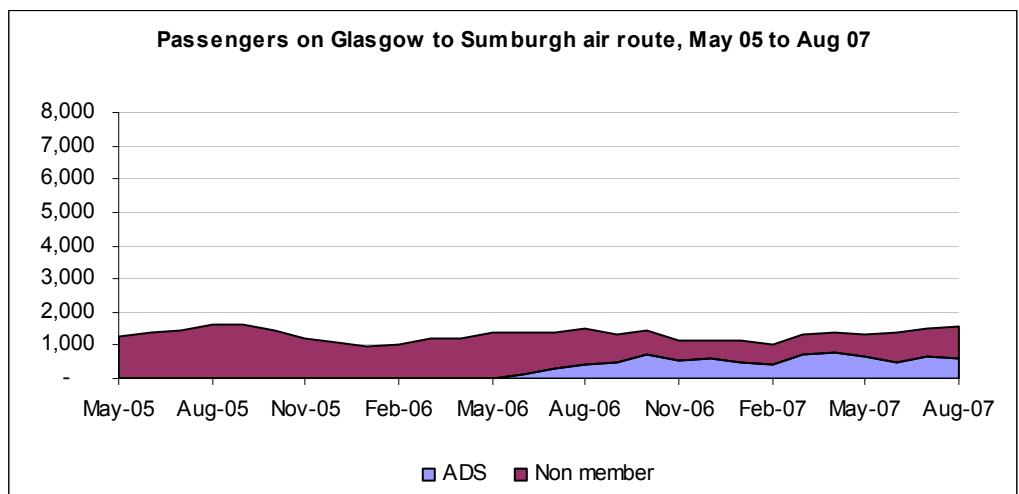
Source: CAA and Scottish Government

Figure 3-15 Passengers on Edinburgh to Sumburgh Air route



Source: CAA and Scottish Government

Figure 3-16 Passengers on Glasgow to Sumburgh air route



Source: CAA and Scottish Government

3.4.8

The proportion of passengers that booked tickets through ADS ranged from around 26% for the Sumburgh Aberdeen route to 39% on the Sumburgh Glasgow route. ADS traffic grew steadily on each of the routes in the six months since its introduction in May 2006. Subsequent to this period, demand has been more constant. This would correspond with increasing uptake and use of the scheme in the first six months which then levelled off.

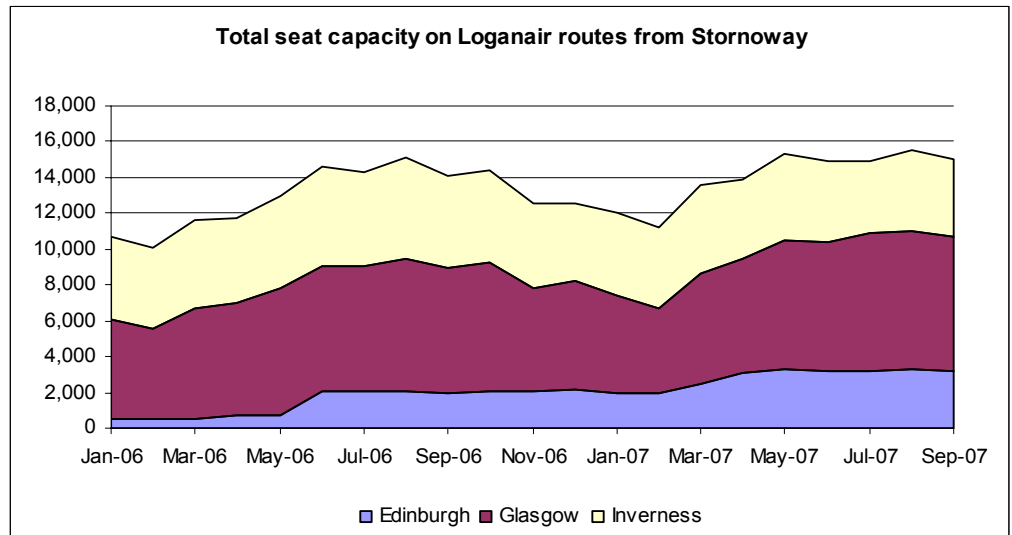
3.4.9 Overall, the passenger traffic on these routes has a less pronounced seasonal pattern compared to the routes to Orkney, although demand does fall in the winter months for both ADS and non ADS traffic. The route to Aberdeen, the busiest of the routes from Sumburgh is also the most seasonal. It has exhibited strong growth in demand since the start of the year, rising above the highest monthly peak in August 2006 of 6,500 to nearly 7,000 in August 2007.

3.5 **Eligible air routes to and from Stornoway, Western Isles**

3.5.1 Air services are available from Stornoway (on the Isle of Lewis in the Western Isles) to Glasgow, Edinburgh and Inverness, which are operated by Loganair. A daily direct service was launched between Edinburgh and Stornoway in May 2006, which previously would have stopped in Inverness. A direct service is also operated by Highland Airways to Inverness, and Eastern Airways operates a further service to Aberdeen. This service was launched at the start of 2006, as a daily weekday service. The service was subsequently upgraded in February 2007, with an increase in capacity of 60% due to the operation of larger 29-seater Jetstream 41 on the route.

3.5.2 Figure 3-17 shows the total seat capacity on direct Loganair flights from Stornoway to Edinburgh, Glasgow and Inverness since the beginning of 2006. In the first four months of 2007, total capacity on these direct routes grew by 15% compared to the same period in 2006, before the ADS was introduced. This was due entirely to increased capacity on the direct route from Edinburgh, with very little changes in capacity on the other two routes. The total capacity over the summer of 2007 (May to September) was 6% higher than in the same period in 2006 (which corresponds to the first five months when the scheme was introduced). This included a further rise in the capacity of the direct flight from Edinburgh to Stornoway and less capacity on the Stornoway to Inverness route, with a reduction in the number of flights on off peak days during the summer months.

Figure 3-17 Total seat capacity on Loganair routes from Stornoway

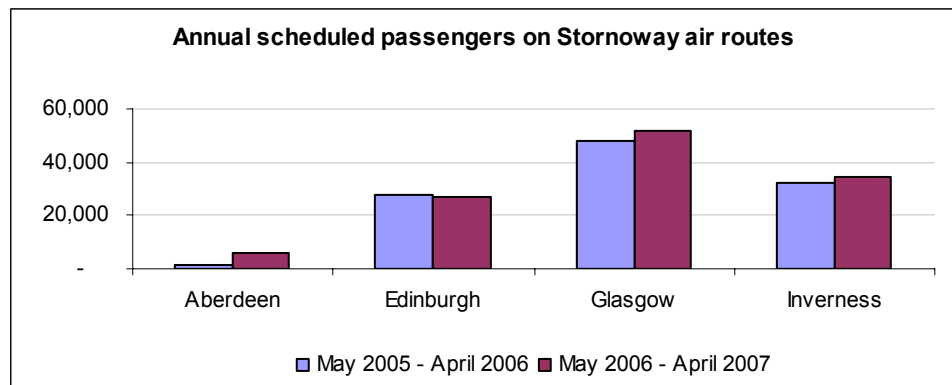


Source: Loganair

3.5.3

As shown in Figure 3-18, the route between Stornoway and Glasgow accounts for the greatest proportion of air passengers accounting for 44% of all passenger traffic. This is followed by Inverness (30%), Edinburgh (22%) and Aberdeen (4%).

Figure 3-18 Annual scheduled passengers on Stornoway air routes



Source: CAA

3.5.4

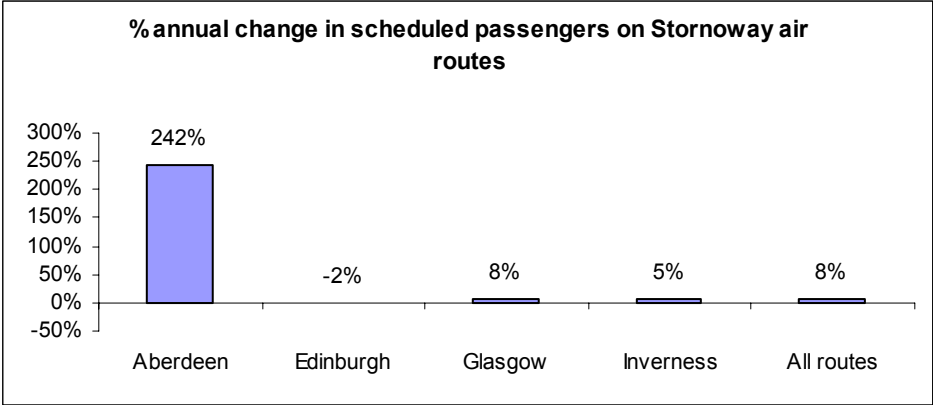
Traffic on the Aberdeen to Stornoway route has grown steadily since its introduction in January 2006, although still accounts for a very small proportion of passengers to Stornoway. Comparing the year subsequent to the introduction of the ADS (May 2006 to April 2007) with the same period in 2005/2006, indicates that the percentage increase in annual

passenger traffic was highest on this route, with a rise of 242% (although this figure is inflated by the fact that the route was not operating before the start of 2006). This is illustrated in Figure 3-19.

3.5.5

The absolute increase in passengers was highest on the Aberdeen and Glasgow air services at around 4,000 additional passengers, on each of these routes. During the same period, use of the Edinburgh Stornoway service fell by 2%, equivalent to a loss of around 600 passengers.

Figure 3-19 % annual change in scheduled passengers on Stornoway air routes

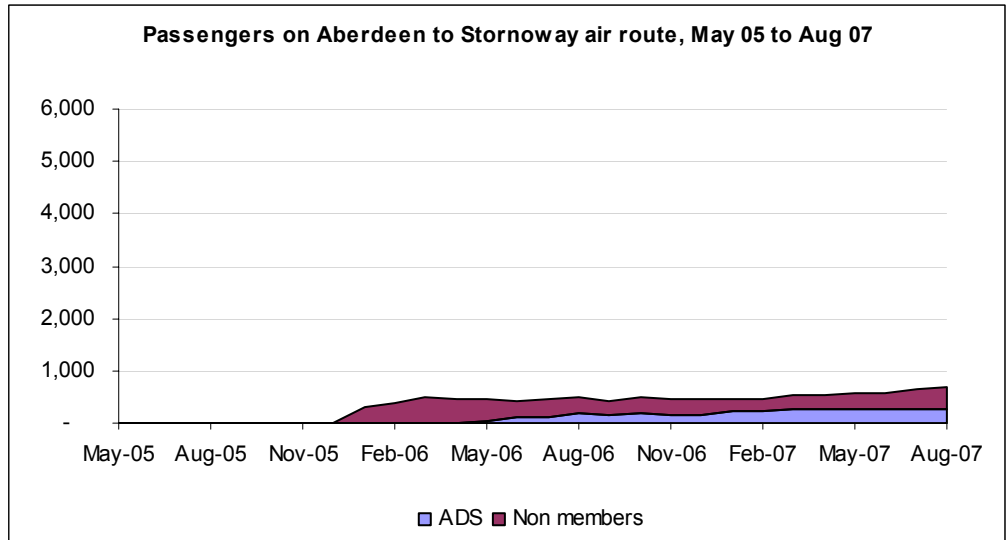


Source: CAA

3.5.6

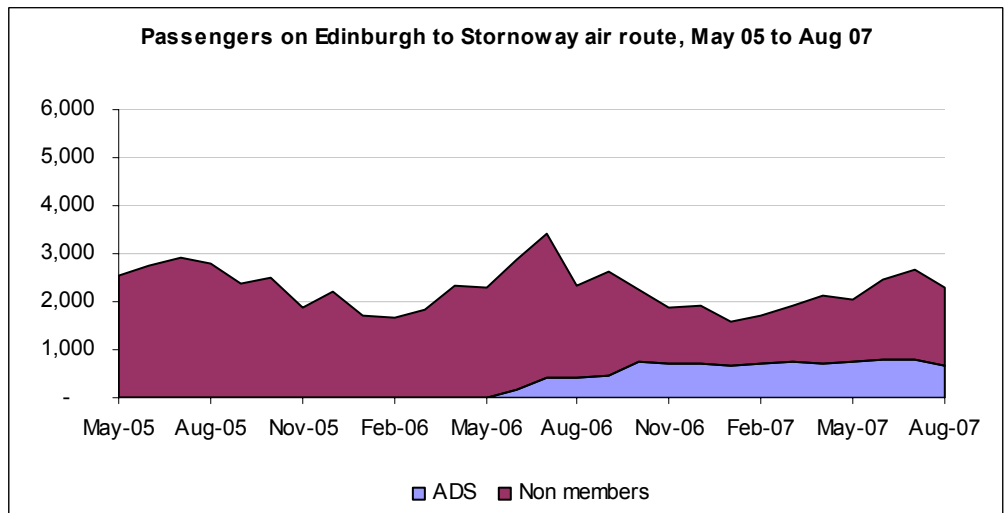
Trends in monthly passenger numbers on all of the routes from Stornoway is profiled in the following set of graphs shown in Figure 3-20 to Figure 3-23. These show the total number of passengers travelling on these routes every month, split by ADS and non-ADS bookings. The same scale is used on each of the graphs in order that clear comparisons can be made regarding the performance of each of the routes.

Figure 3-20 Passengers on Aberdeen to Stornoway air route



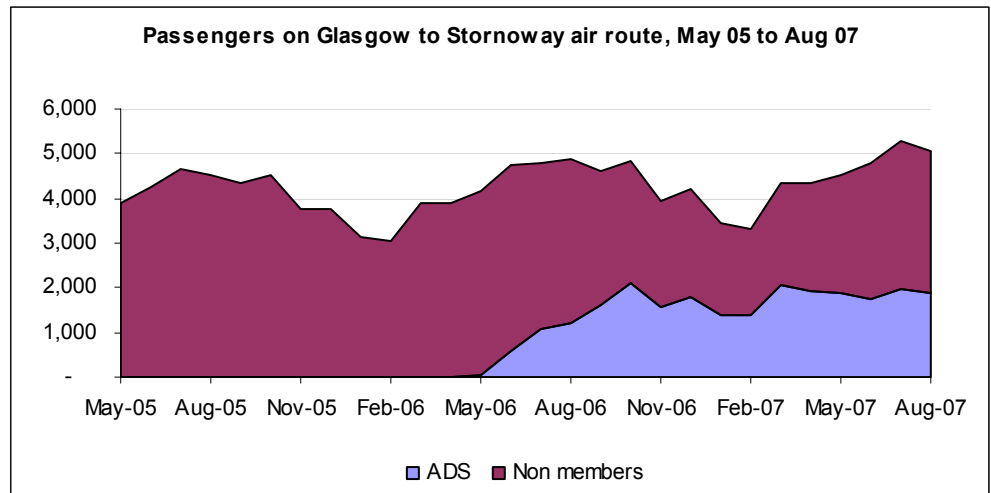
Source: CAA and Scottish Government

Figure 3-21 Passengers on Edinburgh to Stornoway air route



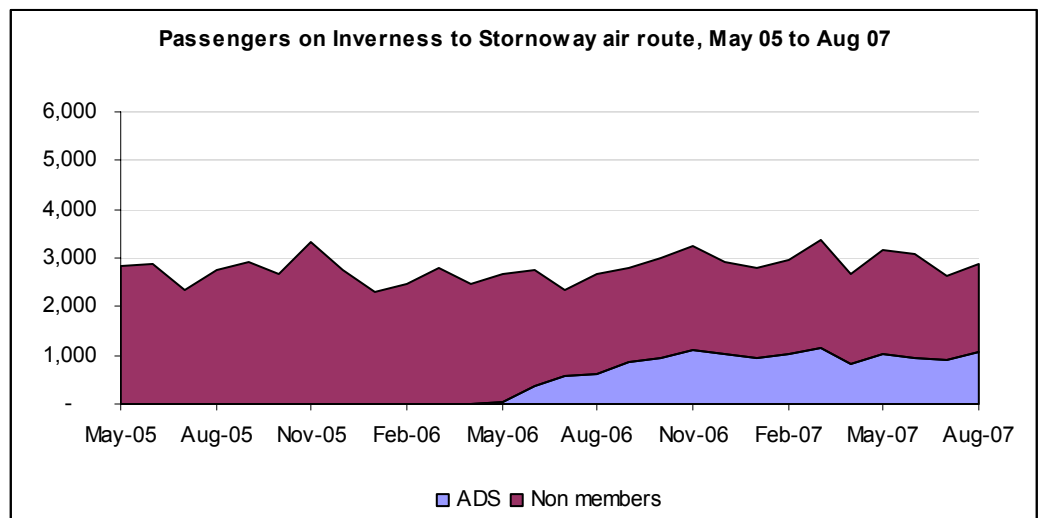
Source: CAA and Scottish Government

Figure 3-22 Passengers on Glasgow to Stornoway air route



Source: CAA and Scottish Government

Figure 3-23 Passengers on Inverness to Stornoway route



Source: CAA and Scottish Government

3.5.7

ADS bookings ranged from around 30% on the Edinburgh to Stornoway route to 43% on the Stornoway to Aberdeen route. The Glasgow route, which is also the busiest route from Stornoway, experiences the greatest seasonal fluctuations. This is the case for both ADS and non ADS passengers. The route from Edinburgh to Stornoway achieved a much higher volume of demand during the summer of 2006 compared to

summer 2007, with a peak of 3,400 passengers in July 2006, falling by 22% in July 2007.

3.6 Eligible air routes to and from Benbecula, Western Isles

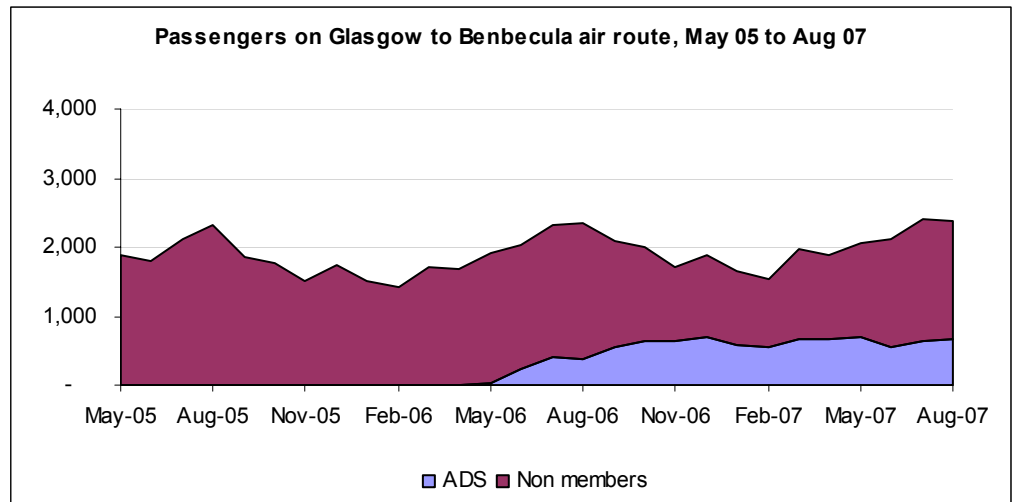
3.6.1 The principal air route from Benbecula to the Scottish mainland is to Glasgow, a service which is operated by Loganair. A further service was introduced from Benbecula to Inverness in September 2006 by Highlands Airways. However, the service did not prove to be viable and was subsequently discontinued in July 2007.

3.6.2 A further two services operate from Benbecula to elsewhere in the Western Isles, both of which operate as Public Service Obligations (PSOs), and so are not eligible for the ADS discount. The service to Stornoway is operated by Highland Airways, while the service to Barra is operated by Loganair.

3.6.3 Total capacity and frequency of the route between Glasgow and Benbecula has remained unchanged since the introduction of the ADS. Monthly passenger numbers on the service to Glasgow averaged at around 1,900 compared to an average of around 250 per month on the route to Inverness, when it was operating.

3.6.4 As shown in Figure 3-24, total annual passengers on the Glasgow route increased by over 2,200 to around 23,300 in the year subsequent to the introduction of the ADS (May 2006 to April 2007) compared to the same period in 2005/2006, representing an increase of 9%.

Figure 3-24 Passengers on Glasgow to Benbecula air route



Source: CAA and Scottish Government

3.7

3.7.1

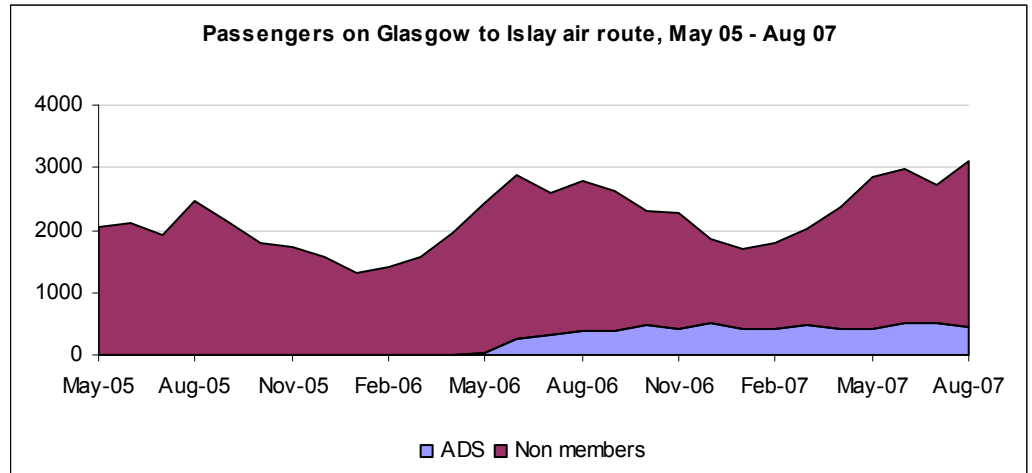
Eligible air routes to and from Islay, Argyll

The service between Islay and Glasgow is operated by Loganair. The introduction of the ADS in May 2006 coincided with an additional daily service being introduced four days a week. In the first four months of 2006, total passengers on the route amounted to just over 6,200. This increased by 25% in the same period in 2007, while capacity rose by 15%. As a result the average load factor rose from 54% to 58% during this period.

3.7.2

As shown in Figure 3-25, average monthly passengers are around 2,200. Comparing the year subsequent to the introduction of the ADS (May 2006 to April 2007) with the same period in 2005/2006 indicates that the total annual number increased by 25%, rising by nearly 5,600 to over 27,600.

Figure 3-25 Monthly scheduled passengers on Islay – Glasgow air route



Source: CAA and Scottish Government

3.8

3.8.1

Eligible air routes to and from Wick, Caithness

The service from Wick to Edinburgh is operated by Loganair, while the service to Aberdeen is provided by Eastern Airways. The air service operating between Wick and Kirkwall and Sumburgh was dependent on whether the service from Edinburgh also made a stop at Wick before continuing on to either Orkney or Shetland. Until May 2006, the Edinburgh to Sumburgh service stopped at Wick, allowing an onward connection between Wick and Sumburgh. From May 2006, this was switched to the Edinburgh to Kirkwall service stopping at Wick, allowing a Wick Kirkwall air connection. However, from April 2007 onwards, neither of the air routes to the Northern Isles from Edinburgh have stopped at Wick.

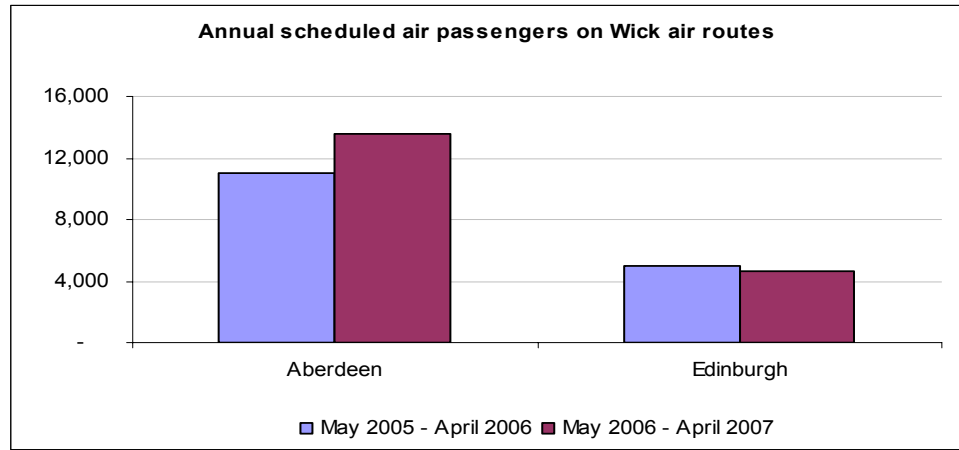
3.8.2

The service operated by Eastern Airways from Aberdeen has operated to Wick from 2001, and is the most frequently used service from Wick to any other airport. The service was subsequently upgraded in February 2007, with an increase in capacity of 60% due to the operation of larger 29-seater Jetstream 41 on the route. Average monthly passengers are around 1,100, compared to around 400 on the Edinburgh route. When the air service was available between Wick and either Kirkwall or Sumburgh, average monthly passenger numbers were around 700.

3.8.3

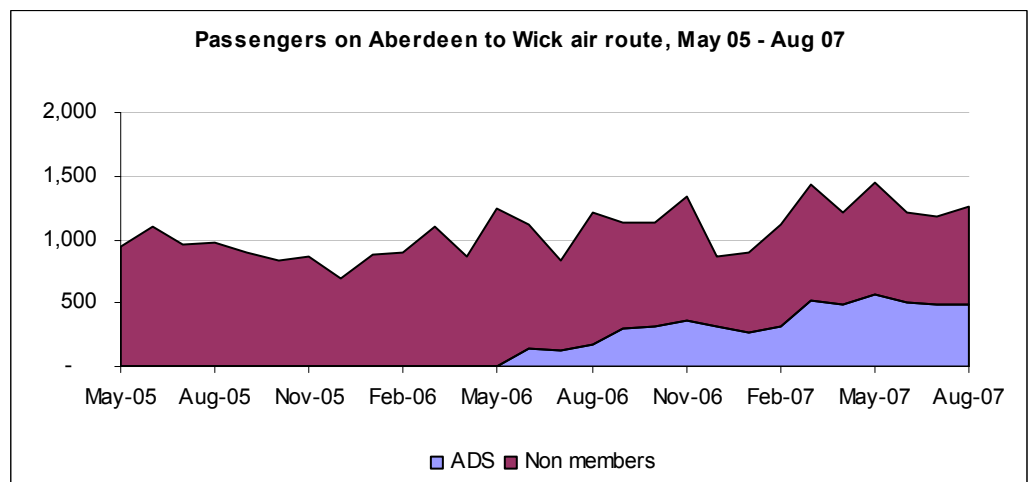
Comparing the annual data for the year since the introduction of ADS (May 2006 to April 2007) with the same period in 2005/2006, indicates that annual passenger demand on the route between Wick and Aberdeen increased by 23% subsequent to the increase of the ADS compared to a fall of 6% on the route to Edinburgh. Changes in scheduled air passengers on the Wick to Aberdeen and Edinburgh routes are shown in Figure 3-26 to Figure 3-28 below.

Figure 3-26 Annual scheduled air passengers on Wick air routes



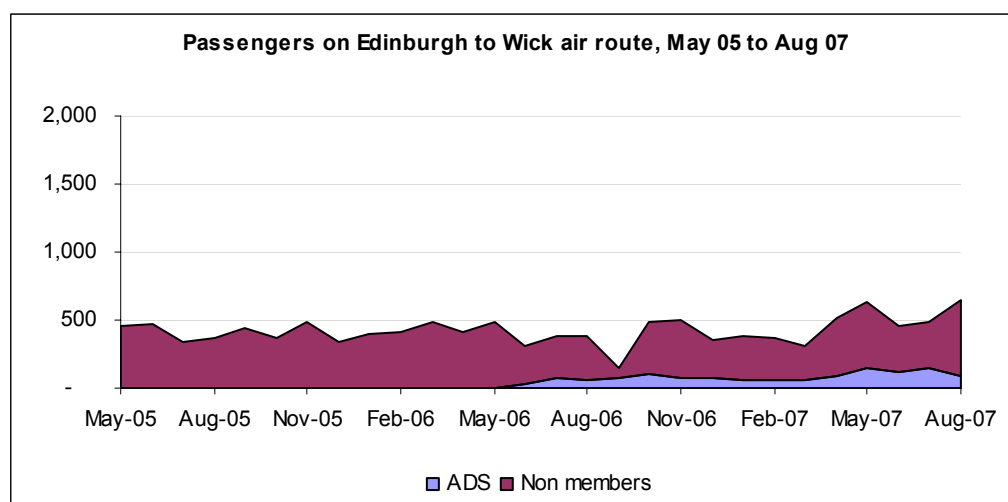
Source: CAA

Figure 3-27 Passengers on Aberdeen to Wick air route



Source: CAA and Scottish Government

Figure 3-28 Passengers on Edinburgh to Wick air route



Source: CAA and Scottish Government

3.9

Trends in air fares paid by ADS members

3.9.1

During the winter 2006/2007, a new fare structure was devised by Loganair, which enabled more flexible one-way fares to be purchased on all Loganair routes. The top fares on each of the routes were not increased, but a larger range of fares were made available, introducing a standardised structure of 10 fare classes across all routes, with an additional fare level which was cheaper than any previously available fare. The increased range in available fares means that there is a greater choice of fully flexible and semi flexible fares.

3.9.2

There are a number of factors which will contribute to the changes in average fares. With increased usage on a number of routes, this will mean that cheaper fares will be less available at particular times of the day. This was reported as an issue on peak flights such as Friday evening, where it was now harder to book a seat due to increased demand. As a result, in order to secure a flight at a particular time, it may be necessary to pay a higher fare (before the ADS discount is taken into account) than had previously been the case. An increase in demand for more flexible fares will also have the effect of increasing average fares paid by ADS members.

3.9.3

Loganair also took the decision to include its fuel surcharge within the core fare from the start of 2007, in order that it could also be subject to the ADS discount. This means that any future increase in fuel surcharges will be part of the core fare rather than part of the additional charges

levied by the airline. As the price of fuel has continued to rise since the start of this year, this will also have upward pressure on the price of air tickets. This is also a particular issue for the Highlands and Islands as refuelling costs at these airports is higher than at larger airports elsewhere in Scotland.

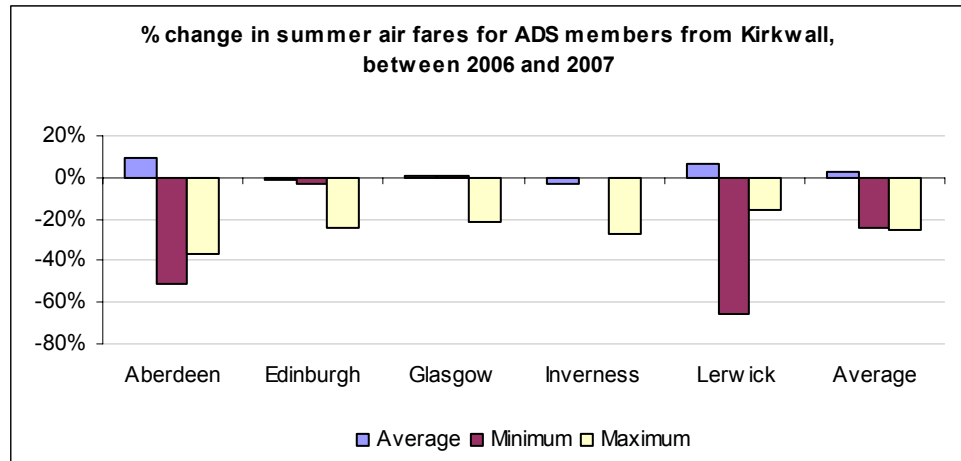
3.9.4 Further commentary on air fares on the various ADS air routes is discussed below.

Profile in air fares from Kirkwall

3.9.5 A comparison of the average (mean) core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members have increased by 2%², although average fares on some routes have actually fallen. Average fares on Lerwick and Aberdeen routes over the summer period increased by 6% and 9% respectively, while average fares on the other three routes were either static or fell slightly (Figure 3-29). On all of the routes from Kirkwall, the minimum and maximum fares paid on the routes were lower in summer 2007, than they had been in the same period in 2006.

² Core air fares in 2006 did not include the fuel surcharge of £7, which was included in the supplementary charges and taxes. In 2007, the fuel surcharge was added to the core fare for all Loganair routes. For consistency, 2006 core air fares have been adjusted to include the fuel surcharge.

Figure 3-29: % change in summer core air fares paid by ADS members travelling from Kirkwall between 2006 and 2007



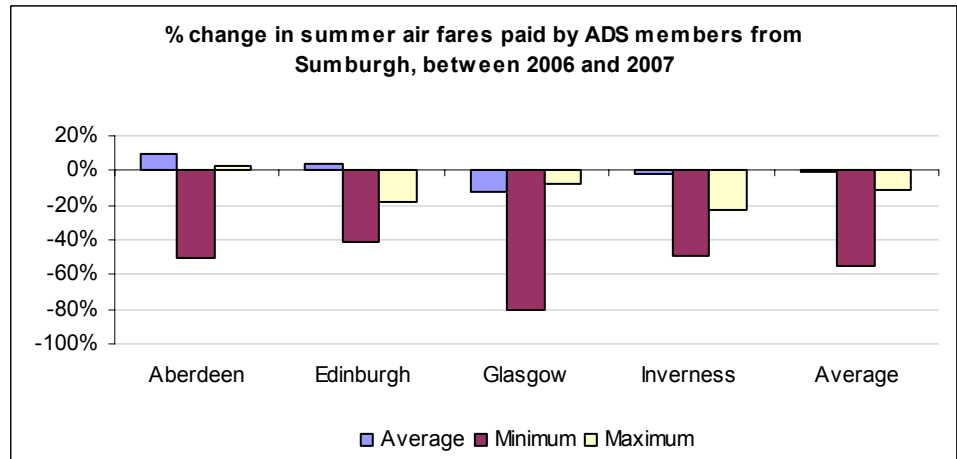
Source: ADS Team

Profile in air fares from Sumburgh

3.9.6

A comparison of the average core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members have remained static, where average price rises on some routes have been balanced by falls on other services. Average fares on Edinburgh and Aberdeen routes booked over the summer period increased by 4% and 10% respectively, while average fares on the other three routes were either static or decreased (Figure 3-30). On all of the routes from Sumburgh the minimum and maximum fares paid on the routes were generally lower in summer 2007, than they had been in the same period in 2006.

Figure 3-30 % change in summer core air fares paid by ADS members travelling from Sumburgh between 2006 and 2007



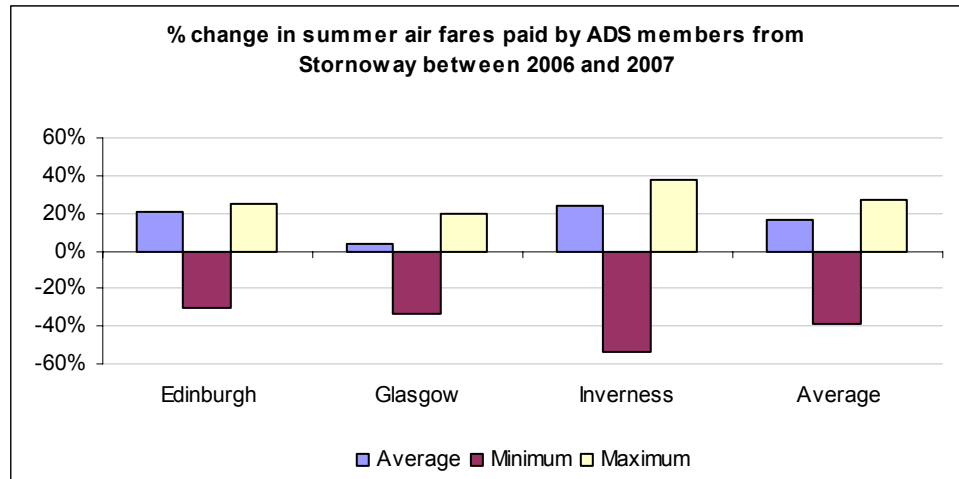
Source: ADS Team

Profile in air fares from Stornoway

3.9.7

A comparison of the average core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members have risen by an average of 16%, ranging from 4% on the route to Glasgow to 23% on the route to Inverness (Figure 3-31). On all of the routes from Stornoway, the minimum fares paid by ADS members has fallen considerably over this period, although in contrast with other routes maximum fares paid have tended to rise. While the overall maximum fare within the fare structure has not increased, it would appear that these fares are now more likely to be paid than was previously the case.

Figure 3-31 % change in summer core air fares paid by ADS members travelling from Stornoway between 2006 and 2007



Source: ADS Team

Profile in air fares from Benbecula

3.9.8 A comparison of the average core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members on the route between Benbecula and Glasgow have risen by 4%, while the minimum and maximum fares paid over this same period fell by 20% and 2% respectively.

Profile in air fares from Islay

3.9.9 A comparison of the average core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members on the route between Islay and Glasgow have risen by 10%, while the minimum and maximum fares paid over this same period fell by 40% and 15% respectively.

Profile in air fares from Wick

3.9.10 A comparison of the average core air fare for bookings undertaken in the summer 2006 (June to August) with the same period in 2007, suggests that on average, core air fares paid by ADS members on the route between Wick and Edinburgh have fallen by 26%, while the minimum

and maximum fares paid over this same period fell by 39% and 28% respectively.

3.10

Summary

3.10.1

Total passenger numbers on the eligible routes increased by around 12% in the year subsequent the introduction of the ADS from 376,000 to nearly 420,000. ADS flights accounted for around a third of all passengers on the eligible routes. This proportion was highest on the Sumburgh to Kirkwall route (61%) and lowest on the air route between Glasgow and Islay (19%). The largest proportion of flights booked through the ADS were to and from the Western Isles (36%) followed by Shetland (31%) then Orkney (25%). Wick and Islay each accounted for 4% of ADS travel.

3.10.2

In terms of the growth in passenger numbers on eligible routes, this was greatest on routes to and from Kirkwall and Islay, growing by 25% in the year subsequent to the introduction of the ADS. The Glasgow to Kirkwall route in particular experienced substantial growth with passenger numbers, which doubled over this same period, corresponding with the introduction of a direct service on this route, which no longer stops in Inverness.

3.10.3

Our analysis of average air fares paid by ADS members indicates that while there have been a rise in average core air fares paid by ADS members on a number of routes, this has been combined with a fall both the minimum and maximum fares paid on each of the routes. The only exception appears to be flights from Stornoway where the maximum fares paid by ADS members have been rising. Flights from Stornoway have experience the biggest increase in average fares, which have risen on all routes from the airport. This contrasts with a number of routes from Caithness and the Northern Isles where average fares paid have fallen.

3.10.4

The introduction of the ADS coincided with significant changes on a number of eligible routes, with changes in frequency, capacity and timetabling. All of these factors will need to be accounted for as part of the analysis to attribute the impact of the ADS on air travel within the Highlands and Islands. The survey of ADS users, which is presented in the next section, provides greater insight regarding the extent to which changes in passenger numbers can be attributed specifically to the ADS rather than other factors.

4 ADS MEMBER SURVEY

4.1 Introduction

4.1.1 This chapter describes the research methodology and presents a summary of the overall findings of the ADS member survey, which was undertaken as part of this review.

4.2 Methodology

4.2.1 A self-completion online survey with ADS members was undertaken in order to obtain evidence on the performance of the ADS and its social impacts within the eligible regions.

4.2.2 The online survey represented a very effective method for obtaining responses from a large number of ADS members in remote areas. It enabled our research team to avoid postage costs and paper wastage as envelopes or stamps were not used. In addition, the online survey generated major time savings as it was not necessary to wait for responses to be returned or to enter responses into the system manually, since they were already collected in an appropriate format through the online survey. The survey was launched as soon as the questionnaires were approved and ADS members started responding to the survey within minutes. This methodology was chosen since the timescale for the study was tight and the time-saving advantages of the online survey were of great benefit.

4.2.3 In deriving the ideal sample size for surveys with ADS members and non-members, the aim was for a 95% degree of confidence and a confidence interval of 5%. The eligible area has a total population of 101,300. It was calculated that the recommended sample size for the whole eligible area to achieve these degrees of confidence was 384. The sample size was raised to around 400 to account for ineligible or incorrect questionnaire completion. The aim was to obtain 350 responses from ADS members and 50 responses from non-members (the non-member survey is presented in Chapter Five) distributed across all regions and all age groups, including potentially socially disadvantaged groups, such as those on low incomes and individuals whose mobility might be impaired due to a disability. This division was based on the fact that 87% of the eligible population are ADS members, therefore 87% of the sample size of 400, around 350, should also be ADS members.

- 4.2.4 The Scottish Government and the ADS Team provided a total database of around 590 members with email addresses of those individuals who agreed to participate in the survey. All 590 members were contacted by email and invited to take part in the online ADS member survey. An option to be included in a £100 prize draw was included in order to increase the response rate. Out of these 590 individuals, a total of 418 members responded and participated in the survey. This represents a response rate of 70%. A total of 403 respondents were included into the quantitative analysis, as 15 respondents did not complete a sufficient proportion of the survey to merit inclusion in the overall findings. The data was analysed using the SPSS statistical analysis software package.
- 4.2.5 An appropriate sample size is important to ensure reliability and validity of the results. Reliability refers to the consistency of measurement, meaning that the results would be the same or very similar if the research was repeated. Validity refers to the ability to produce strong conclusions and generalise the findings so they can be considered as representative for the population. It should be noted that when results are presented based on a small sample size it might not always be safe to generalise the results and they should be interpreted with care.
- 4.2.6 Survey participants were asked to respond to a number of questions which helped inform the following areas:
- Personal profile including age, economic status, disability and location
 - Household composition and income
 - ADS application process, marketing materials and ongoing support
 - Usage of the ADS on particular routes for business and non-business trips
 - Additionality of the scheme and modal shift
 - Profile of non-business trips
 - Booking process, including distribution channels and satisfaction
 - Impact on journey times and travel budget
 - Reasons for not using the ADS
 - Perceived impact of the scheme on connectivity

- Future usage of the scheme and potential improvements

4.2.7 Respondents were also able to provide unstructured comments at various occasions. The detailed survey questionnaire that was used for the ADS member online survey is presented in Appendix II.

4.3 **Potential limitations**

4.3.1 It should be mentioned that there are also a number of potential limitations to the online survey methodology. The two main disadvantages are that firstly, respondents cannot question the interviewer when aspects of the survey are unclear and secondly, not all potential respondents have an email address, internet access or are proficient in using computers.

4.3.2 The first disadvantage was reduced by providing a contact email address and phone number with a named contact in case any problems or questions arose with the survey. All enquires were dealt with promptly and a small number of respondents (around 8) experienced technical problems and could not submit their responses online, in which case a postal survey was sent out to those who preferred to respond by this means.

4.3.3 The second disadvantage of the online survey potentially led to a bias in relation to the survey sample as for example computer illiterate ADS members or those without access to a computer (potentially socially disadvantaged groups on low income or older people) would not have provided an email address to the ADS Team and would therefore not have been invited to participate in the survey. For instance, the sample profile in section 4.4 reveals that there has been some bias towards younger people as the older population in the eligible regions are underrepresented. This is likely be related to the chosen methodology (i.e. an online questionnaire) for the ADS member survey.

4.3.4 A further bias might have been created due to the use of a database of ADS members who agreed to participate in the survey in advance. This was required due to data protection issues. It is likely that those members who agreed to participate have used the ADS before and have a strong interest in the continuation of the scheme. They are therefore more eager to express their views through the survey compared to ADS members who have not used the scheme before. It is likely that this created a strong bias towards ADS users and led to an under-representation of ADS non-users in the survey. The bias towards ADS users is also

reflected by the findings presented in section 4.6, which indicate that 85% of all survey respondents were ADS users whereas the actual percentage of ADS members that have used the scheme since its inception is around one third.

4.3.5 Therefore, it should be taken into account that based on the available dataset of ADS members and the stronger relevance of the survey to ADS users who want the scheme to continue, only 15% of survey respondents had not used the ADS before. This small sample size might not be fully representative of all ADS members who have not booked any flights with the discount. Nevertheless, the responses made by non-users provide a useful indication of the main reasons for not using the ADS, which is discussed in section 4.11.

4.3.6 As mentioned earlier, the sample size is important to ensure reliability and validity of the findings. However, the sample size was restricted due to the limited availability of ADS member contact details. This should be taken into account when looking at findings for specific regions and for ADS members who have not used the scheme in the past, as percentages for these groups are sometimes based on relatively small samples and generalisation might not always be possible, such as for example for Islay and Jura.

4.3.7 In summary, the online survey methodology enabled a high number of survey responses to be obtained within a limited timeframe. The methodology had some limitations, which led to a bias towards ADS users (rather than non-users) and members aged between 30 and 60 (with less representation of members above and below this age range). In addition, sample sizes for specific regions or non-users can sometimes be small.

4.4 Description of sample

4.4.1 The following results are based on a sample size of 403 ADS members who participated in the online survey and were included into the analysis. The regional distribution of all respondents in the sample compared with the overall ADS member population is presented in Table 4-1 below.

4.4.2 The largest proportion of respondents (32%) was from Shetland, followed by 28% from the Western Isles and 25% from Orkney. Both Orkney and Shetland are slightly overrepresented in the sample compared to their share of ADS member population, while members in the Western Isles as well as in Caithness and Sutherland are slightly under-represented

Table 4-1 Geographic distribution of ADS survey sample and member population

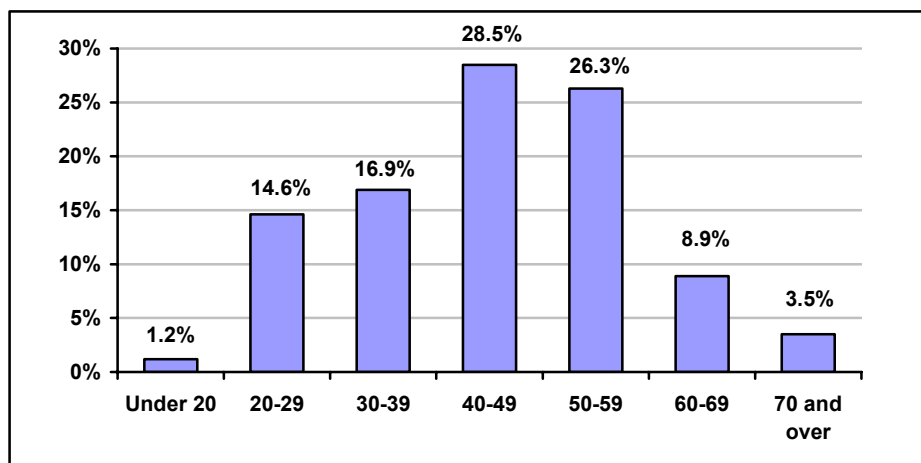
| Eligible Region | % of sample | % of ADS population | Difference |
|--------------------------|-------------|---------------------|------------|
| Shetland | 32% | 25% | 7% |
| Western Isles | 28% | 30% | -2% |
| Orkney | 25% | 23% | 2% |
| Caithness and Sutherland | 13% | 19% | -6% |
| Islay and Jura | 2.5% | 4% | -1.5% |
| TOTAL | | | |

Source: Nomis Labour Market Statistics 2006

4.4.3

Survey participants represented a variety of age groups as can be seen in Figure 4-1 below. The majority of respondents (55%) were between 40 and 59, and 12% were older people aged 60 or over. Furthermore, 17% were aged between 30 and 39, while 16% were under 30. In general, the age structure of survey participants was relatively equally distributed across all regions.

Figure 4-1 Distribution across age groups



Source: Halcrow ADS Member Survey

4.4.4 The actual age structure of the adult population in the eligible regions is shown in Table 4-2 below (Source: Census 2001). It can be seen that those over 60 are underrepresented in the survey as only 12% of survey respondents were 60 or older compared to between 24% and 32% in the eligible areas. This is likely to be a consequence of the online survey methodology, which may have led to a potential bias towards younger and probably more computer literate participants. Very young people under 20 are also slightly underrepresented. Consequently, there is a bias in the survey towards respondents aged 20-59.

Table 4-2 Age Structure of the population in the eligible regions

| Eligible Region | Percentage of population aged | | | | |
|------------------------|-------------------------------|-------|-------|-------|-----------|
| | 16-20 | 20-29 | 30-44 | 45-59 | 60 & over |
| Western Isles | 5.0 | 12.0 | 25.2 | 25.7 | 32.1 |
| Orkney Islands | 5.5 | 11.7 | 27.6 | 26.8 | 28.4 |
| Shetland Islands | 5.8 | 14.7 | 28.4 | 27.0 | 24.1 |
| Islay & Jura | 5.0 | 9.9 | 25.9 | 28.4 | 30.8 |
| Caithness & Sutherland | 5.3 | 11.1 | 26.6 | 28.3 | 28.7 |

Source: Census 2001

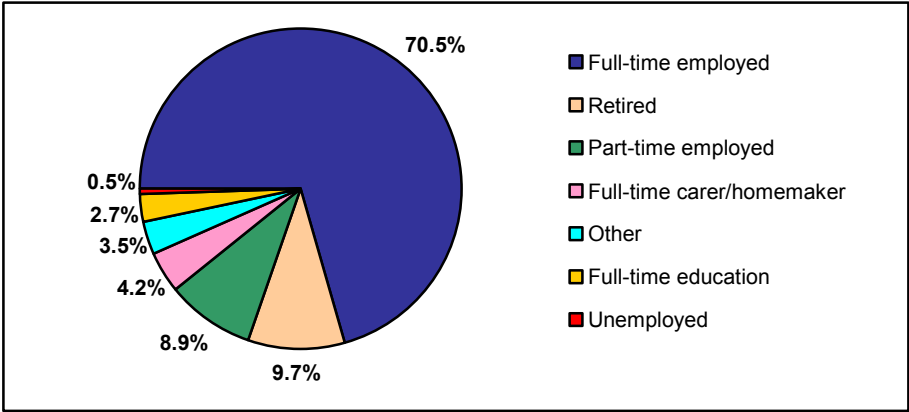
4.4.5 A total of 14 (3.5%) survey participants indicated that they considered their mobility to be impaired due to a disability. This figure is rather low compared to the percentage of people with a limiting long-term illness as stated in the Census 2001. A limiting long-term illness covers health problems and disabilities that limit daily activities a person can do. In Caithness and Sutherland, 18.5% of the population are considered to have a limiting long-term illness and on the three main eligible islands Orkney, Shetland and the Western Isles, this figure is 18% on average.

4.4.6 However, it should be taken into account that there is no clear definition of ‘disability’ and respondents might not consider their mobility to be impaired due to a disability, but they might suffer from a long-term illness. The Census 2001 also indicates that the percentage of economically inactive people that are permanently sick or disabled reaches from 3.8% for Shetland to 6.0% for the Western Isles. The target for this study was to include 3% of ADS members whose mobility is impaired due to a disability into the survey and this target was met.

4.4.7

The majority of survey participants indicated that they were in full-time employment (70.5%), which includes full-time self-employment. This was followed by 9.7% who were retired and 8.9% that were in part-time employment. In addition, 4.2% of respondents were a full time carer or homemaker, 2.7% were in full-time education, 0.5% were unemployed and 3.5% indicated that they had an economic status not listed or a combination of education and part-time work. The economic status of respondents was relatively equally distributed across all eligible areas. This is illustrated in Figure 4-2 below.

Figure 4-2 Economic status of survey participants



Source: Halcrow ADS Member Survey

4.4.8

The actual profile of economic activity in the eligible regions in 2001 is shown in Table 4-3 below. The data is extracted from the Census 2001, which provided the most relevant information source in relation to the data required for the eligible regions. Although more up-to-date information could have been used for some indicators from other sources, only the Census 2001 data provides a consistent comparison of all categories listed. There is a strong bias towards people who are in full-time employment, as over 70% of survey participants indicated they were in full-time employment compared to around 45-55% of the population in the eligible regions. This is likely to reflect that people in full-time employment are more likely to travel by air compared to other population groups, such as the unemployed or retired. The retired population was also slightly under-represented in the survey which, as discussed previously, is likely to be because the online survey methodology was potentially biased towards the younger, more computer literate population.

Table 4-3 Economic activity in the eligible regions

| Eligible Region | Economic activity of population over 16 (in %) | | | | | |
|------------------------|--|--------------------|---------|---------------------|------------|-------|
| | Full-time employed* | Part-time employed | Retired | Full-time education | Unemployed | Other |
| Western Isles | 46.1 | 13.0 | 15.5 | 1.8 | 5.0 | 18.6 |
| Orkney Islands | 52.3 | 13.7 | 14.1 | 1.9 | 3.0 | 15.0 |
| Shetland Islands | 55.6 | 15.1 | 11.1 | 1.9 | 2.4 | 13.9 |
| Islay & Jura | 45.0 | 13.2 | 16.7 | 0.8 | 5.3 | 19.0 |
| Caithness & Sutherland | 51.5 | 11.7 | 13.8 | 1.2 | 4.3 | 17.5 |

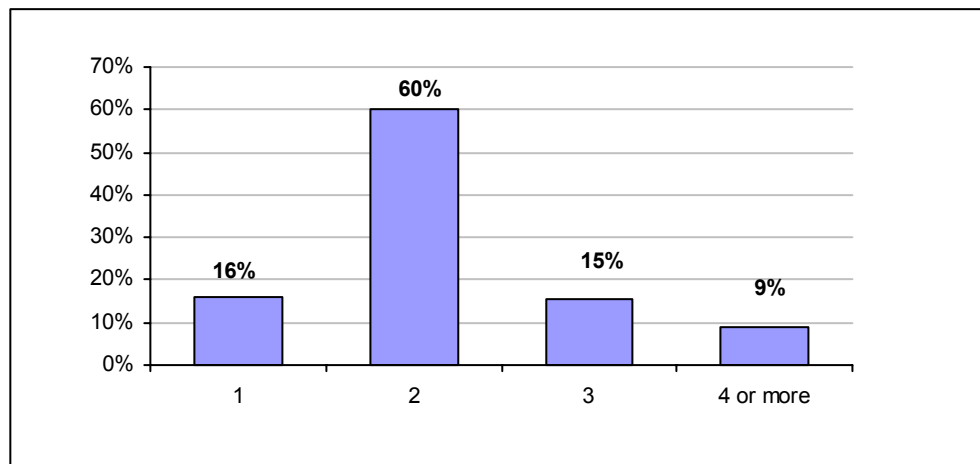
Source: Census 2001

* includes full-time self-employed

4.4.9

In terms of the household structure, the majority of survey participants indicated that their household consisted of 2 adults (60%) while 16% said they lived alone and 15.4% of households had 3 adult household members. A total of 8.6% of survey participants stated that their household consisted of 4 adults or more. These results are shown in Figure 4-3 below.

Figure 4-3 Number of adult household members as % of all households

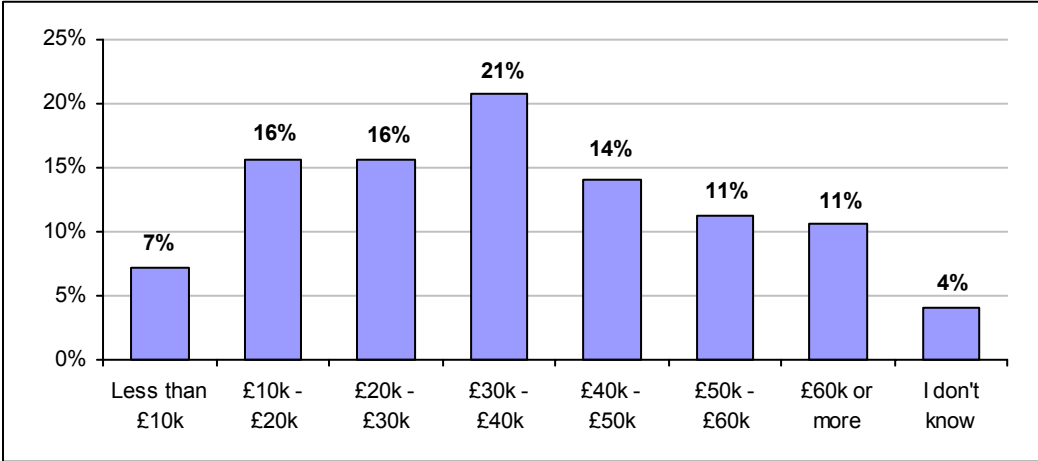


Source: Halcrow ADS Member Survey

4.4.10 Furthermore, there were no children aged under 18 in 70% of all households and in 23% of all households there were one or two children. The remaining 7% indicated that there were three children or more in their household. Out of all respondents, 83% indicated that their household was a family unit, 12% said they were living on their own, 5% were living together, but were independent of each other.

4.4.11 Finally, participants were asked to indicate their household’s annual gross income before tax (or their individual income if they were independent from other household members). The annual household income was distributed relatively equally across all income ranges, as can be seen in Figure 4-4 below.

Figure 4-4 Annual Household Income Distribution



Source: Halcrow ADS Member Survey

4.4.12 The annual household income was divided by the number of adults per household in order to obtain the average income per adult, which was calculated as £17,850 across all regions. For those that have not used the scheme in the past, the average income was only £13,300 compared to £18,600 for ADS members that have used the scheme before. This compares to a median annual income figure of £15,800 for the Highlands and Islands³. This suggests that the income of the typical ADS user is

³ Office of National Statistics (2007) *Annual Survey of Hours and Earnings*

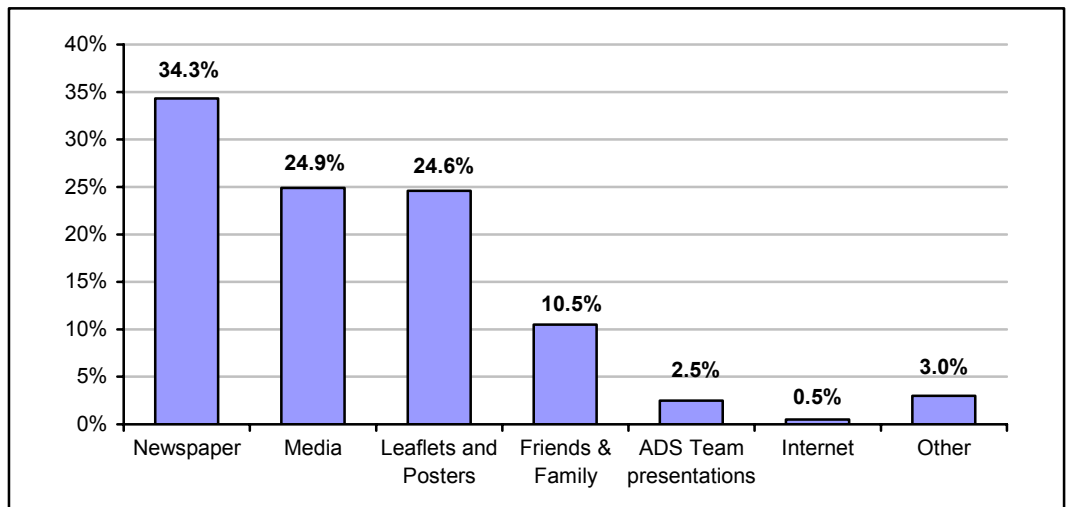
above the median income for the Highlands and Islands. This will be discussed further in section 4.12.

4.5
4.5.1

Application, Marketing and ADS Team Service

Respondents were asked how they found out about the ADS. The largest proportion indicated that they first heard about the ADS through the local newspaper (34.3%), followed by 24.9% who indicated that they heard about the scheme through the media and 24.6% through leaflets and posters. Some 10.5% of respondents also mentioned that they found out about the ADS from friends and family. A very small percentage (2.5%) indicated that they learnt about the ADS from local presentations that the ADS team undertook in each of the eligible regions (except in Sutherland). Another 0.5% read about it on the Internet and 3% through other means such as through the local authority or through receiving an application form to their address. The results are illustrated in Figure 4-5 below.

Figure 4-5 Means through which respondents found out about the ADS

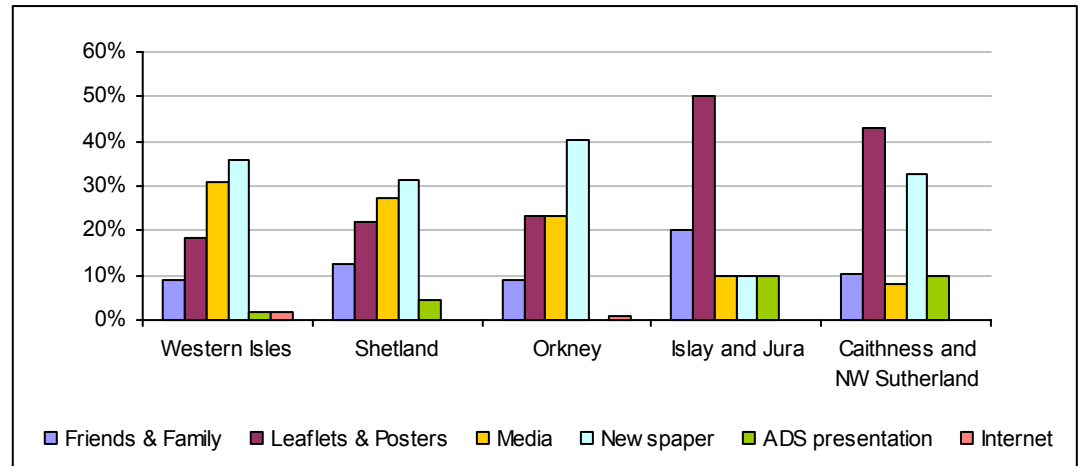


Source: Halcrow ADS Member Survey

4.5.2

It is clear from the responses that individuals found out about the ADS from different sources, depending on the region where they live. The means through which respondents found out about the ADS separated by region are shown in Figure 4-6 below.

Figure 4-6 Means through which respondents found out about the ADS, by region



Source: Halcrow ADS Member Survey

- 4.5.3 The newspaper played a particularly important role in Orkney, where around 40% of residents found out about the ADS through the local newspaper. It was also important in all of the other eligible regions, except in Islay and Jura, where half of the respondents indicated that they found out about the ADS through leaflets and posters. This figure was also high in Caithness and Sutherland, where 43% of all respondents were made aware of the ADS through this means.
- 4.5.4 The media was generally the second most important means for finding out about the ADS, except in Islay and Jura and Caithness and Sutherland where less than 10% of respondents were made aware of the ADS through the media. Finding out about the ADS through friends and family was relatively important in Islay and Jura (20%), followed by 12.5% in Shetland and around 8-10% in the other regions.
- 4.5.5 It should be taken into account that the sample size was relatively small for Islay and Jura and for Caithness and Sutherland, which is a factor that potentially lowers the reliability and validity of the region-specific percentages.
- 4.5.6 In summary, the newspaper played the most important role in informing the population about the ADS in Orkney, Shetland and the Western Isles and was second most important in Caithness and Sutherland where leaflets and posters were the most important means through which people

found out about the ADS. This information could be used to develop future marketing strategies that are region-specific and to promote ADS membership further.

- 4.5.7 Survey participants were asked to indicate if they were aware of a number of listed marketing materials promoting the ADS. The majority of respondents were aware of the ADS Website (64.9%) and ADS newspaper advertisements (52.5%). Around a third of all respondents were aware of the ADS advertised on airline websites, ADS posters and flyers as well as ADS logos on aircrafts. Only 3.2% of all respondents were aware of the local presentations undertaken by the ADS team in all eligible regions at the start of the scheme (except in Sutherland).
- 4.5.8 A total of 16% of respondents were not aware of any marketing material for the ADS. Out of those, 25% were from Caithness and Sutherland. This is a relatively high proportion considering that only 13% of all respondents are resident in Caithness and Sutherland. The remaining 75% were relatively equally distributed between the three main eligible islands Western Isles, Shetland and Orkney. The figures suggest that the marketing activities in Caithness and Sutherland might not have been as effective as in other areas
- 4.5.9 Respondents were also asked to rate the marketing tools that they are aware of on a scale of 1 to 10, with 10 being excellent. The highest average rating of 8.1 was given to the local ADS presentations followed by 7.6 for ADS newspaper advertisements. The ADS advertisements on airline websites received the lowest average rating of 7.2, which shows us that the overall ratings for the ADS marketing activities were very high. The percentages of awareness and average ratings for each marketing tool are presented in Table 4-4 below.

Table 4-4 Awareness and average rating of marketing tools

| Marketing Tool | Proportion of respondents that were aware of this marketing tool | Average rating of those who were aware of this tool |
|-----------------------------------|---|--|
| ADS Team presentations | 3.2% | 8.1 |
| ADS newspaper advertisement | 52.5% | 7.6 |
| ADS posters and flyers | 34.8% | 7.6 |
| ADS Website | 64.9% | 7.5 |
| ADS logos on aircrafts | 32.8% | 7.5 |
| ADS advertised on airline website | 32.3% | 7.2 |

Source: Halcrow ADS Member Survey

- 4.5.10 Table 4-4 shows that people who were aware of a marketing tool, rated it highly. Particularly those who were aware of the ADS team presentations rated them very highly with an average rating of 8.1. However, it should be considered that only a small percentage of survey respondents were aware of the ADS team presentations (3.2%) and so it is difficult to generalise this high rating. ADS team presentations seem to be a highly rated marketing tool, but if additional presentations are to be held in the future, it must be ensured that a higher percentage of the population in the eligible regions is aware of them.
- 4.5.11 The second highest rating of 7.6 was given to ADS newspaper advertisement and ADS posters and flyers, which supports the earlier findings on how people found out about the ADS, as these marketing tools were of highest importance. Consequently, future marketing activities could focus on the tools that are highly rated and most effective in the dissemination of information about the ADS, such as newspaper advertisements and flyers and posters.
- 4.5.12 Survey participants were asked to rate a number of aspects related to the application process for becoming an ADS member on a scale of 1 to 10, with 10 representing ‘very satisfied’. The overall results were very

positive across all regions and standard deviations⁴ from the mean were between 2 and 2.5 for all aspects. The average overall ratings are shown in Table 4-5 below.

Table 4-5 Average rating of aspects related to the application process

| Aspect of application process | Average rating |
|---|----------------|
| Ease of filling in application form | 8.3 |
| Number of documents to be provided | 8.1 |
| Support available for application process from ADS Team | 7.9 |
| Speed of dealing with application | 7.8 |

Source: Halcrow ADS Member Survey

- 4.5.13 People were least satisfied with the speed of dealing with the application, which might be because most of the applications were submitted right at the launch of the ADS and it was very time-consuming to deal with the high number of applications. Respondents were asked to specify the main reasons for their ratings in relation to the application process and the majority of respondents indicated that their ratings were relatively high because they did not experience any issues during the application process and did not require any support.
- 4.5.14 Those that did experience some problems (around 20%), such as receiving multiple cards, no cards or no application forms, wrong names on cards or lost PIN numbers, mostly indicated that they received quick and efficient support from the ADS Team and were very satisfied with the support. However, some of the respondents (around 3-5% of all respondents) were not happy about the service, as they received no or a delayed response when they had an issue with the card or PIN and therefore could not make use of the ADS to book tickets.

⁴ A standard deviation measures the average deviation of values from the mean, i.e. it tells us how far from the mean the values tend to be. The smaller the standard deviation, the closer the individual values are to the mean. For example, a standard deviation of 2 indicates that on average, the values are around 2 units above or below the mean.

- 4.5.15 One major issue that people had with the application form was that it was unclear how many household members had to be put on the form, which then resulted in the issuing of multiple cards per person. Furthermore, around 10% of respondents indicated that it took some time for the card and PIN to arrive and some had to apply twice or contact the ADS Team as their card had not arrived at all.
- 4.5.16 A number of respondents also indicated that they were contacted by the ADS Team more than a year after applying for the card, asking for details on the date of birth, and threatening that the card would be deactivated otherwise. One respondent stated: *“I don’t recall having any problems when completing the application form, however, subsequently we had to fill in details on our dates of birth – the letter stated that the original forms had not been completed correctly, but I’m sure this information was not requested on the application form!”*. However, it has been confirmed by the ADS team that the date of birth was required on the original application form and some respondents did not complete the form correctly.
- 4.5.17 A few respondents also indicated that the ADS was not family friendly, as when booking flights as a married couple, two separate bookings needed to be made which was rather inconvenient as the couple travelled together. The Scottish Government and ADS team is aware of this issue, related to shortcomings in BA’s ADS booking function, and is looking at how changes can be made. The fact that one application would suffice for a family needs to be made clearer to applicants.
- 4.5.18 The results and comments show that there have been some issues with the application, particularly at the launch of the scheme when many applied simultaneously and the workload for the ADS team was very high. As a result the speed of dealing with the application form received the lowest rating. There were also some issues regarding the information that needed to be entered into the application form, such as date of birth and number of household members. It should be ensured that the application form is clear and asks for all details that are required for the ADS database, such as date of birth and also email addresses, where applicable.
- 4.5.19 In addition, survey participants were asked to indicate on a scale of 1 to 10 (10 being the highest) how satisfied they were with the general service provided by the ADS team. The average ratings were relatively high ranging from 7.6 for ‘Knowledge of the ADS Team’ to 7.9 for

‘Helpfulness of the ADS team’. Around 25% indicated that they had no contact with the ADS team and could not therefore respond to this question. The average ratings for a number of aspects related to the service provided by the ADS Team are set out in Table 4-4 below.

Table 4-4 Average Rating of ADS Team Service

| Aspect of Service provided by the ADS Team | Average rating |
|--|----------------|
| Helpfulness of the ADS Team | 7.9 |
| Speed of response | 7.8 |
| Availability of the ADS Team | 7.7 |
| Knowledge of the ADS Team | 7.6 |

Source: Halcrow ADS Member Survey

4.5.20

In summary, the highly positive ratings for the application process, the marketing tools and the general ADS Team Service, suggest that overall, ADS members are highly satisfied with the services provided by the ADS Team. The findings on the means by which people found out about the ADS as well as on the awareness and rating of marketing tools could be used for promoting the scheme further with appropriate activities, in regions where membership is relatively low, such as Caithness and Sutherland.

4.6

Booking Process under the ADS

4.6.1

A total of 84.8% of all respondents stated that they had used the ADS in the past in order to book discounted flights. This figure is much higher than the actual rate of 33% of ADS members that have made use of the scheme (based on figures supplied by the ADS team). As already explained in section 4.3 regarding the limitations of the survey methodology, scheme users were more likely to have participated in the survey since they have benefited from the scheme in the past and are keen on sharing their views and the continuation of the ADS. Consequently, this led to a bias towards ADS users in the study and ADS non-users are therefore underrepresented with only 15.2% of all respondents.

4.6.2 Out of those that had used the ADS before, the majority (82.8%) purchased their discounted flights mainly online through the airline website. A total of 11.2% mainly booked their tickets through a local travel agent and only 3.9% used the airline call centre to book flights. Furthermore, 2.1% indicated that they booked their tickets through other means, such as directly at the airport or through their employer. This shows very clearly that booking the flights online through the airline website is by far the most popular way of booking discounted tickets across all eligible regions.

4.6.3 Survey participants were also asked to rate a number of aspects relating to the booking process of discounted flights on a scale of 1 – 10, 10 being the highest. The overall average ratings were relatively high as can be seen in the following Table 4-5.

Table 4-5 Average rating of aspects of the booking process

| Aspect of Booking Process | Average rating |
|---|-----------------------|
| Ease of booking process | 8.0 |
| General communication with travel agents/airlines | 7.8 |
| General Communication with ADS team members | 7.7 |
| Clarity about where to book discounted flights | 7.6 |

Source: Halcrow ADS Member Survey

4.6.4 The ‘Ease of booking process’ received the highest rating of 8.0, which suggests that overall, respondents were satisfied with the booking process itself. However, the lowest rating of 7.6 was given to ‘Clarity about where to book discounted flights’ and comments of survey participants confirmed that many ADS members had problems locating the booking website.

4.6.5 Around 50% of all respondents provided qualitative comments on their experience with the booking process, of which a third indicated that they initially had problems finding out how to book discounted flights on the British Airways (BA) website. Many complained that there was no link to the ADS on the BA Website and that it was almost impossible to find the ADS on the site. It was mentioned that if someone simply entered

flight details on the start page of the BA website, there was no possibility to enter the ADS number and get the 40% discount.

4.6.6 There was a general view that for first-time bookers, it is very difficult to find how to book ADS discounted tickets on the BA website, particularly if someone is less proficient in using computers. Some even stated that they could not find it at all and booked some flights without using the ADS card.

4.6.7 Some comments that respondents made regarding this issue are set out below.

“It was difficult to find the ADS booking page the first time I tried to find it online. I bookmarked it then so it was alright after that, but anyone not too familiar with using the internet would struggle to find the relevant page.”

“On the BA website, which I use, it is quite difficult to access the ADS, I always have to ‘search’ the site.”

“I found locating booking information on the internet impractical and booked through a travel agent, which was inconvenient and more expensive. I have now located the website information, but it is frustrating not to be able to book through the ADS website.”

“Airline website did not make it clear where to put the details, then before I knew it the booking was made without being able to put the ADS details in. Once booking made, airline would not change it, so we ended up not getting the discount.”

“It is not very clear on the BA Website how to initiate the search for the ADS booking – I had to ask a friend about how to get into the correct part of the BA website.”

“Getting into the ADS booking form is a nightmare and in despair I had to book my Christmas flights at standard prices.”

4.6.8 The research team were also unable to find a link on the BA Website to the ADS. Even when entering “ADS” or “Air Discount Scheme” into the BA search engine on the website, the ADS booking site was not listed. It seemed to be necessary to have prior knowledge of the web address for

the BA ADS portal, or alternatively it was possible to find the portal through an external internet search engine.

4.6.9 There was only one major issue that was mentioned by a number of respondents, which relates to the number of people for which an ADS member can book flights. Families complained that when they travel, an individual booking needs to be made for each ADS family member as it is not possible to enter more than one ADS number during the booking process. They indicated that it was unclear whether there would be sufficient seats for all and whether the price would be the same, until all bookings were made, which was a major issue. However, a discussion with the ADS Team manager confirmed that families are actually able to make one booking for the whole family – only one ADS member needs to enter his or her ADS member number and can then book flights for the rest of the eligible family as well. Scottish Government officials continue to liaise with Loganair to ensure that both the BA and Flybe sites can accommodate bookings involving more than one member, whilst recording all the relevant card numbers.

4.6.10 Hence, there seems to be confusion about how many individuals can make a booking together and this aspect should be clarified and marketed more clearly.

4.6.11 Some respondents made the following comments with respect to this issue:

“When booking seats for other persons, it would be easier if there was a section in which you could input the ADS numbers of all passengers travelling in one booking, just in case you book yourself, and find out that there are no seats left for the other person.”

“Myself and my partner have both been told that we cannot book seats for our partner when planning a trip [...] and it has led to one of us getting a seat on a flight and the other not!!”

“Not amused when my card was stopped as I had booked my and a friend’s flights on my card numbers although the website allows you to do so. Surely if you are not meant to do that then the website should have been designed to prevent that!”

4.6.12 The two most urgent issues related to the ADS booking process are firstly, locating the ADS booking site on the BA Website and secondly,

enabling groups and families to make one booking and to enter ADS card numbers for all passengers, as currently there is a lot of confusion about this matter. Despite the above complaints and comments, the average ratings for all aspects related to the booking process were relatively high, which suggests that most respondents did not have any major booking problems and for many, the initial problems of locating the booking site are now solved.

4.7

4.7.1

Use of the ADS

The total number of single business and non-business trips booked by respondents is shown for each specific eligible route in Table 4-6 below. In addition to that, the table presents the average number of trips per person on each specific route. *(Please note that the definition of business and non-business trips was based on the respondents own understanding of these two terms).*

Table 4-6 Number of Business and Non-Business Single Flights booked with ADS

| Route | Business Trips | | Non-Business Trips | |
|------------------------------|---|---|---|---|
| | Total number of single flights (number of responses) | Average number of single flights per respondent | Total number of single flights (number of responses) | Average number of single flights per respondent |
| Between Sumburgh and | | | | |
| Aberdeen | 170 (34) | 5 | 354 (87) | 4.1 |
| Inverness | 49 (16) | 3.1 | 50 (19) | 2.6 |
| Edinburgh | 97 (26) | 3.7 | 74 (27) | 2.7 |
| Glasgow | 49 (16) | 3.1 | 111 (35) | 3.2 |
| Kirkwall | 4 (2) | 2 | 43 (18) | 2.4 |
| Between Kirkwall and | | | | |
| Aberdeen | 72 (19) | 3.8 | 175 (44) | 4.0 |
| Inverness | 62 (16) | 3.9 | 60 (15) | 4 |
| Edinburgh | 94 (24) | 3.9 | 124 (39) | 3.2 |
| Glasgow | 33 (13) | 2.5 | 66 (29) | 2.3 |
| Sumburgh | 2 (1) | 2 | 13 (7) | 1.9 |
| Between Stornoway and | | | | |
| Aberdeen | 16 (4) | 4 | 16 (5) | 3.2 |
| Inverness | 163 (25) | 6.5 | 123 (39) | 3.2 |
| Edinburgh | 73 (16) | 4.6 | 76 (32) | 2.4 |
| Glasgow | 126 (31) | 4.1 | 252 (56) | 4.5 |
| Between Benbecula and | | | | |
| Inverness | 58 (5) | 11.6 | 47 (9) | 5.2 |
| Glasgow | 14 (6) | 2.3 | 104 (13) | 8 |
| Between Wick and | | | | |
| Aberdeen | 95 (11) | 8.6 | 92 (13) | 7 |
| Edinburgh | 16 (4) | 4 | 19 (5) | 3.8 |
| Between Islay and | | | | |
| Glasgow | 17 (3) | 5.7 | 53 (7) | 7.6 |
| TOTAL SUM | 1,210 (272) | | 1,852 (499) | |

Source: Halcrow ADS Member Survey

- 4.7.2 A total of 1,210 business trips and 1,852 non-business trips were undertaken across all routes within the sample, which indicates that the ADS has been used substantially more for non-business trips compared to business trips.
- 4.7.3 The routes with the highest total number of single flights that were undertaken for **business** purposes are Sumburgh - Aberdeen (170 single flights), Stornoway - Inverness (163) and Stornoway - Glasgow (126). The highest average number of single flights per person (for business trips) was 11.6 on the Benbecula-Inverness route, 8.6 on the Wick-Aberdeen route and 6.5 average single business trips were undertaken on the route Stornoway-Inverness.
- 4.7.4 For **non-business** trips, the routes with the highest total number of single flights were Sumburgh-Aberdeen (354 single flights), Stornoway-Glasgow (252) and Kirkwall-Aberdeen (175). The ranking in terms of highest number of single flights is similar to the business trips. The highest average number of single flights per person for non-business trips was 8 on the Benbecula-Glasgow route, 7.6 on Islay-Glasgow and 7 on the Wick-Aberdeen route.
- 4.7.5 It is useful to compare the pattern of flights in the sample of ADS members with overall usage by all ADS members over the same period (September 2006 to August 2007). While flights to and from Aberdeen to Wick and Sumburgh are slightly over represented in the sample (by 3-4%) the results underline that the sample provides a very good indication of the overall profile of passenger demand and thus very representative of overall travel behaviour among ADS members (Table 4-7).

Table 4-7: % share of all flights in survey sample and ADS member population

| | % share in sample | % share in population | Difference |
|-------------------------|-------------------|-----------------------|------------|
| Kirkwall and Aberdeen | 8% | 8% | 0% |
| Kirkwall and Edinburgh | 7% | 7% | 0% |
| Kirkwall and Glasgow | 3% | 4% | 0% |
| Kirkwall and Inverness | 4% | 4% | 0% |
| Islay and Glasgow | 2% | 4% | 1% |
| Wick and Aberdeen | 6% | 3% | -3% |
| Wick and Edinburgh | 1% | 1% | 0% |
| Benbecula and Glasgow | 4% | 5% | 1% |
| Stornoway and Aberdeen | 1% | 2% | 1% |
| Stornoway and Edinburgh | 5% | 6% | 1% |
| Stornoway and Glasgow | 13% | 15% | 2% |
| Stornoway and Inverness | 10% | 8% | -1% |
| Sumburgh and Aberdeen | 18% | 14% | -4% |
| Sumburgh and Edinburgh | 6% | 7% | 1% |
| Sumburgh and Glasgow | 5% | 5% | 0% |
| Sumburgh and Inverness | 3% | 3% | 0% |
| Sumburgh and Kirkwall | 2% | 4% | 2% |
| | 100% | 100% | - |

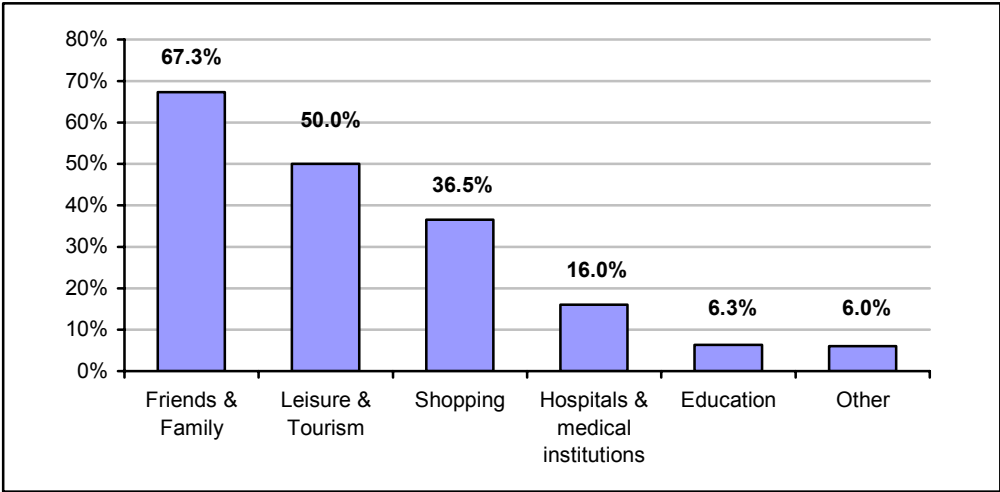
Source: Halcrow ADS Member Survey and ADS Team data

4.7.6

In relation to non-business trips, survey participants were asked to provide the principal reasons for undertaking those trips and multiple responses were possible. The main reasons for non-business trips were of social nature as the majority (67.3%) indicated that their main reason to travel was visiting family and friends, followed by 50% who said ‘other leisure and tourism activities’. (Figure 4-7) Thirdly, 36.5% of respondents said their main reason for non-business trips was shopping

and 16% mainly went to visit hospitals and other medical institutions or accompanied someone who had to travel for medical reasons. A further 6.3% used the ADS to visit educational establishments and 6% travelled for other reasons such as weddings, sports, holidays and employment. A total of 5.7% indicated that they have not undertaken any non-business trips.

Figure 4-7 Principal reasons for non-business trips



Source: Halcrow ADS Member Survey

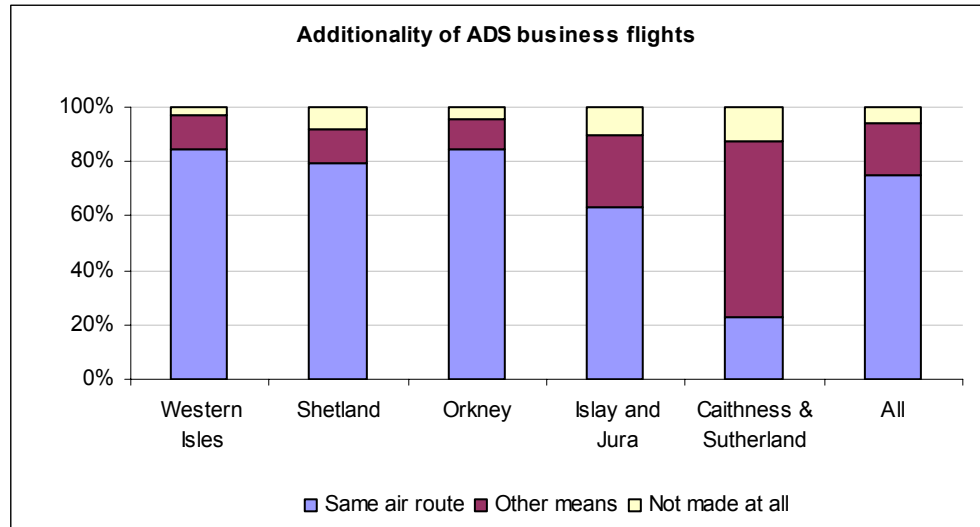
4.8

4.8.1

Additionality and Mode Shift

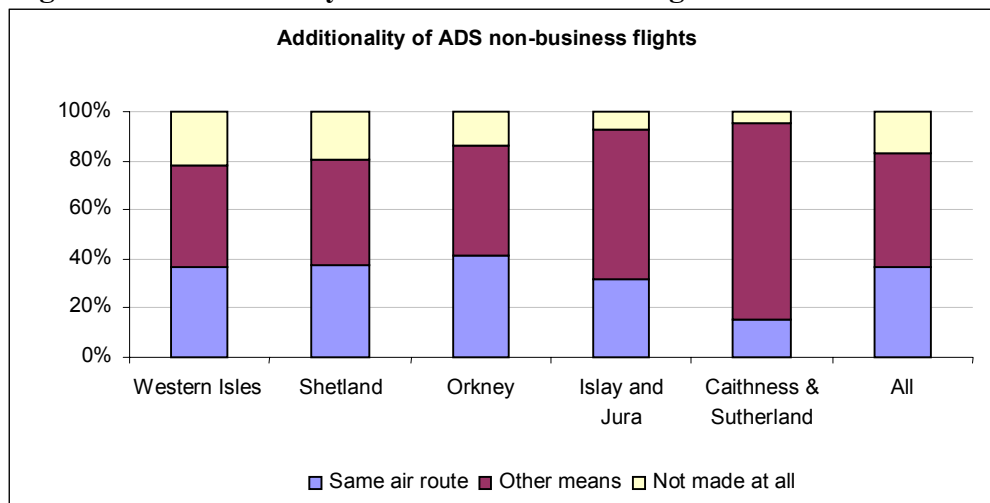
Survey respondents were asked how many of the single flights they had taken, they would have still taken if the ADS had not been available. The aim was to assess the extent of the additionality of the scheme, which indicates how many flights have been taken as a result of the subsidy provided through the ADS. The results for business and non-business trips from each of the five eligible regions are shown in Figure 4-8 and Figure 4-9 below. The graphs show the percentage of trips that would have been undertaken on the same air route, by other transport means or would not have been made at all, if the ADS had not been available.

Figure 4-8 Additionality of ADS business flights



Source: Halcrow ADS Member Survey

Figure 4-9 Additionality of ADS non-business flights



Source: Halcrow ADS Member Survey

4.8.2

Additionality is much higher for non-business trips compared to business trips, as just over a third of all non-business trips would have been taken on the same air route without the ADS anyway, compared to three quarters of business trips.

- 4.8.3 Additionality is highest for residents of Caithness and Sutherland (corresponding to flights from Wick airport), where only 23% of business and 15% of non-business flights would have been undertaken without the existence of the ADS. This compares to 85% of business and 42% of non-business flights for residents of Orkney (corresponding to flights from Kirkwall), the region where additionality was lowest.
- 4.8.4 While flight additionality is highest for residents from Caithness and Sutherland, the results indicate that these trips would generally have been undertaken by other means rather than not at all. In terms of generating new trips that would have not been undertaken by any means without ADS, this was highest for non-business trips from the Western Isles (22%) followed by non-business trips from Shetland (19%).
- 4.8.5 In summary, additionality was very high for non-business trips compared to business trips and it was highest in Caithness and Sutherland. This suggests that the ADS has had a substantial impact on flights departing from Wick Airport. Some of the business trips and nearly half of the non-business trips would have been undertaken by other means without the ADS. The main mode shift was from a combination of ferry and private transport for both business and non-business trips across all regions, except in Caithness and Sutherland, where the switch would have mainly been from private transport.
- 4.8.6 It becomes clear that without the ADS, only a relatively small percentage of business and non-business trips (6% and 18% respectively) would not have been undertaken at all. This indicates that the ADS had a stronger impact on switching mode from ferry and private car to air services, rather than generating new trips.

4.9 Journey Times

- 4.9.1 This section examines the changes in journey times which have been generated as a result of the mode switch from ferry, private car and other transport modes to air services. The changes in journey times were assessed for business and non-business users separately. It should be noted that 57% of ADS users surveyed did not undertake any business trips and 6% of ADS users did not undertake any non-business trips. The percentages on journey times are only based on the number of ADS users that undertook the relevant type of trip. It should also be noted that the figures presented in relation to changes in average journey times experienced by individual users. This contrasts with the assessment of

additionality in the previous section, which relates to changes in the total number of trips made. (Individuals are able to make multiple trips)

- 4.9.2 Respondents were asked to state whether their journey times had changed since the introduction of the ADS and if so, to quantify by how much on average. The results are shown in Table 4-8 below.

Table 4-8 Change in average journey times

| Change in average journey times | Business Trips | Non-Business Trips |
|---------------------------------|------------------|--------------------|
| | % of respondents | % of respondents |
| Decrease of 4 hours or more | 42% | 58% |
| Decrease of 0-3 hours | 6% | 9% |
| Stayed the same | 49% | 30% |
| Increase of 0-3 hours | 2.5% | 0.7% |
| Increase of 4 hours or more | 0.5% | 2.3% |
| Total | 100% | 100% |

Source: Halcrow ADS Member Survey

- 4.9.3 Nearly half of all respondents who had undertaken business trips stated that their journey times had stayed the same, which suggests that they were using air services before the introduction of the ADS anyway. A total of 42% believed that their journey times for business trips had decreased by 4 hours or more. This would suggest that this proportion of individuals switched from ferry to air services for some of their business trips.
- 4.9.4 For non-business trips, around a third of all respondents indicated that their journey times had stayed the same and almost 60% indicated that their journey times had decreased by 4 hours or more – this proportion is much higher compared to the same figure for business trips. It suggests that almost 60% of individuals travelling on non-business trips switched from ferry or private car to air services for some of their trips.
- 4.9.5 These findings were also supported by the qualitative comments that respondents made. Respondents who switched from ferry trips and private car to air travel indicated that it had a greater impact on their journey times as it freed up to two whole days, which otherwise would have been spent on the ferry and driving as part of a return trip from the

islands to the central belt. Comments from respondents that used the ADS for business trips suggest that in half of the cases, journey times have stayed the same because there has been no mode shift and the main impact of the ADS was on the travel budget. In the other half of cases, more affordable air fares allowed businesses to switch modes and reduce journey times or take additional flights that would not have been taken without the ADS.

4.9.6 One respondent explained that *“the cumulative effect of pre-ADS flight costs on the travel budget meant that business travel often had to be a mix between air travel and ferry/car journeys. The additional travel time the latter incurred often meant it was not practical to attend business meetings at all. The ADS has made it a lot easier to make regular business journeys and benefit from networking and mainland events as well as maximising time in the office. It has also made personal journeys such as weekend breaks more achievable and enjoyable as it is possible to travel at more affordable rates without having to set aside two days for travelling from the islands to the mainland by car and ferry”*.

4.9.7 It was also explained that not only had the discounted air fares impacted on journey times, changed timetable enabled businesses to take trips at more appropriate times as it is now possible to take a day return flight for business meetings.

4.9.8 Some further comments made by respondents were:

“It has made life a lot easier to attend business meetings, whereas before ADS the ability to travel south for business meetings was limited.”

“The ADS has allowed me and my family to travel to the mainland without losing precious days of annual leave by travelling for a day at either end. It has been extremely beneficial in this way.”

“The ADS is great to travel cheaply between Aberdeen and Stornoway. It was the reason my wife and I moved back to Lewis.”

4.9.9 One respondent who stated that his journey times have increased stated that *“prior to the withdrawal of the direct Inverness-Benbecula connection, a business trip to Inverness or Benbecula could be completed in one day while now an overnight stay is compulsory”*. This service had been introduced by Highland Airways after the introduction of the ADS,

but was withdrawn after nine months as it did not prove to be viable to operate this route.

4.9.10 In summary, there is a general feeling among ADS users that the scheme has had a very positive impact on journey times for non-business trips, as the reduced air fares allowed people to switch from long ferry and car journeys to air services. The impact on journey times was generally lower for business trips, as the majority of respondents indicated that they used air services for business trips before the introduction of the ADS anyway. This is also supported by the findings on mode shift presented in section 4.8, which indicate that overall, mode shift is higher for non-business trips (46% would have undertaken the trip by other transport means without the ADS) compared to business trips (19%).

4.10 Changes in number of trips undertaken and travel budget

4.10.1 Respondents were asked to provide details on the changes in number of business and non-business trips⁵ undertaken and also on changes in the travel budget since the introduction of the ADS. The results for changes in number of business and non-business trips are shown in Table 4-9 as a percentage of all ADS users that responded to this question and undertook the relevant type of trip.

4.10.2 The table shows clearly that the highest proportion of ADS users (60.1%) indicated that their number of business trips remained the same, while 27.2% undertook 1-4 more trips per year and 11.9% undertook over 5 more trips per year. Only 1 respondent stated that they undertook 1-2 business trips less per year.

4.10.3 For non-business trips however, the increase in the number of annual trips was much higher. Nearly 60% of all ADS users who had undertaken non-business trips have undertaken 1-4 more trips per annum since the introduction of the ADS and 18.3% undertook more than 5 additional trips per annum. For 18.4% of ADS users the number of non-business trips they undertook per year stayed the same and only a small proportion (3.6%) indicated that the number of trips had fallen.

⁵ Trips relates to air flights as well as trips using other modes of travel.

Table 4-9 Change in number of trips undertaken per year

| Change in number of trips | Business | Non-Business |
|----------------------------------|-----------------|---------------------|
| Over 10 more trips | 3.6% | 2.4% |
| 7-10 more trips | 1.9% | 6.1% |
| 5-6 more trips | 6.4% | 9.8% |
| 3-4 more trips | 12.4% | 27% |
| 1-2 more trips | 14.8% | 32.7% |
| Stayed the same | 60.1% | 18.4% |
| 1-2 trips less | 0.8% | 0.7% |
| 3-8 trips less | 0.0% | 2.9% |
| Total | 100% | 100% |

Source: Halcrow ADS Member Survey

4.10.4

The results for changes in annual travel expenditure for business and non-business trips are shown in Table 4-10 and are also based on ADS users that responded to the relevant question on changes in travel expenditure and undertook the relevant type of trip.

Table 4-10 Change in annual travel expenditure

| Change in annual travel expenditure | Business | Non-Business |
|--|-----------------|---------------------|
| Increased by over £600 | 0.7% | 1.7% |
| Increased by £300 - £600 | 1.4% | 3.5% |
| Increased by £200 - £300 | 0.0% | 0.8% |
| Increased by £100 - £200 | 2.9% | 5.6% |
| Increased by less than £100 | 1.4% | 4.7% |
| Stayed the same | 42.4% | 20.5% |
| Decreased by less than £100 | 13.3% | 18.1% |
| Decreased by £100 - £200 | 10.3% | 22.8% |
| Decreased by £200 - £300 | 6.7% | 10% |
| Decreased by £300 - £600 | 14.2% | 8.3% |
| Decreased by over £600 | 6.7% | 4% |
| Total | 100% | 100% |

Source: Halcrow ADS Member Survey

4.10.5 The results suggest that travel expenditure has decreased slightly more in percentage terms for non-business trips (63.2%) compared to business trips (51.2%). The highest proportion of ADS members who undertook business trips (42.4%) indicated that the amount of business trips they undertake stayed the same since the introduction of the ADS.

4.10.6 In the following two tables, Table 4-11 and Table 4-12 the change in trips and travel expenditure are combined to see the combined effect of the ADS on business and non-business trips. *(Please note that there is a slight discrepancy between the following tables and tables 4.11 and 4.12 as some respondents did not respond to both of these questions. These respondents have been excluded from the combined tables.)*

Table 4-11 Change in number of business trips and annual travel expenditure

| Change in number of business trips | Change in annual travel expenditure | | | Total |
|------------------------------------|-------------------------------------|-----------------|--------------|--------------|
| | Increased | Stayed the Same | Decreased | |
| More trips | 5.6% | 4% | 26.7% | 36.3% |
| Stayed the same | 1.6% | 34.7% | 26.7% | 63% |
| Less trips | - | 0.7% | - | 0.7% |
| Total | 7.2% | 39.4% | 53.4% | 100% |

Source: Halcrow ADS Member Survey

Table 4-12 Change in number of non-business trips and annual travel expenditure

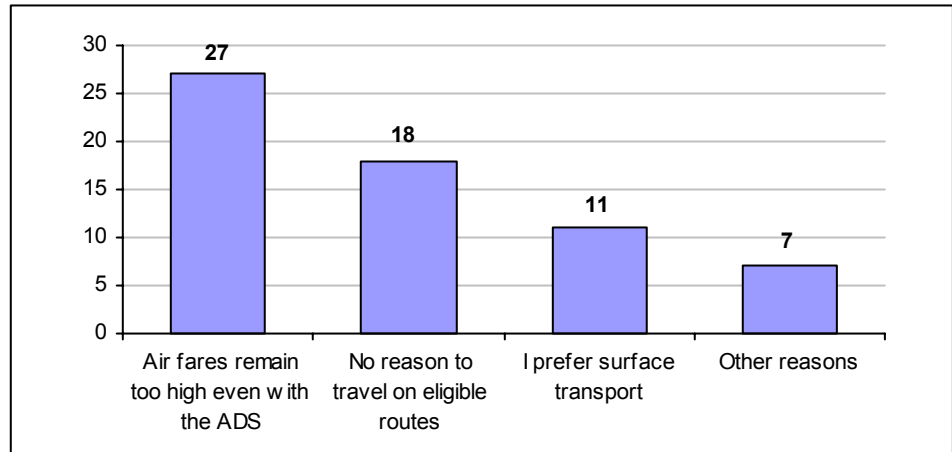
| Change in number of non-business trips | Change in annual travel expenditure | | | Total |
|--|-------------------------------------|-----------------|--------------|--------------|
| | Increased | Stayed the Same | Decreased | |
| More trips | 14.2% | 11.3% | 51.8% | 77.3% |
| Stayed the same | 0.8% | 7.7% | 10.8% | 19.3% |
| Less trips | - | 0.8% | 2.6% | 3.4% |
| Total | 15% | 19.8% | 65.2% | 100% |

Source: Halcrow ADS Member Survey

- 4.10.7 For business trips, over a third of respondents (34.7%) indicated that neither the number of trips nor the annual travel expenditure have changed since the introduction of the scheme. This could indicate that these businesses are opting to purchase more expensive flexible tickets. Over half indicated that their travel budget has decreased while undertaking the same number or more trips, which suggests there has been a positive impact on travel budgets for these businesses.
- 4.10.8 For non-business trips, the majority of respondents (51.8%) indicated that they undertook more trips and that *at the same time*, their annual travel expenditure had decreased. Nearly two thirds of the respondents indicated that their travel expenditure had been reduced and nearly 80% indicated that they had undertaken more trips since the introduction of the ADS.
- 4.10.9 It is clear from the results in this section, that the impact on the number of trips undertaken and the travel budget has been positive, and greater for non-business trips compared to businesses trips. The ADS enabled over half of all respondents who used the ADS for non-business trips to undertake more trips and at the same time reduce their travel budget. For the majority of business trips however, the number of trips generally stayed the same, which allowed many businesses to reduce their travel budget due to the ADS.
- 4.11** **Reasons for not using the ADS**
- 4.11.1 A total of 15% of all respondents to the ADS member survey indicated that they were members of the ADS but have not yet used the scheme. This compares to a total of 67% of ADS members as a whole who have not yet used the scheme. As a result, non-users are underrepresented in the ADS member survey due to the survey bias towards ADS users (this has already been discussed in section 4.3). Nevertheless, the following responses provide a useful indication of the views of ADS members who have not yet used the scheme.
- 4.11.2 Non-users were asked to rate the importance of a number of factors regarding their decision not to make use of the scheme. The findings indicate that the most important reason for ADS members not using the scheme, was that they believe that air fares are still too high, with 27 out of 60 non-users (45%) rating the importance of this reason with 9 or 10 (out of 10) (Figure 4-10). The average rating for this reason among all non-users was 7.5, while the standard deviation from the mean was

relatively high at 3.3. This suggests that either individuals thought it was a very important factor or not relevant at all.

Figure 4-10: Number of non-users rating reason as very important



Source: Halcrow ADS Member Survey

4.11.3 The next most important factor was not having any reasons to travel on the eligible routes, followed by a preference for surface transport. Respondents rated that they had ‘no reason to travel on the eligible routes’ with 5.5 on average, and the reason that surface transport is preferred with 4.9. Again, standard deviations were very high (3.8 in both cases), which suggests that the reason was either considered as very important, or not relevant.

4.11.4 Comments made by survey participants indicated that air fares are still too expensive relative to other options, particularly for families with children and for those living in Caithness considering that they have the alternative of using the car. One resident from Caithness indicated that it is much cheaper to drive to Inverness and then fly to the Central Belt rather than fly from Wick on ADS. However, it should be considered that in other regions and countries, air travel can be prohibitive for families as well, given the fact that older children are required to pay a full air fare.

4.11.5 The average income of those who believed that air fares were still too high and provided a rating of 9 or 10 for this reason was £13,400, which is below the overall average income of £17,850. This indicates that air

fares, even with the 40% discount, are particularly prohibitive for ADS members on lower income levels.

- 4.11.6 For those that had strong preference for surface transport, reasons given included the benefit of less luggage restrictions on surface transport and the need for a private car at the end destination. Some respondents also mentioned that they do not like flying, and others stated that they did not consider air travel to be an environmentally sound option.
- 4.11.7 In terms of the other reasons mentioned, some respondents stated that they were not able to travel due to illness or having young children, or having received the ADS card only recently. Another reason was that Inverness offers better services and more destinations compared to Wick.

4.12 **Impact and Future of the ADS**

- 4.12.1 Survey respondents were asked to state the extent to which they agree with a number of statements mainly related to improved connectivity due to the ADS. The ratings were given on a scale of 1-10, 1 meaning ‘strongly disagree’ and 10 meaning ‘strongly agree’. In general, the average ratings were relatively high as can be seen in the following Table 4-13.

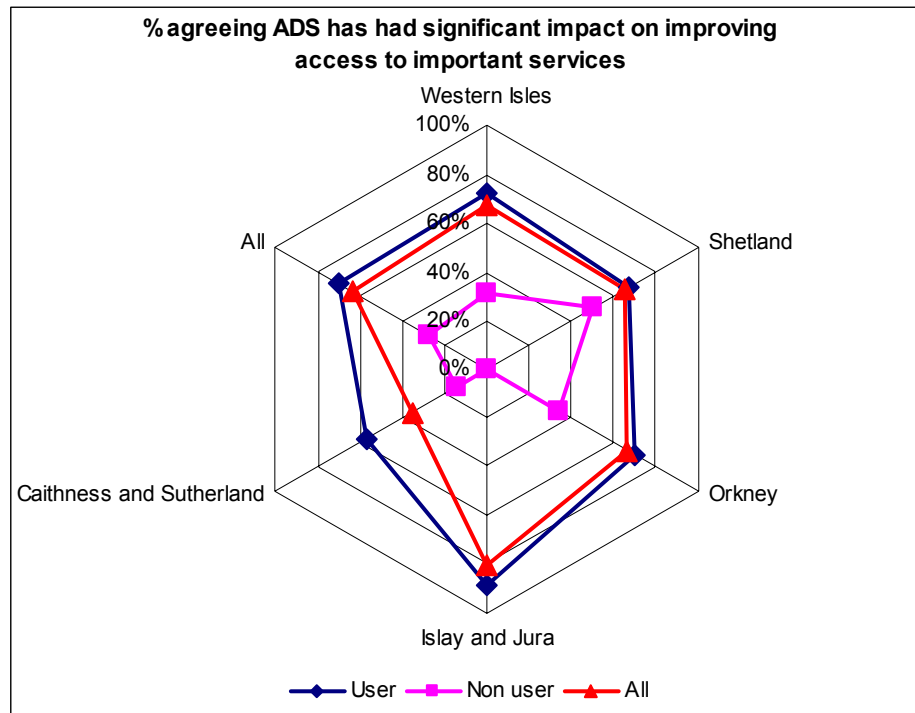
Table 4-13 Impact of the ADS on improved connectivity

| Statement | Average rating for extent of agreeing |
|---|---------------------------------------|
| ‘I feel that the introduction of the ADS has led to improved connectivity to important services such as health, education and leisure for my local community.’ | 8.2 |
| ‘I feel that the introduction of the ADS has led to improved connectivity for local businesses .’ | 8.0 |
| ‘I feel that my community is a better place to live as a result of the ADS.’ | 7.9 |
| ‘I feel that the introduction of the ADS has led to improved connectivity to employment for my local community.’ | 7.5 |

Source: Halcrow ADS Member Survey

- 4.12.2 In the following four graphs, each of the four statements are taken to determine the percentage of people who strongly agreed with the statement, meaning those who provided a rating of 9 or 10 for it. The graphs illustrate how the impact of the ADS on connectivity and quality of life has been perceived by users and non-users in each of the eligible regions. It should be considered that the percentages are sometimes based on relatively small sample sizes, particularly findings on non-users by region, which means the reliability and validity of some results might be reduced due to the sample size. The focus is therefore on overall non-user results across all regions rather than region-specific results.
- 4.12.3 Figure 4-11 below shows that a total of 70% of ADS users across all regions strongly agreed with the statement that the ADS has had a positive impact on improving access to important services for the eligible region. Agreement was particularly strong in Islay and Jura where 89% strongly agreed with this statement and lowest, but still relatively high, in Caithness and Sutherland (57% agreed).
- 4.12.4 It can be seen that nearly a third of all ADS non-users across all regions strongly agreed that connectivity to important services had been improved through the ADS. However, in Shetland this figure was 50% and although the sample size was relatively small (n=12), this might reflect the strong dependence of Shetland on air travel as it shows that even those who did not use the ADS, believe that there has been a positive impact on improved connectivity to important services for the region as a whole.

Figure 4-11 Improved connectivity to important services



Source: Halcrow ADS Member Survey

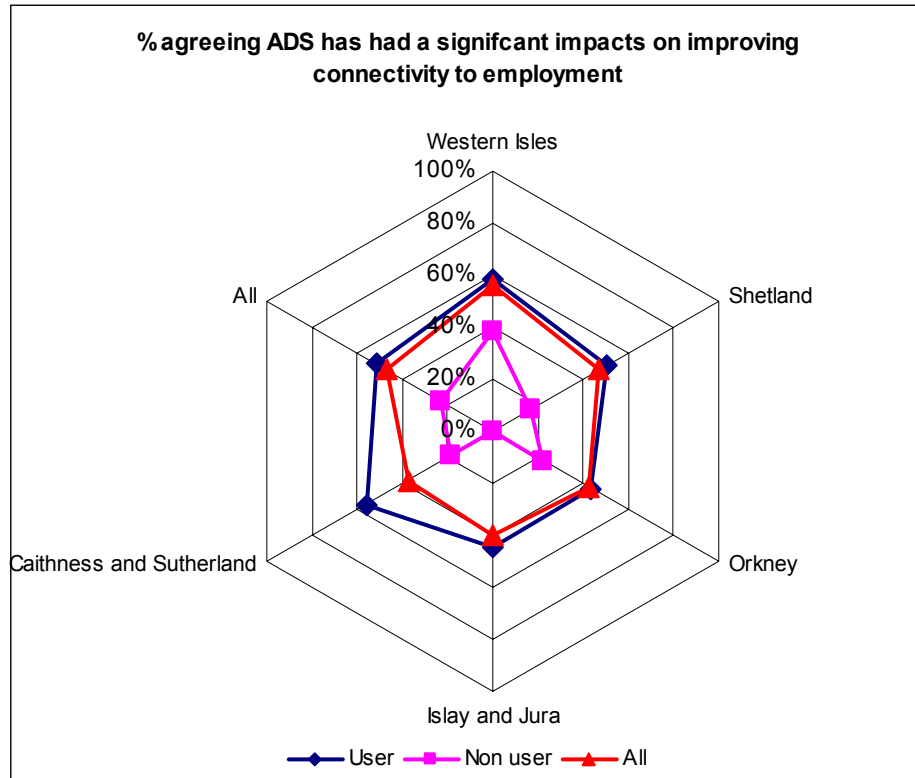
4.12.5

Compared to the level of agreement with the first statement, Figure 4-12 below shows that less people across all regions strongly agreed with the statement that the ADS had improved connectivity to employment. The proportion of ADS users who strongly agreed with the second statement in relation to improved connectivity to employment reached from 44% in Orkney and Islay and Jura to 59% on the Western Isles. Overall, 51% of ADS users across all regions strongly believed that connectivity to employment had been improved due to the ADS.

4.12.6

Only 23% of non-users across all regions strongly agreed with the second statement, which reflects that non-users mainly believed that the ADS had less of an impact on improved connectivity to employment for the eligible region.

Figure 4-12 Improved connectivity to employment

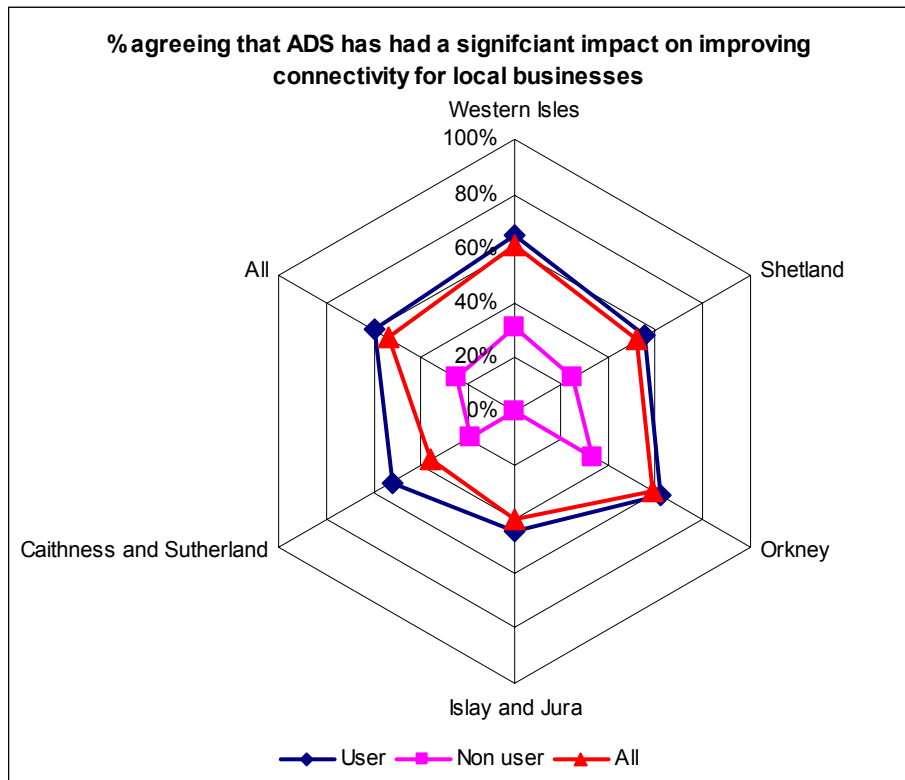


Source: Halcrow ADS Member Survey

4.12.7

Figure 4-13 overleaf shows the results for improved connectivity for local businesses. Around 59% of all users and 23% of all non-users strongly agreed that the introduction of the scheme had improved connectivity to local businesses. In particular ADS users on the Western Isles (65%) and in Orkney (62%) strongly agreed with the third statement.

Figure 4-13 Improved connectivity for local businesses

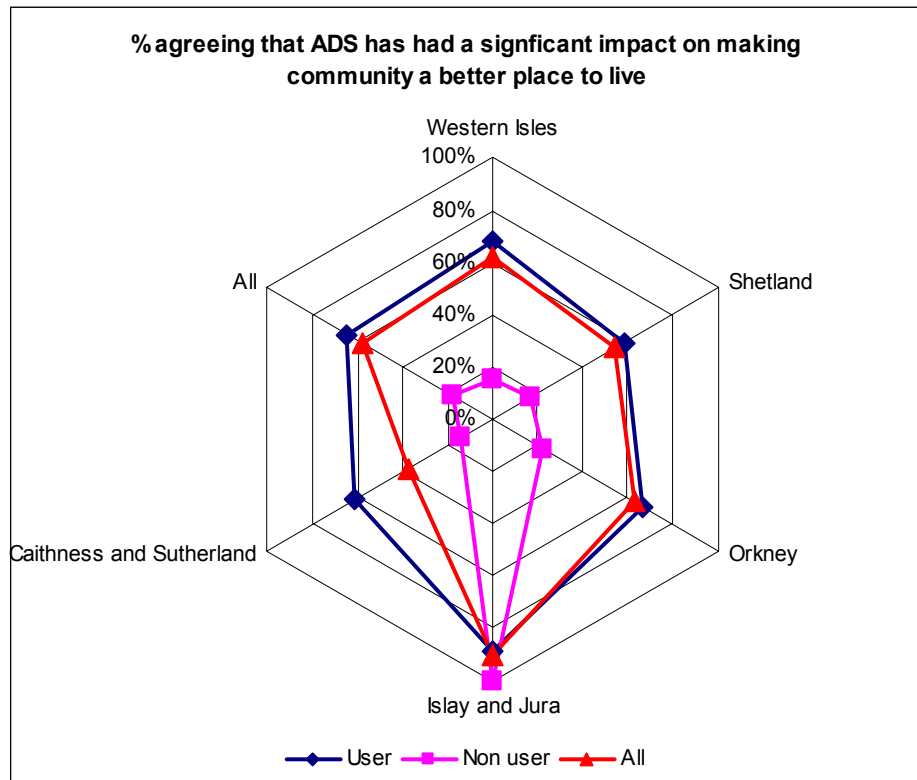


Source: Halcrow ADS Member Survey

4.12.8

Finally, Figure 4-14 shows that a high proportion of ADS users (64%) strongly believed that their community was a better place to live due to the ADS, particularly in Islay and Jura (89%), the Western Isles (68%) and Orkney (67%). However, only 19% of non-users strongly agree with this last statement.

Figure 4-14 Improved attractiveness of the place to live



Source: Halcrow ADS Member Survey

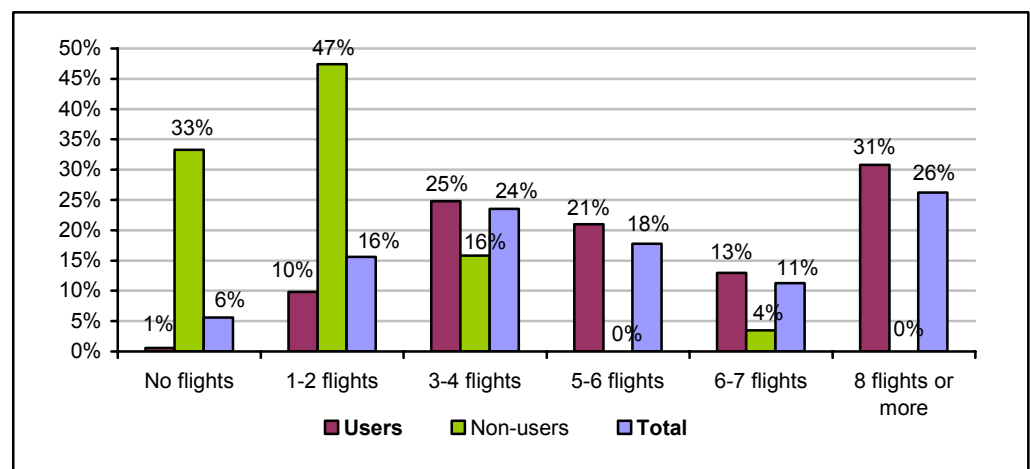
4.12.9 In all four graphs it is shown that the impact of the ADS on improved connectivity and attractiveness of the place to live has been rated highly by ADS users compared to ADS non-users as the latter have not benefited from the scheme in the past and therefore agreed less with the four statements.

4.12.10 It becomes clear that the eligible population, particularly those who have made use of the scheme, believe that the ADS has had a significant impact on improved connectivity - especially connectivity to important services - and has made the remote community a better place to live. This general feeling about the positive impact of the ADS is supported by the fact that 98.4% of all respondents stated that the scheme should be continued. Only 0.8% of all respondents do not want the scheme to continue and 0.8% were not sure whether the ADS should be continued.

4.12.11

Regarding the future use of the ADS, 26.2% of all respondents indicated that they would book 8 single flights or more under the scheme within the next year and only 5.7% of respondents are not planning to book any flights at all. The responses on the use of the scheme within the next year are summarised in Figure 4-15.

Figure 4-15 Number of single flights respondents plan to purchase within the next year



Source: Halcrow ADS Member Survey

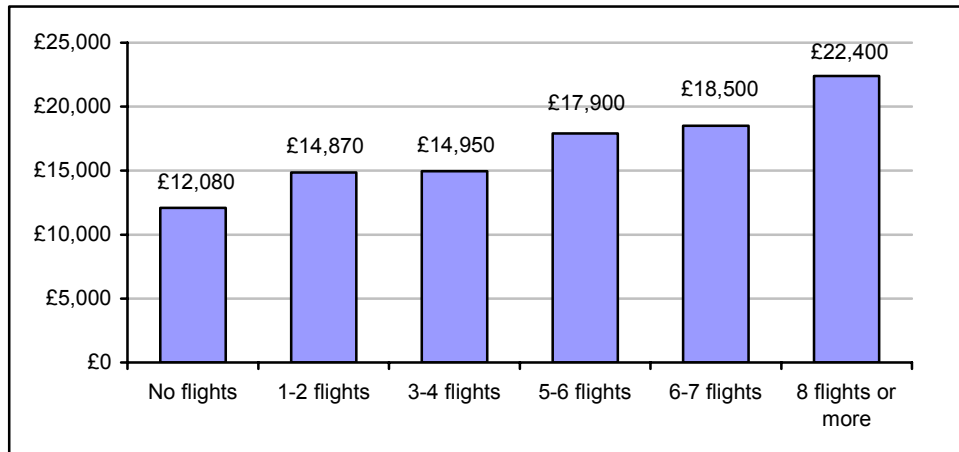
4.12.12

The chart indicates that a third of those who have not used the scheme in the past are not planning to use it in the near future. Almost half of all non-users plan to undertake only 1-2 single flights within the next year. The trend is exactly the opposite for ADS members who have used the scheme in the past. Only 1% are not planning to book any flights in the future and two thirds of all users are planning to book 5 single flights or more within the next year.

4.12.13

It is interesting to note that there is a direct correlation between average income and the future use of the ADS. This can be seen in Figure 4-16 below. The average annual income for those who said that they would not book any flights within the next year was £12,000 per adult. Income increases with the planned number of flights, with the average income being £22,400 for those planning 8 flights or more.

Figure 4-16 Number of single flights respondents plan to purchase within the next year in relation to the income level per adult



Source: Halcrow ADS Member Survey

4.12.14 These figures also reflect the fact that non-users generally have a lower average annual income. The majority of non-users either do not want to book any flights within the next year or are only planning to book 1-2 single flights.

4.12.15 This suggests that the ADS has had less impact on making flying more affordable for individuals on lower incomes who have not used the scheme in the past and are not planning to use it in the future. However, it should be taken into account that for many individuals on low incomes who do not live in Scotland's peripheral regions, air services are often not an affordable option either. Therefore, the ADS cannot be expected to make air travel affordable to all those on low incomes.

4.13 Potential Improvements to the ADS

4.13.1 All survey participants were asked to provide some suggestions for improvements and enhancements of the scheme where necessary, which resulted in a number of areas that ADS members would like to see addressed in order to improve the scheme. The suggestions for improvements are set out below and sorted by their level of importance, in terms of the number of people that considered this improvement to be essential.

1) Increase the discount level further

- 4.13.2 A relatively large proportion of respondents who made a suggestion on improving the scheme indicated that the discount level should be increased further as air fares are still considered to be high, particularly if it is not possible to book flights very early in advance. The number of seats available at low fares was considered to be insufficient and therefore, even with the discount, air fares were considered relatively high.
- 4.13.3 Comments suggested that it seemed to be confusing and unclear what the air fare for a ticket would be and the difference between the highest and the lowest fare was considered to be too high. As a result, spontaneous or emergency bookings led to very high air fares, sometimes even higher than before the ADS was introduced.
- 4.13.4 Another argument for increasing the discount level mentioned by ADS members was that the discount did not apply to taxes, which can sometimes be even higher than the air fare itself. It was stated that “*the discount should increase to 50% or also be applied on taxes and other charges*”.
- 4.13.5 This suggestion for improvement has been investigated and the cost to government of this option is assessed further in Chapter Six.

2) Make family members on the mainland eligible under the ADS

- 4.13.6 Many respondents suggested that the scheme should be extended to family members who live on the mainland, but were born and grew up in one of the eligible regions. It is believed that this would give them an affordable choice to visit relatives on the island as the air fares are considered to be very high without the discount.
- 4.13.7 It was suggested that if it is possible to include students who study away from home in the scheme, it should also be possible to include first generation family members who work and live on the mainland, as the aging population on the islands would benefit from more contact with their children. One respondent mentioned that “*children might even consider moving back to the island community when they see how cheap air fares to the mainland are*”. Consequently, many believe that family members living on the mainland who can prove that their parents live in

one of the eligible regions or that they were born there, should also be given access to the scheme.

- 4.13.8 One major issue in relation to this suggestion is that the approval given by the European Commission is exclusive for residents of the defined eligible regions and does not include family members on the mainland. The ADS is a scheme which aims to improve social inclusion and connectivity for those who live in Scotland's most peripheral regions. This criterion is not fulfilled by family members living on the mainland, they are not disadvantaged by living in a remote region and the ADS can therefore not be applied to them.

3) Improve ADS booking system

- 4.13.9 As already mentioned in section 4.6, which relates to the booking process, there have been a few suggestions on how the booking process could be made easier and clearer in order to encourage uptake of the ADS.

- 4.13.10 Firstly, ADS members believe that there should be a clear link to the ADS booking site on the BA Website, as many had problems finding the site where they can book flights using the ADS. For older people and those less proficient in using computers, this can be a major issue that might discourage them from using the scheme.

- 4.13.11 A second suggestion for improving the booking process made by a number of ADS members is that it should be possible to enter as many ADS numbers as passengers are flying. This would enable groups and families to make one booking for a number of passengers and ensure that there will be sufficient seats available at a previously known price for all.

- 4.13.12 It was also mentioned that there should be "*more flexibility when booking online to allow for bookings of non-refundable outbound flights and flexible inbound flights*". One respondent indicated that "*it should be possible to use the ADS when flying on the same day in an emergency*". The ADS team confirmed that the latter is already possible. In an emergency, non-members can fax an application form to the ADS Team, which will be processed immediately so that the passengers are able to fly on the same day. Existing members using Loganair services are also able to book tickets at the airport through being directed to the airline's call centre.

4.13.13 Finally, one respondent mentioned that *“it could be made easier to find the cheapest air fares within a certain period of time as these are usually restricted. An approach where the cheapest air fares for every day within a month could be seen simultaneously, for example in the form of a chart, would be very useful for booking flights when travel times are flexible”*.

4.13.14 In particular, the first two suggestions are strongly recommended in order to improve and facilitate the booking process. It should be easy to find the ADS booking site online and bookings should also be facilitated for groups and families by allowing them to make one booking and to enter ADS card numbers for all passengers.

4) Extend ADS geographically

4.13.15 There were some suggestions for extending the ADS geographically to include other inter-island flights such as from Stornoway to Benbecula or from Glasgow to Barra. It was also suggested that the scheme could be extended beyond the Central Belt to include other destinations in the UK and abroad, such as London. Some respondents indicated that there are only limited flight opportunities from Wick and a direct flight to Glasgow would encourage uptake of the scheme in Caithness and Sutherland.

4.13.16 However, Stornoway to Benbecula and Glasgow to Barra are already subsidised through the PSO (Public Services Obligation) mechanism and this would provide double support. Extending the scheme beyond the central belt is also beyond the existing objectives of the ADS.

4.13.17 It is also important to understand that the flight opportunities available from Wick airport and the other eligible airports depend on the airlines’ strategies. Recommendations on this issue are beyond the remit of this study.

5) Price transparency

4.13.18 Some respondents had the view that there should be a standard air fare for all ADS flights to increase price transparency. It was also suggested that there should also be a clearer indication of the savings made on each booking.

4.13.19 Some respondents felt that air fares had increased since the introduction of the scheme and airlines, not residents, have benefited most from it. It

was therefore suggested that airline prices should be reviewed and controlled on a regular basis to make sure that airlines do not make use of the ADS to increase their profits.

6) Increase promotion and marketing

4.13.20 Another suggestion for improving the scheme and increasing uptake is that promotion should be increased further, as many are still unaware of the scheme. ADS members stated that the scheme should also be made more accessible to older people by increasing their awareness of the scheme through more information and by ensuring that the booking process is more user friendly.

4.13.21 It was also mentioned that the prices of air travel with the ADS should be advertised more to make people aware of the actual cost of air travel – this could encourage demand for air services further, but it would also be difficult as the fares differ strongly with respect to the time of booking.

Promotion and marketing could be increased further in order to increase uptake of the scheme in regions where it is still relatively low, such as Caithness and Sutherland. This recommendation is explained in more detail in the final chapter.

7) ADS cards

4.13.22 Finally, it has been suggested that it would be less confusing if ADS cards had the full first name written on them, as some family members have the same initials and it is unclear which card belongs to whom. The ADS card number could also be reduced as the amount of zeros on the card was not felt to be needed.

4.14 Summary

4.14.1 In summary, it is clear that a high proportion of ADS members are very satisfied with the operation of the ADS including the application and booking process, the service provided by the ADS team and the marketing activities. The most effective and highly rated means of disseminating information about the ADS were newspaper advertisements.

4.14.2 Two issues were mentioned with regard to the booking process related to difficulties finding the ADS online booking site and confusion about the number of passengers that can be included in one booking.

- 4.14.3 The findings suggest that the scheme has enabled a high number of ADS users to increase the number of non-business trips they undertake and at the same time to reduce the travel budget and journey times. This indicates that there has been a positive impact on improved connectivity for the eligible regions. For business trips, the number of trips and journey times tended to stay the same, which resulted in a positive impact of the ADS on the travel budget of businesses.
- 4.14.4 Additionality of the ADS was generally relatively low. It was highest in Caithness and Sutherland and considerably higher for non-business trips compared to business trips across all regions. Without the ADS, the majority of ADS users would have switched from air services to ferry and private car (for Caithness and Sutherland only to private car) and only a small proportion of ADS users would not have undertaken the trip at all.
- 4.14.5 There is still a high number of ADS members who have not made use of the scheme, particularly residents on low incomes, and the results suggest that the main reason for not using the scheme is that air fares are still considered to be too high.
- 4.14.6 Overall, a very high proportion of respondents believe that the scheme is very successful and has had a significantly positive impact on their community. They would therefore like to see the scheme continued.

5 NON-MEMBER SURVEY

5.1 Introduction

5.1.1 This chapter presents the research methodology and the findings of the ADS non-member survey, which was undertaken as part of this review in order to determine the reasons why eligible individuals have not registered under the scheme and to assess the characteristics of non-members such as age and regional distribution.

5.2 Methodology

5.2.1 Compared to the ADS member survey, it was a more difficult task to obtain contact details for ADS non-members as they only represent 13% of the eligible population and there was no database readily available that included ADS non-members' contact details.

5.2.2 However, as it was essential to include views of ADS non-members into the study, it was decided to purchase an electoral roll database for five of the eligible regions with the following regional distribution:

- 3,000 records from the Western Isles
- 3,000 records from Shetland
- 3,000 records from Orkney
- 700 records from Caithness
- 300 records from Sutherland

5.2.3 These records included randomly selected names and postal addresses of residents in these regions and were cross-matched against the ADS member database by the ADS Team in order to determine those individuals listed on the electoral roll that were not ADS members. This resulted in a list of 1,700 non-members across all regions except the Western Isles where all 3,000 electoral roll records seemed to be ADS members. It should be added that a database was not purchased for Islay and Jura as the eligible population in this region is very small (3,700) and a very high percentage of the population are already ADS members (95% excluding children).

- 5.2.4 This approach was selected because it was the most time and cost effective approach for obtaining contact details of ADS non-members. Alternative approaches such as random telephoning of eligible residents or direct distribution of questionnaires in the eligible regions would have been very time consuming and were therefore excluded considering the tight timescale of the study.
- 5.2.5 Since email addresses and telephone numbers were not available, it was decided that the most appropriate method for obtaining the non-members' views within a relatively short period of time would be to launch a postal survey with self-completion questionnaires. As explained in the methodology section for the ADS member survey, the aim was to obtain 50 responses from non-members so that together with the 350 responses from the ADS member survey, there would be a representative sample size of 400 that would be required for a 95% confidence interval.
- 5.2.6 Consequently, 400 letters were issued to randomly chosen non-members across all regions, with an expected response rate of 15%. The letters issued to non-members included a cover letter with details on the study and a brief questionnaire, which is presented in Appendix II, focussing on the following areas:
- Personal profile including location, age, disability and economic status
 - Awareness of marketing materials
 - Suggestions for attracting more members to the ADS
 - Main reasons for not becoming ADS members
 - Whether there is an intention to become an ADS member in the future
 - Impact of the ADS on improved connectivity
 - Whether the scheme should be continued

5.2.7 It was announced that all responses would be included in a £100 prize draw in order to increase the response rate. Based on the 400 questionnaires issued, a total of **68 non-members** returned the completed questionnaire and were included into the quantitative analysis. This represents a response rate of 17%.

5.2.8 The main limitation of this postal survey was the relatively small sample size, which may have had a negative impact on the reliability and validity of the findings, particularly when interpreting region-specific results. However, the profile of non-members and the reasons for not having joined the scheme show a relatively clear general trend and the results are therefore a useful indication for the reasons why some eligible residents have not registered under the ADS and maybe do not plan to do so in the future.

5.2.9 Since the survey participants were randomly selected, they were not required to agree to participate in the survey beforehand and there was no bias towards younger, more computer literate residents as was the case with the online member survey. Overall, the methodology did not have any particular bias towards a specific population group.

5.2.10 However, a regional bias could have potentially been created by the choice of the electoral role database, which included 3,000 records for each of the main eligible islands and only 1,000 for Caithness and Sutherland. This choice was made based on the fact that the proportion of non-members is much higher in Caithness and Sutherland compared to the island communities.

5.3 Description of sample

5.3.1 Out of the 68 returns, the largest proportion of non-member survey respondents were resident in Orkney (n=32) followed by Caithness (n=15), Shetland (n=13) and then Sutherland (n=8). The actual regional distribution of ADS non-members (shown in Table 5-1 below) differs from that in the sample.

Table 5-1 Regional profile of ADS non-members

| Eligible Region | Total Population | Percentage of non-members of population (> 16) | Total number of non-members (> 16) | Proportion of non-members based on total number of non-members |
|--------------------------|-------------------------|--|--|---|
| Western Isles | 26,400 | 7% | 1,056 | 6.1% |
| Orkney Islands | 19,800 | 5% | 990 | 5.7% |
| Shetland Islands | 21,900 | 4% | 876 | 5.0% |
| Islay & Jura | 3,700 | 2% | 74 | 0.4% |
| Caithness and Sutherland | 29,500 | 49% | 14,455 | 82.8% |
| TOTAL | 101,300 | | 17,451 | 100% |

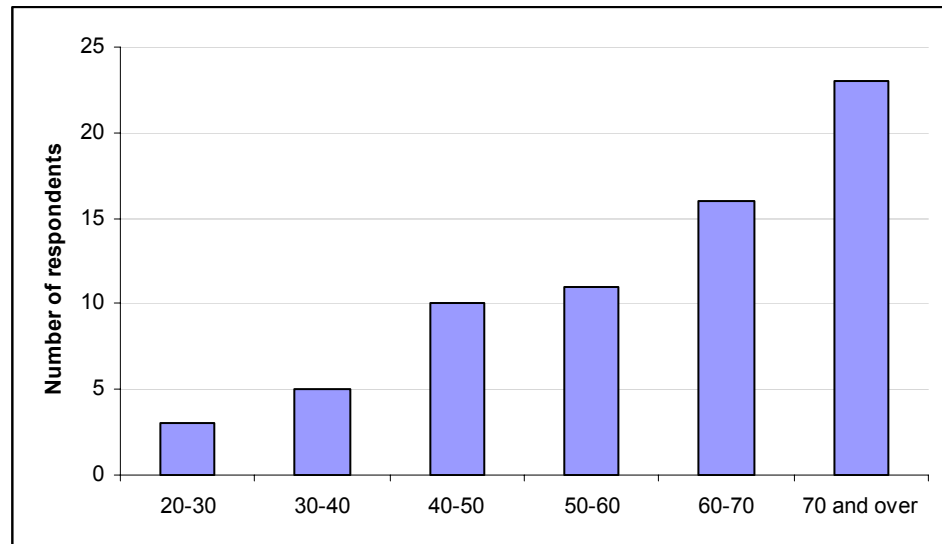
Source: ADS Team data

5.3.2 Overall, ADS take up is lowest in Caithness and Sutherland, where 82.8% of all eligible non-members are resident. However, the non-member survey included a lower proportion of participants from this region. There is a strong bias towards residents from Orkney in the sample, which is disproportionate to the actual proportion of non-members in Orkney overall. As there are no survey participants from Islay and Jura and the Western Isles, views of non-members from these two regions are not represented as part of this study.

5.3.3 This strong bias towards residents from Orkney in the non-member survey and the under-representation of residents from Caithness and Sutherland, the Western Isles and Islay and Jura have a negative impact on the reliability of the survey and the views can therefore not be considered representative for all ADS non-members.

5.3.4 In terms of the age distribution of ADS non-members, the majority of survey participants (n=39) were over 60 as can be seen in Figure 5-1 below and only 8 were under the age of 40.

Figure 5-1 Distribution across age groups in non-member survey



Source: Halcrow ADS non-member survey

5.3.5 Compared to the age profile in the ADS member survey, where only 12% of respondents were over 60, and the general population age profile, which indicates that around 24% of the population in Shetland and 28% of the population in Orkney and Caithness and Sutherland are over 60 (Source: Census 2001), the age profile of the non-member survey participants is older with over half of all respondents being 60 or older. It is possible that non-members have an older age profile because older people are less likely to travel by plane, for example due to health reasons or having no reasons to travel.

5.3.6 A total of 17 out of the 68 respondents (25%) in the non-member survey indicated that they considered their mobility to be impaired due to a disability. This is a very high percentage compared to the ADS member survey where only 14 respondents (3.5%) indicated that they had a disability. However, it should be considered that in the member survey, 65% of those who considered their mobility to be impaired due to a disability (n=44) were 70 or older, which suggests that their age might have an important influence on their mobility as well.

5.3.7 The majority of the non-member survey participants (n=35) indicated that they were retired, followed by 23 that were in full-time employment, and 4 whose economic status was 'unemployed'. Three respondents were also on incapacity benefit and 2 in part-time employment.

5.3.8 The structure of economic activity corresponds to the relatively older age structure of respondents that are not ADS members, as over half of the respondents were over 60 and retired. Consequently, the economic activity profile differs from the economic activity profile of ADS members and the general population in the eligible regions, which can be seen in Table 5-2.

Table 5-2 Economic activity profile comparison

| Economic activity of population over 16 (in %) in eligible regions and of member and non-member survey participants | | | | | | |
|--|---------------------|--------------------|---------|---------------------|------------|-------|
| | Full-time employed* | Part-time employed | Retired | Full-time education | Unemployed | Other |
| Orkney Islands | 52.3 | 13.7 | 14.1 | 1.9 | 3.0 | 15.0 |
| Shetland Islands | 55.6 | 15.1 | 11.1 | 1.9 | 2.4 | 13.9 |
| Caithness & Sutherland | 51.5 | 11.7 | 13.8 | 1.2 | 4.3 | 17.5 |
| ADS member survey participants | 70.5 | 8.9 | 9.7 | 2.7 | 0.5 | 7.7 |
| ADS non-member survey participants | 33.8 | 2.2 | 52.9 | n/a | 5.9 | 5.2 |

Source: Census 2001

* includes full-time self-employed

5.3.9 It can be seen that only a third of ADS non-members are in full-time employment compared to at least half of the eligible population and over two thirds of ADS members. The majority of non-member survey participants are already retired, which compares with a figure of around 10-14% for the eligible population and ADS members. As mentioned earlier, this is in line with the old age profile of the non-member survey participants and it also suggests that non-members are likely to have a lower annual household income since the majority of survey participants receive pensions or other benefits rather than salaries.

5.3.10 In summary, the general profile of the majority of ADS non-members in this survey that was very different from the profile of ADS member survey participants. The non-member survey participants' profile is characterised by an older age structure, the majority being pensioners, and a relatively high proportion of respondents with a disability.

5.4 Awareness of marketing materials

5.4.1 A total of 52 respondents in the non-member survey, across all age groups, indicated that they were not aware of any marketing materials at all. A total of 13 were aware of ADS newspaper advertisements, 5 knew about ADS posters and flyers and 4 about the ADS Website. The other marketing tools were relatively unknown.

5.4.2 These results show that overall, a very high proportion of ADS non-members, were not aware of any marketing material and one of the reasons why they have not become ADS members might be that they were simply not aware of the existence of the ADS. This will be discussed further in the next section 5.5.

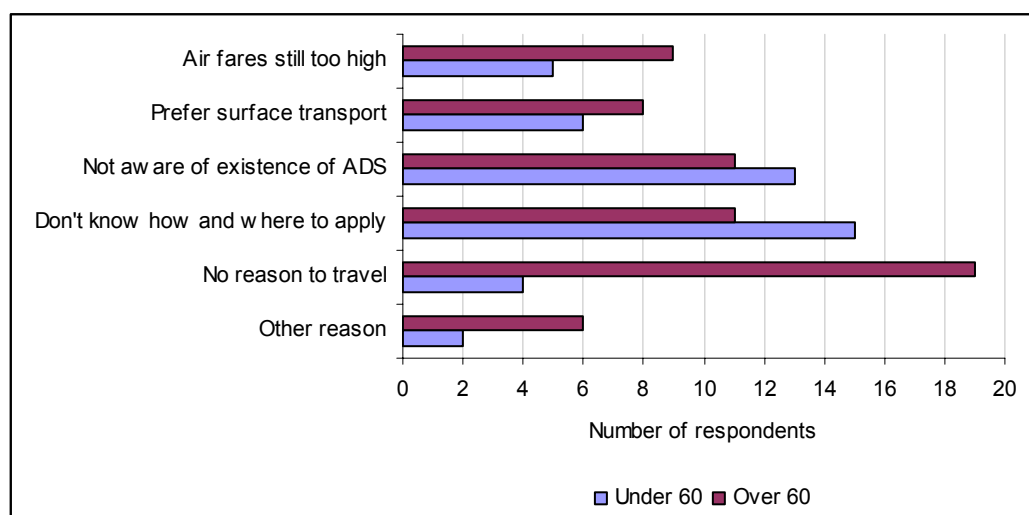
5.5 Reasons for not being an ADS member

5.5.1 A total of 66 survey participants responded to this question, of which 24 were not aware of the existence of the ADS and 26 indicated that they did not know where and how to apply to become an ADS member. In addition to that, 23 respondents stated that they did not have any reason to travel on the eligible routes and 17 preferred to travel by surface transport. The main reasons for preferring surface transport were the comfort and flexibility of car travel, free and reduced cost travel for bus and train with the national concessionary card and the cheaper price of ferries and other surface transport compared to air travel.

5.5.2 In addition, 15 respondents also believed that air fares still remain too high even with the ADS discount and 8 stated other reasons for not being an ADS member, mainly health reasons, but also lack of time for applying or having moved to the area only recently.

5.5.3 A comparison of reasons for non-membership by age group is illustrated in Figure 5-2 below and looks at the main reasons given in the non-member survey for not having registered under the scheme for people under 60 (n=29) and over 60 (n=37).

Figure 5-2 Reasons of non-membership by age group



Source: Halcrow ADS non-member survey

5.5.4 It becomes clear that the most important reason for over half of people over 60 in the non-member survey for not joining the ADS was that they had no reason to travel. Nearly a third of older survey participants also indicated that they preferred surface transport. This suggests that for older people who have no reason to travel or prefer surface transport, the ADS cannot encourage them to use air services.

5.5.5 However, for over half of ADS non-members aged under 60, the most important reason why they have not registered under the ADS was that they did not know how and where to apply, followed closely by the reason that they were not aware of the existence of the ADS. These results suggest that the reasons for not registering under the ADS are different for non-members under 60 and over 60.

5.5.6 In summary, there are a number of reasons why non-members in this survey have not registered under the scheme. On the one hand, the two most important reasons for non-members under 60 were that they did not know how to apply and they were not aware of the ADS. These reasons can be addressed by raising awareness of the scheme through increased and better targeted marketing, which might lead to a higher uptake of the ADS in the future. On the other hand, the most important reason for non-members over 60 in this survey was that they have no reason to travel and many also stated that they preferred surface transport. In these two cases, it would be difficult to attract non-members to register under the

scheme even if marketing activities or the ADS discount were to be increased.

5.6 Future ADS membership

5.6.1 Half of all respondents to the non-member survey indicated that they would like to become an ADS member in the future and 13 respondents requested more information on the ADS and an application form. Fifteen respondents were not sure about whether they would join the ADS in the future.

5.6.2 The remaining 19 respondents said that they were not planning to become an ADS member in the future. This was mostly due to age or health reasons. Seventeen of those that said they would not become an ADS member were over 60, and 12 stated that their mobility was impaired due to a disability.

5.6.3 Respondents were asked whether something could be undertaken to encourage people to join the ADS and the main suggestion was that people should be made more aware of the existence of the ADS through advertisement in local newspaper, shops or radio stations. The second suggestion was that air fares could be reduced further by increasing the discount level. However, the majority of respondents did not provide any comments to this question, which suggests that many believe that nothing can be done to attract those that are non-members as they might not want to travel by air due to age reasons, health reasons or simply transport mode preferences.

5.6.4 It becomes clear that there will therefore always be a proportion of the eligible population that will not be attracted to register under the ADS, irrespective of the discount level or the promotional activities, particularly older people and those with disabilities. It is therefore unlikely that membership can be increased much further in the regions where it is already above 90%. However, there is still potential to increase scheme membership in regions where uptake is low, such as Caithness and Sutherland, by raising awareness of the scheme through increased marketing.

- 5.7 Impact of the ADS on the community**
- 5.7.1 Non-members were also asked to rate the impact that the ADS has had on the community in terms of improved connectivity to important services and employment, as well as improved connectivity for local businesses.
- 5.7.2 Only around half of all respondents rated the impact of the ADS and most of the other respondents indicated that they could not provide a rating because they did not know enough about the ADS.
- 5.7.3 Nonetheless, the non-members who were aware of the ADS and provided a rating agreed that the scheme had led to improved connectivity to important services and has made the community a better place to live. There was less agreement with the statement that the ADS had improved connectivity to employment. Across regions, average ratings on improved connectivity were relatively high in Orkney and rather low in Sutherland and Caithness. This suggests that even non-members believe that the impact of the ADS on improved connectivity was relatively strong on island communities, such as Orkney, where the only alternative to air services is the ferry.
- 5.7.4 A total of 54 of respondents in the non-members survey (80%) said that the ADS should continue and 14 (20%) said that they did not know whether the scheme should continue. No one wanted the scheme to be discontinued.
- 5.7.5 In summary, the results from the last section suggest that many non-members still believe that the ADS has had a positive impact on their community, particularly with regard to connectivity to important services, and therefore would like to see the scheme to be continued, even if they do not benefit from it personally.
- 5.8 Summary**
- 5.8.1 In summary, the profile of ADS non-members in the survey differed strongly from the ADS member profile, as the majority of non-members in the survey were pensioners over 60 and a high proportion of non-member participants' mobility was impaired due to a disability.
- 5.8.2 Nearly three quarters of non-members participating in the survey were not aware of any marketing materials and the main reasons for not being an ADS member seemed to be related to the age profile. Participants under 60 were mainly non-members because they were not aware of the scheme and did not know how to apply, in which case increased

promotion of the scheme could increase ADS uptake, while participants over 60 mainly stated that they had no reason to travel in which case it is unlikely that they could be attracted to the ADS in the future.

- 5.8.3 These findings are also supported by the fact that nearly half of all non-members stated that they would like to register under the scheme in the future and nearly all of those that stated they would not register under the scheme were over the age of 60. In addition, two thirds of those that would not like to become an ADS member had a disability.
- 5.8.4 Around a quarter of non-members strongly agreed that the scheme has improved connectivity to important services and has made the community a better place to live, which indicates that non-members recognise the value of the scheme to the community even if they do not benefit from it directly.
- 5.8.5 The findings suggest that there will always be a proportion of the eligible population that will not be interested in becoming an ADS member, irrespective of the marketing and discount level, particularly older people and those with disabilities. It is therefore unlikely that membership can be increased much further in eligible regions where uptake is already very high. However, there is still potential to increase scheme membership in regions where uptake is low, such as Caithness and Sutherland, by raising awareness of the scheme through increased marketing.

6

OVERVIEW OF CURRENT PERFORMANCE

6.1 Introduction

6.1.1

This chapter of the report is divided into two main sections. Firstly, it focuses on populating the performance measurement framework presented in Chapter Two with the indicators gathered through the course of the study. The indicators are based on monitoring data collected through the administration of the scheme and information supplied by the participating airlines combined with the findings from the survey of ADS users undertaken. Secondly, the chapter provides an overview of the future performance of the scheme, assessing a number of scheme enhancements that could be implemented.

6.2 Populating the performance measurement framework

6.2.1

Ten indicators were developed in Chapter Two, which will be used to measure the ongoing performance of the ADS. Each of the indicators is presented below, taking data derived from both primary and secondary research undertaken as part of this study. This provides a baseline from which further monitoring can be undertaken to assess the ongoing performance of the scheme.

1. Percentage of ADS Members as part of population in each eligible region

6.2.2

By the end of August 2007, there were nearly 67,000 adult members of the scheme representing around 87% of the eligible adult population. There were over 25,000 dependents registered to adult members' cards although this figure is skewed by the fact that some children will be included on both parents' cards therefore counting as double. Caithness and Sutherland was the only region where uptake was less than 90%, with a lower uptake of just over half of the eligible population, as can be seen in Table 6-1 below.

Table 6-1 Number and % of ADS members by region, August 2007

| Region | < 16* | >16 | Total Members | Uptake >16 |
|--------------------------|---------------|---------------|---------------|------------|
| Shetland | 7,445 | 16,800 | 24,245 | 96% |
| Western Isles | 7,226 | 20,086 | 27,312 | 93% |
| Orkney | 5,856 | 15,179 | 21,035 | 95% |
| Caithness and Sutherland | 4,357 | 12,801 | 16,377 | 51% |
| Islay and Jura | 1,087 | 2,850 | 3,937 | 98% |
| Total | 25,971 | 66,935 | 92,906 | 87% |

*Figures include children registered under both parents

Source: ADS Team, Scottish Government

2. Percentage of ADS members using the Scheme

6.2.3

Just over one third of members have used the scheme since its inception in May 2006 to the end of August 2007. Use of the scheme is considerably lower for ADS members in Caithness and Sutherland where only 4% of members have made use of the scheme, compared to 38% or higher in all other regions (Table 6-2).

Table 6-2 Usage by ADS members

| Region | Number of users | Usage in % |
|--------------------------|-----------------|------------|
| Shetland | 7,387 | 44% |
| Western Isles | 7,567 | 38% |
| Orkney | 6,002 | 40% |
| Caithness and Sutherland | 524 | 4% |
| Islay and Jura | 1,090 | 38% |
| Total | 22,570 | 34% |

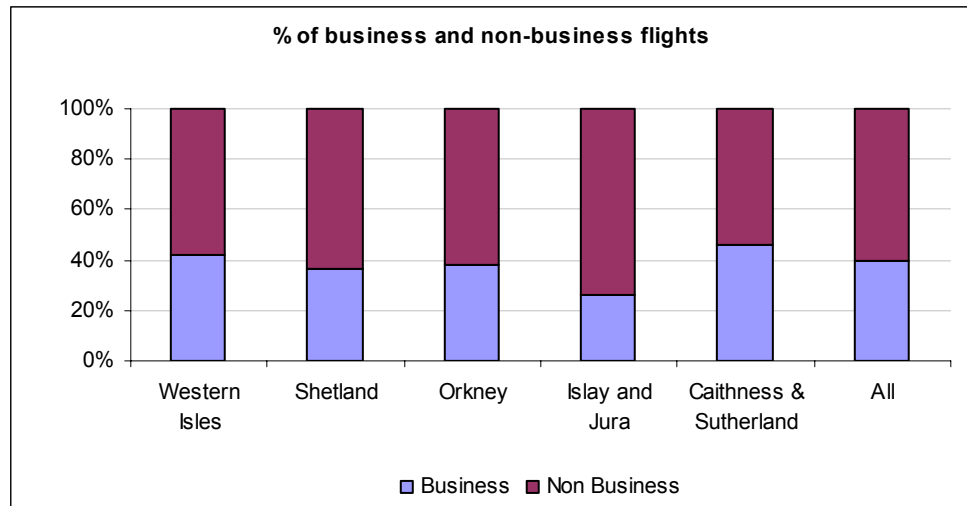
Source: ADS Team, Scottish Government

3. Purpose of journey (business vs. leisure and social in %)

6.2.4

The survey of ADS members has been used to provide an indication of the main purpose of the flights booked through the scheme. *(Please note that the definition of business and non-business trips was based on the respondents own understanding of these two terms)*. The findings suggest that on average, just over 60% of all flights made through the scheme were for non-business purposes (Figure 6-1). This proportion was highest on flights made by residents of Islay and Jura at 74% and lowest for residents of Caithness and Sutherland at 54%.

Figure 6-1: % of business and non-business flights



Source: Halcrow ADS member survey

4. Journey by user type

6.2.5

Given the social inclusion focus of the scheme it was important to know whether the ADS has had a particular impact on those groups that have historically been affected by being socially excluded, such as older people, people with disabilities and the unemployed.

6.2.6

The survey of ADS users has been used to provide an indication of the profile of journeys by user type. The vast majority of flights were taken by members that were in employment (Table 6-3). Retired people accounted for 5% of all trips, while unemployed and full time carers/homemakers each accounted for 1% of all air travel booked through the ADS.

Table 6-3: % of total ADS flights by economic status

| | Business | Non business | All travel |
|---------------------------|-----------------|---------------------|-------------------|
| Employed | 92% | 84% | 87% |
| Education and training | 2% | 2% | 2% |
| Unemployed | 2% | 1% | 1% |
| Full time carer/homemaker | 0% | 2% | 1% |
| Retired | 3% | 6% | 5% |
| Other | 1% | 5% | 4% |
| Total | 100% | 100% | 100% |

Source: Halcrow ADS member survey

6.2.7

The analysis undertaken in Chapter Four indicated that while the ADS member survey respondents were more biased towards users rather than non-users, the overall pattern of flights taken within the sample was very similar to the overall pattern of travel among the overall member population. It is therefore possible to provide some indication of the total number of flights undertaken by each of the economic groups within the eligible areas. Nearly 143,000 ADS flights were booked in the year ending August 2007, corresponding to the period over which respondents were asked to indicate their pattern of travel.

6.2.8

This suggests that just under 2,000 flights were made by unemployed people during this year, of which over half were 'business' related (Table 6-4). The definition of business trips was based on the respondents own understanding of the term and while it is not certain what the unemployed people meant by 'business', it is possible that the main purpose of these flights was attendance at job interviews. If this is the case, then the scheme could be seen to facilitate access to employment among this group. Nearly 7,000 trips were undertaken by retired residents, three quarters of which were for non-business purposes.

Table 6-4: Estimate of total ADS flights by economic status, September 2006 to August 2007

| | Business | Non business | All travel |
|---------------------------|-----------------|---------------------|-------------------|
| Employed | 51,350 | 72,965 | 124,316 |
| Education and training | 1,116 | 1,737 | 2,854 |
| Unemployed | 1,116 | 869 | 1,985 |
| Full time carer/homemaker | 0 | 1,737 | 1,737 |
| Retired | 1,674 | 5,212 | 6,886 |
| Other | 558 | 4,343 | 4,901 |
| Total | 55,816 | 86,863 | 142,679 |

Source: Halcrow ADS member survey and Scottish Government

6.2.9

ADS members aged over 60 accounted for 8% of all air travel undertaken through the scheme, of which 1% was by those aged 70 and over (Table 6-5).

Table 6-5: % of total ADS flights by age profile

| | Business | Non business | All travel |
|--------------|-----------------|---------------------|-------------------|
| Under 20 | 0% | 1% | 1% |
| 20-29 | 15% | 15% | 15% |
| 30-39 | 15% | 20% | 18% |
| 40-49 | 33% | 30% | 32% |
| 50-59 | 31% | 24% | 27% |
| 60 and over | 5% | 10% | 8% |
| Total | 100% | 100% | 100% |

Source: Halcrow ADS member survey

6.2.10

It is estimated that just under 11,600 flights were undertaken by those aged 60 and over, during the year ending August 2007, of which three quarters were for non-business purposes (Table 6-6).

Table 6-6: Estimate of total ADS flights by age profile, September 2006 to August 2007

| | Business | Non business | All travel |
|--------------|-----------------|---------------------|-------------------|
| Under 20 | 0 | 869 | 869 |
| 20-29 | 8,484 | 13,030 | 21,513 |
| 30-39 | 8,484 | 17,373 | 25,857 |
| 40-49 | 18,531 | 26,059 | 44,590 |
| 50-59 | 17,414 | 20,847 | 38,262 |
| 60-69 | 2,902 | 7,818 | 10,720 |
| 70 and over | 0 | 869 | 869 |
| Total | 55,816 | 86,863 | 142,679 |

Source: Halcrow ADS member survey and Scottish Government

6.2.11

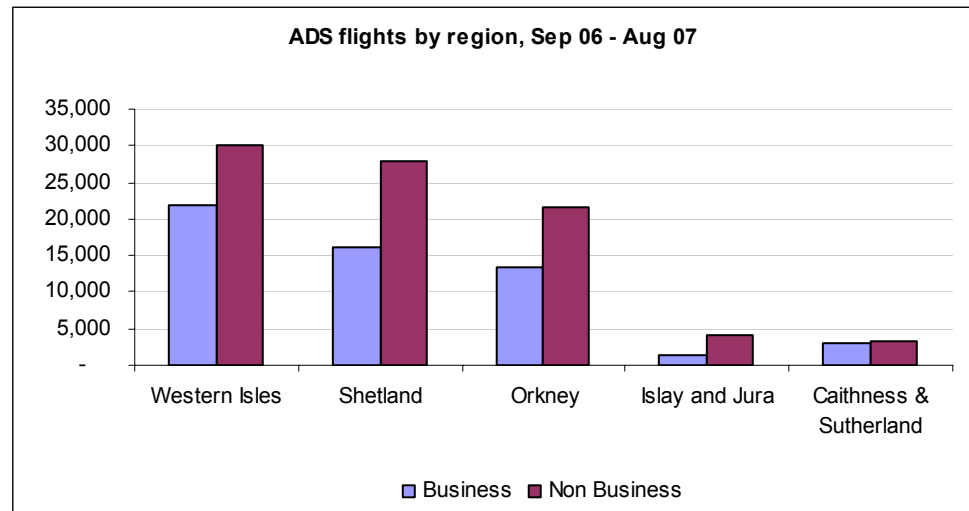
A total of 3% of non business flights were made by members that considered their mobility to be impaired by a disability. Overall, this accounted for 2% of ADS travel on the air network within the sample, which would amount to around 2,600 flights during the year ending August 2007.

5. Regional patterns of travel via ADS

6.2.12

Assuming that the profile of flights undertaken by ADS members in the sample are representative of the flights undertaken by all ADS members, it is possible to provide an indication of the total business and non-business flights undertaken through the scheme. These figures suggest that during the year from September 2006 to the end of August 2007, nearly 56,000 business and 87,000 non business flights were booked through the scheme (Figure 6-2). The highest number of ADS journeys were made to and from the Western Isles, which includes air services to both Stornoway and Benbecula. It is estimated that Islay airport accounted for the smallest number of business trips, while the number of non-business trips was lowest at Wick airport.

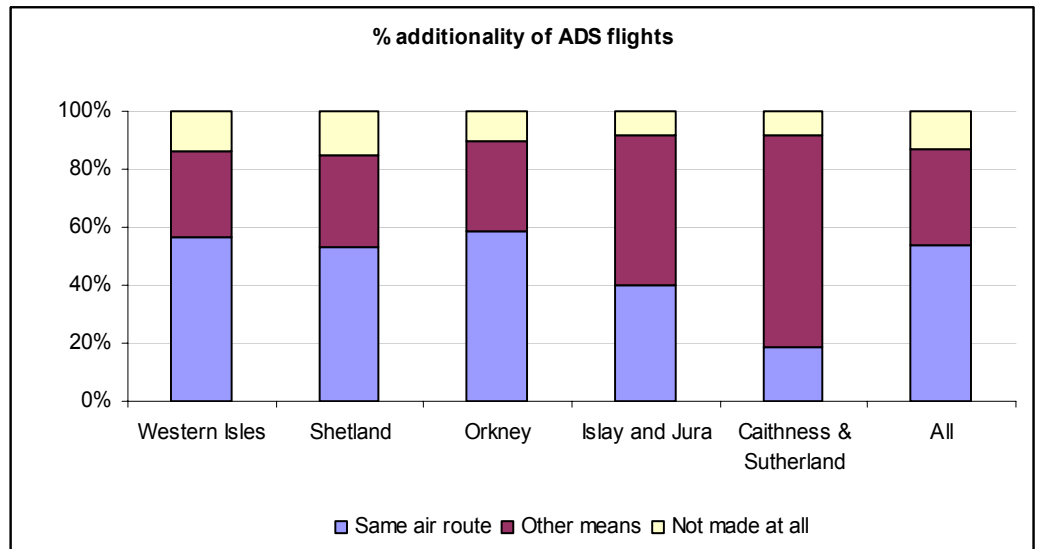
Figure 6-2: ADS flights by region, September 06 – Aug 07



Source: ADS Team and Halcrow ADS member survey

- 6.2.13 The findings from the survey indicate that additionality is much higher for non-business trips compared to business trips. Just over a third of all non-business purposes would have been taken on the same air route anyway, compared to three quarters of business trips.
- 6.2.14 Additionality is highest for residents of Caithness and Sutherland (corresponding to flights from Wick airport), where only 19% of flights would have been undertaken without the existence of the ADS (Figure 6-3). This compares to 58% of flights for residents of Orkney (corresponding to flights from Kirkwall), the region where additionality was lowest.
- 6.2.15 While flight additionality is highest for residents from Caithness and Sutherland, the results indicate that these trips would generally have been undertaken by other means rather than not at all. In terms of creating new journeys that would not have been undertaken by any other means without the ADS, this was highest in Shetland and the Western Isles at 15% and 14% respectively of all ADS flights made by residents in these areas.

Figure 6-3: % additionality of ADS flights

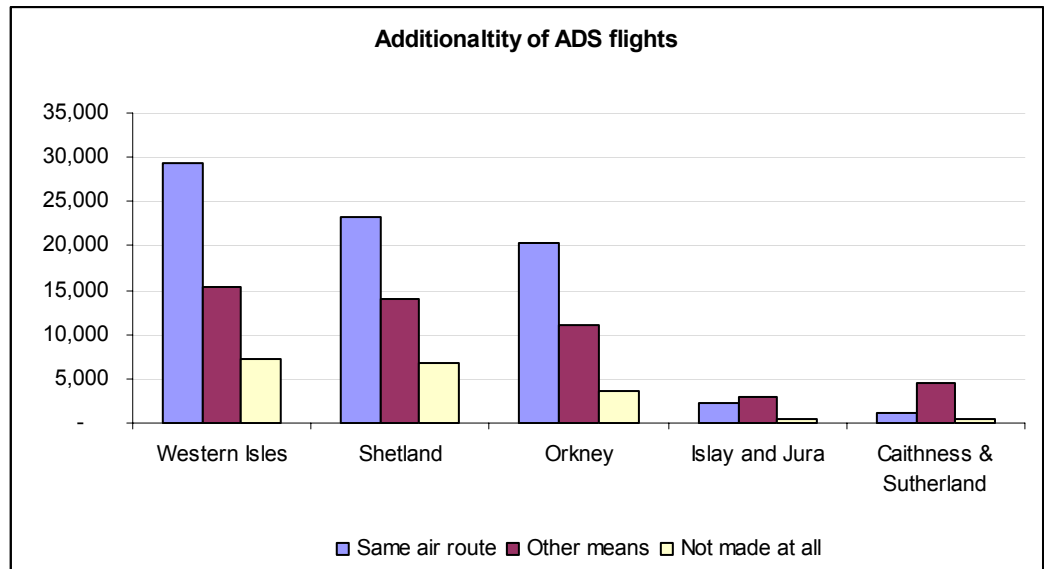


Source: Halcrow ADS member survey

6.2.16

An estimated 18,000 (13%) trips by plane would not have taken place by any other means without the existence of the ADS during the year ending August 2007. The greatest number of these additional trips was from the Western Isles and Shetland (Figure 6-4). Another 48,000 trips (34%) would have been made by alternative surface modes of transport if the scheme did not exist, while over 76,000 trips (54%) would have been made anyway without the existence of the ADS.

Figure 6-4: Additionality of ADS flights



Source: ADS Team and Halcrow ADS member survey

6. Reduction in journey times

6.2.17

Survey respondents were asked the extent to which the ADS had impacted on journey times. Of those respondents that responded to this question, over 40% of business trips and nearly 60% of non-business trips had experienced a reduction of four hours or more (Table 6-7).

Table 6-7: Change in journey times

| | Business Trips | Non-Business Trips |
|-----------------------------|----------------|--------------------|
| Decrease of 4 hours or more | 42% | 59% |
| Decrease of 0-3 hours | 6% | 9% |
| Stayed the same | 49% | 30% |
| Increased | 3% | 3% |

Source: Halcrow ADS member survey

6.2.18 Respondents who switched from ferry trips to air travel indicated that it had a significant impact on their journey times as it freed up to two whole days of travel, which would have otherwise been spent on the ferry and driving as part of a return trip from the islands to the mainland. Comments from respondents that used the ADS for business trips suggest that in half of the cases journey times have stayed the same because there has been no mode shift from ferry to air services and the main impact of the ADS was on the travel budget. In the other half of cases, more affordable air fares allowed businesses to switch modes and reduce journey times or take additional flights that would not have been taken without the ADS.

7. Flight capacity (in %)

6.2.19 Total summer weekly seat capacity on eligible routes is outlined in Table 6-8. The main increases in seat capacity between 2005 and 2006 were on routes from Kirkwall to Aberdeen and to Sumburgh, Stornoway to Edinburgh and Islay to Glasgow. This has coincided with an overall fall in capacity on the Kirkwall to Inverness and Sumburgh to Glasgow routes. The fall in capacity on these routes is related to the discontinuation of the Glasgow to Sumburgh service, which stopped at both Inverness and Kirkwall.

6.2.20 Overall capacity on these eligible routes increased by 20% between the summer of 2005 and 2006. While capacity on these direct routes has increased, this has corresponded with a considerable fall in capacity from Inverness to Glasgow and Edinburgh over the same period. Overall, the seat capacity across the Loganair network remained relatively stable, with the focus being on more direct routes across the network (primarily to Sumburgh, Kirkwall and Stornoway), which no longer stop in Wick or Inverness.

6.2.21 There was a further increase in capacity on the eligible routes of 9% between the summer 2006 and summer 2007. Routes where capacity increased most were Sumburgh to Aberdeen (13%) and Stornoway to Glasgow (8%). For most routes, there was no change in capacity over this period.

Table 6-8 Summer weekly flight seat capacity, 2005 to 2007

| <i>Route</i> | Summer weekly flight rotations | | | Annual change | |
|-----------------------------------|--------------------------------|--------------|--------------|---------------|-------------|
| | 2005 | 2006 | 2007 | 2005 - 2006 | 2006 - 2007 |
| Kirkwall to Aberdeen | 1,292 | 1,632 | 1,700 | 26% | 4% |
| Kirkwall to Edinburgh | 884 | 884 | 884 | 0% | 0% |
| <i>Via Inverness/Wick</i> | 816 | 340 | 0 | -58% | -100% |
| <i>Direct</i> | 68 | 544 | 884 | 700% | 63% |
| Kirkwall to Glasgow | 476 | 476 | 476 | 0% | 0% |
| <i>via Inverness</i> | 476 | 0 | 0 | | |
| <i>Direct</i> | 0 | 476 | 476 | | 0% |
| Kirkwall to Inverness | 1,292 | 816 | 816 | -37% | 0% |
| Kirkwall to Sumburgh | 476 | 816 | 816 | 71% | 0% |
| Sumburgh to Aberdeen | 2,108 | 2,176 | 2,448 | 3% | 13% |
| Sumburgh to Edinburgh | 816 | 816 | 816 | 0% | 0% |
| <i>via Wick</i> | 340 | 0 | 0 | | |
| <i>Direct</i> | 476 | 816 | 816 | 71% | 0% |
| Sumburgh to Glasgow | 884 | 476 | 476 | -46% | 0% |
| <i>via Kirkwall and Inverness</i> | 476 | 0 | 0 | | |
| <i>Direct</i> | 408 | 476 | 476 | 17% | 0% |
| Stornoway to Edinburgh | 816 | 1,224 | 1,224 | 50% | 0% |
| <i>via Inverness</i> | 680 | 748 | 408 | 10% | -45% |
| <i>Direct</i> | 136 | 476 | 816 | 250% | 71% |
| Stornoway to Glasgow | 1,632 | 1,632 | 1,768 | 0% | 8% |
| Stornoway to Inverness | 1,156 | 1,156 | 1,156 | 0% | 0% |
| Benbecula to Glasgow | 884 | 884 | 884 | 0% | 0% |
| Islay to Glasgow | 748 | 1,020 | 1,020 | 36% | 0% |
| Wick to Edinburgh | 340 | 340 | 340 | 0% | 0% |

Source: Loganair

8. Flight frequency

6.2.22

Weekly flight frequency over the past three years is presented in Table 6-9. As indicated earlier, there has been a focus on expanding frequency on a number of direct routes across the network (primarily to the Northern Isles and Stornoway), which no longer stop en-route in Wick or Inverness. This has better aligned direct routes with passenger traffic on the air network, by providing faster connections between the origin and destination for most air passengers.

6.2.23

Direct flights between Kirkwall and the central belt have increased since the beginning of the 2006 summer timetable. Previously there were no direct flights to Glasgow with only one flight per week flying direct to Edinburgh. Now all flights to the central belt are direct, with 13 rotations per week to Edinburgh and 7 to Glasgow. As was shown in Chapter Three, the direct flights from Kirkwall to Glasgow are very popular, with traffic on this route doubling in the year May 2006 to April 2007 compared with the same period in 2005/2006, higher than any other route.

Table 6-9 Summer weekly flight frequency, 2005 to 2007

| <i>Route</i> | Summer weekly flight rotations | | | Annual change | |
|-----------------------------------|--------------------------------|-----------|-----------|---------------|-------------|
| | 2005 | 2006 | 2007 | 2005 - 2006 | 2006 - 2007 |
| Kirkwall to Aberdeen | 19 | 24 | 25 | 5 | 1 |
| Kirkwall to Edinburgh | 13 | 13 | 13 | 0 | 0 |
| <i>Via Inverness/Wick</i> | <i>12</i> | <i>5</i> | <i>0</i> | <i>-7</i> | <i>-5</i> |
| <i>Direct</i> | <i>1</i> | <i>8</i> | <i>13</i> | <i>7</i> | <i>5</i> |
| Kirkwall to Glasgow | 7 | 7 | 7 | 0 | 0 |
| <i>via Inverness</i> | <i>7</i> | <i>0</i> | <i>0</i> | <i>-7</i> | <i>0</i> |
| <i>Direct</i> | <i>0</i> | <i>7</i> | <i>7</i> | <i>7</i> | <i>0</i> |
| Kirkwall to Inverness | 19 | 12 | 12 | -7 | 0 |
| Kirkwall to Sumburgh | 7 | 12 | 12 | 5 | 0 |
| Sumburgh to Aberdeen | 31 | 32 | 36 | 1 | 4 |
| Sumburgh to Edinburgh | 12 | 12 | 12 | 0 | 0 |
| <i>via Wick</i> | <i>5</i> | <i>0</i> | <i>0</i> | <i>-5</i> | <i>0</i> |
| <i>Direct</i> | <i>7</i> | <i>12</i> | <i>12</i> | <i>5</i> | <i>0</i> |
| Sumburgh to Glasgow | 13 | 7 | 7 | -6 | 0 |
| <i>via Kirkwall and Inverness</i> | <i>7</i> | <i>0</i> | <i>0</i> | <i>-7</i> | <i>0</i> |
| <i>Direct</i> | <i>6</i> | <i>7</i> | <i>7</i> | <i>1</i> | <i>0</i> |
| Stornoway to Edinburgh | 12 | 18 | 18 | 6 | 0 |
| <i>via Inverness</i> | <i>10</i> | <i>11</i> | <i>6</i> | <i>1</i> | <i>-5</i> |
| <i>Direct</i> | <i>2</i> | <i>7</i> | <i>12</i> | <i>5</i> | <i>5</i> |
| Stornoway to Glasgow | 24 | 24 | 26 | 0 | 2 |
| Stornoway to Inverness | 17 | 17 | 17 | 0 | 0 |
| Benbecula to Glasgow | 13 | 13 | 13 | 0 | 0 |
| Islay to Glasgow | 11 | 15 | 15 | 4 | 0 |
| Wick to Edinburgh | 5 | 5 | 5 | 0 | 0 |

Source: Loganair

- 6.2.24 Loganair stated a core aim of its current business plan has been on introducing more direct and frequent services to the Northern and Western Isles. While the ADS has had an effect on further stimulating demand on these eligible routes, it was reported by Loganair that a move towards more direct routes to these more outlying destinations was fundamental to the company's business strategy, which still would have been the case without the ADS. However, it is unlikely that the increased frequency and capacity on a number of these routes would have occurred without the introduction of the ADS.
- 6.2.25 Eastern Airways operates services from Aberdeen to both Wick and Stornoway. The service to Stornoway was launched at the start of 2006, while the service to Wick has been operating since 2001. The air services to both these destinations was subsequently upgraded in February 2007, with an increase in capacity of 60% due to the operation of larger 29-seater Jetstream 41 on these routes. It is unlikely that this would have occurred without the introduction of the ADS.
- 6.2.26 A service was introduced from Benbecula to Inverness in September 2006 by Highlands Airways, as a direct result of the introduction of the ADS. However, the service did not prove to be viable and was subsequently discontinued in July 2007.
- 6.2.27 The main changes to flight frequency are summarised in Table 6-10 below.

Table 6-10: Summary of changes in frequency on ADS eligible routes

| Route | Summary of changed in frequency |
|----------------------------|---|
| 1. Aberdeen to Kirkwall | Weekly daily frequency was increased from 3 to 4 flights in May 2006 for the summer timetable. |
| 2. Aberdeen to Sumburgh | An additional Sunday rotation was introduced in June 2007 for the summer timetable Additional Sunday rotation introduced in June 2006 for the summer timetable |
| 3. Glasgow to Stornoway | Frequency increased on Monday, Thursday and Friday from five to six daily flights in July 2007 for the summer timetable |
| 4. Glasgow to Islay | An additional flight introduced on a Saturday and Sunday from May 2007 for the summer timetable |
| 5. Glasgow to Kirkwall | An additional flight was added on a Monday, Wednesday and Friday in June 2006 for the summer timetable, and a new Sunday rotation for both the summer and winter timetable |
| 6. Glasgow to Sumburgh | In May 2006, the service was de-linked from the GLA INV KOI LSI service and a non stop daily service commenced |
| 7. Inverness to Kirkwall | In May 2006, the service was de-linked from the GLA INV KOI LSI service, and non stop service becomes a daily service. |
| 8. Inverness to Sumburgh | In May 2006, a dedicated INV KOI LSI service is introduced, which no longer continues on to Glasgow and Edinburgh |
| 9. Kirkwall to Sumburgh | In May 2006, the GLA INV KOI LSI service is replaced by a dedicated INV KOI LSI service |
| 10. Inverness to Stornoway | In May 2006, the GLA INV KOI LSI is replaced by a dedicated INV KOI LSI service |
| 11. Edinburgh to Stornoway | In April 2007, there was a change in the weekday service to two non stop services and only one combined with the flight from Edinburgh. |
| 12. Edinburgh to Kirkwall | In May 2006, a non stop service was introduced on weekdays. In April 2007, there was change in the weekday service with one less service operating via Inverness. |
| 13. Edinburgh to Wick | In May 2006, there was a change from two weekday rotations operating via INV to one service rotation becoming direct |
| 14. Edinburgh to Sumburgh | In April 2007, all rotations began operating on a non stop basis In April 2007, the service was de-linked from the onward service to Kirkwall/Sumburgh and the rotation became dedicated to the Edinburgh to Wick market |
| | In May 2006, the service was de-linked from the service to Wick, and all services became non stop. |

Source: Loganair

9. Change in travel budgets

6.2.28 One of the main purposes of introducing the 40% fare reduction on eligible routes was to ensure that the overall cost of making the journey was more affordable. Respondents to the survey of ADS members were asked the extent to which travel budgets had been affected subsequent to the introduction of the ADS. The findings from the survey of users suggests that for the majority of users, the travel budget has either stayed the same (for 42% of business and 21% of non business travel) or it fell by more than £100 (38% of business and 45% of non business travel) (Table 6-11).

Table 6-11: Change in travel budget

| | Business | Non-Business |
|-----------------------------|-----------------|---------------------|
| Increased by more than £100 | 5% | 12% |
| Increased by less than £100 | 1% | 5% |
| Stayed the same | 42% | 21% |
| Decreased by less than £100 | 13% | 18% |
| Decreased by more than £100 | 38% | 45% |
| | 100% | 100% |

Source: Halcrow ADS member survey

10. Mode shift

6.2.29 The findings from the survey indicate that a total of 19% of business trips and 46% of non-business trips would have been undertaken by other means without the introduction of the ADS. As is shown in the following graphs, the principal modal shift was from a combination of ferry and private transport for both business and non business trips (47% and 62% respectively) (Table 6-12 and Table 6-13) This was the case for all areas, with the exception of Caithness and Sutherland, where the switch would have primarily been to private transport.

6.2.30 A combination of ferry and public transport would have been the means of transport for 19% of business and 25% of non-business trips that

would have been undertaken by other means. For non business trips, this was highest for journeys from the Western Isles (42%) and Islay and Jura (37%). A sizeable proportion of business trips from Shetland and the Western Isles (45% and 29% respectively) would have otherwise have been made by ferry and public transport, while the proportion was 4% or less in all three other areas. The findings also indicate that 6% of non-business flights undertaken from Shetland would have otherwise used the air service located at Scatsta, if the ADS had not been operating.

Table 6-12 % modal shift for business flights by region

| Business | Western Isles | Shetland | Orkney | Islay and Jura | Caithness & Sutherland | All |
|-----------------------------|---------------|-------------|-------------|----------------|------------------------|-------------|
| Private transport only | 0% | 0% | 0% | 0% | 95% | 34% |
| Public transport only | 2% | 0% | 0% | 0% | 1% | 1% |
| Ferry and public transport | 29% | 45% | 3% | 0% | 4% | 19% |
| Ferry and private transport | 70% | 55% | 97% | 100% | 0% | 47% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Halcrow ADS member survey

Table 6-13 % modal shift for non-business flights by region

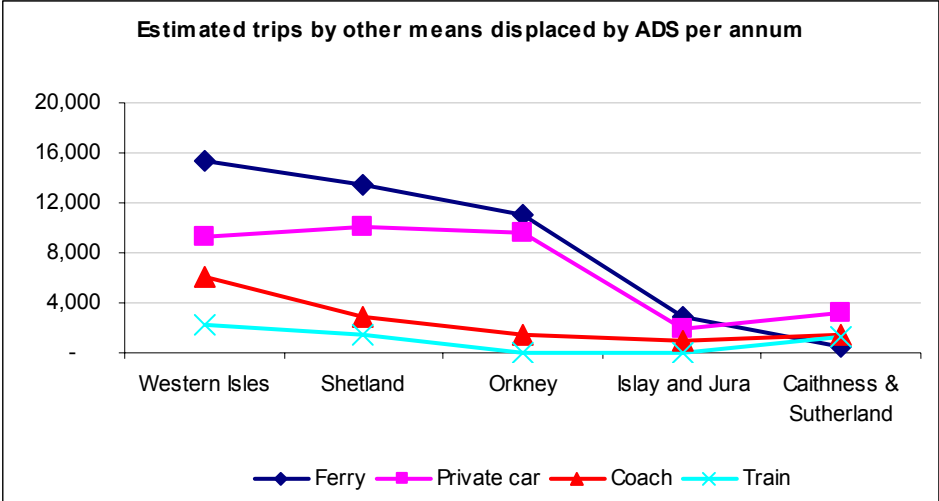
| Non Business | Western Isles | Shetland | Orkney | Islay and Jura | Caithness & Sutherland | All |
|-----------------------------|---------------|-------------|-------------|----------------|------------------------|-------------|
| Private transport only | 0% | 0% | 0% | 0% | 41% | 5% |
| Public transport only | 0% | 0% | 0% | 0% | 46% | 6% |
| Ferry and public transport | 42% | 20% | 15% | 37% | 4% | 25% |
| Ferry and private transport | 58% | 74% | 85% | 63% | 9% | 62% |
| Charter air transport | 0% | 6% | 0% | 0% | 0% | 2% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Halcrow ADS member survey

6.2.31 Assuming that the sample of flight usage is representative of the flight usage across the ADS population as a whole (which is indicated by the comparison of the sample and population in Chapter Four), it is possible to provide some indication of the impact on other modes of transport arising as a result of ADS as illustrated in Figure 6-7 below. Overall the responses indicate that the greatest impact has been on ferry journeys, with the results suggesting that around 40,000 ferry journeys has been displaced per annum as a result of the ADS. This equates to 8% of ferry journeys to and from the Northern Isles, 4% of ferry journeys to and from the Western Isles and 2% of ferry journeys to and from Islay.

6.2.32 The results suggest that the impact on coach and train travel has been much less with around 12,000 fewer coach and 5,000 fewer train journeys as a result of ADS. The analysis also indicates that around 650 non business journeys to and from Shetland would have travelled by the Scatsta flight operated by BP, (the multinational oil company) if the ADS had not been operating.

Figure 6-5: Estimated trips by other means displaced by ADS per annum



Source: ADS team and Halcrow ADS member survey

- 6.2.33 In summary, additionality was very high for non-business trips compared to business trips and it was highest in Caithness and Sutherland. This suggests that the ADS has had an impact on flights departing from Wick Airport. Some of the business trips and nearly half of the non-business trips would have been undertaken by other means without the ADS. The main mode shift was from a combination of ferry and private transport for both business and non-business trips across all regions, except in Caithness and Sutherland, where the switch would have mainly been to private transport.
- 6.2.34 It becomes clear that without the ADS, only a relatively small percentage of business and non-business trips (6% and 18% respectively) would not have been undertaken at all. This indicates that the ADS had a stronger impact on switching mode from ferry and private car to air services, rather than generating new trips.

7

FUTURE PERFORMANCE OF THE SCHEME

- 7.1.1 This section focuses on the future performance of the scheme and reviews a number of enhancements to the scheme that could be introduced in the future. It also provides a brief overview of some of the associated environmental impacts of the scheme.
- 7.2 Increasing the discount to 50%**
- 7.2.1 One potential enhancement that could be investigated further is increasing the discount to 50% as the most important reason for ADS members for not using the scheme was that they felt air fares were still too high. Non-users were generally on lower income compared to ADS users, indicating that income level remains a barrier to air travel.
- 7.2.2 Some stakeholders also believed that air fares are still too high for many individuals and the discount should be increased further to at least 50% as approved by the European Commission. One comment was that increasing the discount to 50% *could have a psychological “half-price” effect and therefore may have a more significant impact on demand.*
- 7.2.3 Using price elasticities for air travel demand based on a study undertaken by the Aviation and Travel Consultancy on “An Expanded Air Services Network for the Highlands and Islands” in 2003, it is estimated that demand for air services would increase by 7.5% for business travel and 12.5% for non-business travel if the price for air fares were to be reduced by 10%.
- 7.2.4 The average number of monthly passengers was around 13,000 in 2007. In our survey, a total of 40% of trips undertaken were business trips. Applying this to the monthly passenger average of 13,000, it is estimated that 5,200 trips are undertaken for business purposes and 7,800 trips for non-business purposes.
- 7.2.5 A rise of the discount to 50% would decrease air fares by around 10% and as a result it is estimated that monthly demand for business trips would increase to 5,590 and demand for non-business trips to 8,775. The total monthly demand for air travel would be around 14,365 on average.

- 7.2.6 The subsidy provided by the government for the ADS has been around £450,000 on average per month in 2007 based on a 40% discount and approximately 13,000 passengers per month over the year. This represents a subsidy of around £34 per passenger.
- 7.2.7 If the discount were to be increased to 50%, the subsidy would have to increase by 25% to around £42.50 per passenger. If the demand increases in line with the elasticities referred to above, the total monthly subsidy paid by the government would be £610,500. Consequently, the additional cost to government of increasing the discount to 50% would be £1.9 million per annum. Overall, the cost to government per annum would be estimated at £7.3 million.
- 7.2.8 Overall, this means that the estimated marginal increase in passenger numbers (10%) is considerably lower than the marginal increase in subsidy (35%). As a result, it could be argued that increasing the subsidy to 50% does not represent a value for money solution, although the socio-economic benefits that may come from such a change would need to be considered in more detail.
- 7.2.9 In addition, consideration should also be given regarding whether the discount could progressively be reduced in the future through a staged reduction in subsidy. It would be worthwhile considering whether there are any milestones which, when met, (such as average air fares as a % of median earnings and air route demand and capacity) would justify the reduction in the % discount. There is currently no formalised mechanism through which any reduction in the discount could be considered and no clear exit strategy exists for the scheme.
- 7.3 Extending the ADS to family members**
- 7.3.1 Many respondents also suggested that the scheme should be extended to family members who are not resident in one of the eligible regions, but were born and grew up there, to give them an affordable choice to visit relatives on the islands.
- 7.3.2 It has been suggested that if it is possible to include students who study away from home into the scheme, it should also be possible to include first generation family members who work and live on the mainland. Consequently, many believe that family members living on the mainland who can prove that their parents live in one of the eligible regions or that they were born there, should also be given access to the scheme.

7.3.3 The cost to government of extending the scheme to family members could potentially be high. Assuming each ADS member could name one family member that is resident on the Scottish mainland and the usage of the scheme would also be at approximately 34%, then the cost to government of subsidising air travel under the ADS would potentially double.

7.3.4 As the main objective of the scheme is to give remote communities in the Highlands and Islands the air services they need to support accessibility and social inclusion at an affordable price, extending the scheme to non-resident family members would go beyond the objectives of the scheme. Furthermore, the approval of the European Commission is limited to subsidising residents of the most remote regions in the Scottish Highlands and Islands, not their family members on the mainland.

7.4 Extending the ADS to all non-residents

7.4.1 Many stakeholders indicated that the main failure of the ADS is that it does not encourage inbound traffic as for example an extension of the scheme to non-residents would do. Consequently, some stakeholders raised concerns that the scheme does not support the fragile economies of the regions as it encourages people to leave the island and spend their money in the main economic centres of Scotland. This might have positive social impacts on the population in the short-term, but in the long-term could have a more negative economic impact on the islands.

7.4.2 However, it was also highlighted that by some stakeholders that there could be insufficient infrastructure in many eligible regions to accommodate increasing inbound traffic. Particularly on the Western Isles, hotels and B&Bs (bed and breakfasts) were not felt to be sufficiently available for a large increase in tourists.

7.4.3 One major issue is that extending the scheme to non-residents would be mainly based on economic objectives and therefore, be beyond the social objectives of the ADS, which has been approved by the European Commission on the basis of an ‘aid of a social character scheme’.

7.5 Amendments to the geographical coverage of the ADS

7.5.1 The eligible areas consist of the Western Isles, Orkney, Shetland, Islay and Jura, Caithness and North-West Sutherland. The discount is applicable to all scheduled flights to and from any airport within the eligible area to one of the four main Scottish airports – Glasgow, Edinburgh, Aberdeen and Inverness – as well as to other airports within

the eligible areas. Some air routes in the Highlands and Islands are not included within the scheme as they are served by Public Service Obligation (PSO) air services, such as the services from Barra, Campbeltown and Tiree to Glasgow.

7.5.2 It would not be possible to extend the scheme to air routes covered by PSOs as these air fares are specifically regulated under these obligations rather than being set by the airline operators. This means that the air routes servicing Barra, Tiree and Campbeltown could not be included in the scheme. There will be further expansion of air services in the Highlands and Islands with the development of the airport in Oban, which will service the islands of Coll and Colonsay. These services will also be subject to a PSO and so would not be eligible for the ADS.

7.5.3 Initially, there was some debate about whether Wick airport, and which services in Caithness and North West Sutherland, should be included in the ADS, or whether the scheme should focus purely on island locations. The findings from this review suggest that passenger numbers on air routes to and from Wick airport were over 25% higher as a result of the ADS, higher than at any other participating airport. The stakeholder interviews also underlined the vital importance of the ADS for Wick airport, in particular. Overall, this would tend to support the inclusion of Wick airport in the ADS, which would be adversely affected if it were removed from the scheme.

7.6 ADS and the environmental impact of air travel

7.6.1 When assessing the environmental externalities of air travel, most stakeholders highlighted that these have to be weighed against the corresponding economic and social benefits that also arise, with air travel in the Highlands and Islands making an important contribution to social and economic inclusion in more rural communities.

7.6.2 While there has been increased capacity and frequency on a number of air routes in Scotland eligible for ADS, the overall seat capacity on the Loganair network has remained relatively stable, with the focus being on more direct routes across the network to the Northern and Western Isles, which no longer stop in Wick or Inverness. This has better aligned direct routes with passenger traffic on the air network, by providing faster connections between the origin and destination for most air passengers. Therefore, any resultant environmental impacts of the increase in direct flights to the Northern and Western Isles has been balanced to some extent by a reduction in flight capacity to and from Inverness and Wick.

- 7.6.3 Research commissioned by Highlands and Islands Enterprise to assess the environmental impact of aviation in the region⁶ estimated that annual carbon emissions from the air services operating to and from the Highlands and Islands contributed 0.2% of overall CO₂ emissions from aviation for the whole of the UK. The research also suggested that overall air travel in the Highlands and Islands contributed an average of 86kg CO₂ per passenger compared to 90kg CO₂ from the comparative car and ferry journey (based on one passenger per car). However, the number of people travelling in a car has an impact on average carbon emissions per passenger. When the number of passengers increases, travelling by car and ferry generates less emissions per passenger compared to air travel.
- 7.6.4 Our analysis of displacement and modal shift underlines that the main impacts arising as a result of the ADS has been on trips by ferry and private car. Where there are journeys by private car by single occupants, the switch to air travel could have the effect of lowering the resultant CO₂ emissions related to the journey, particularly on journeys where the surface route is longer (such as the journey by car from Wick to Aberdeen). However, this does not include the warming effect of aircraft emissions, which has also been cited (by the Intergovernmental Panel on Climate Change) as making a further significant contribution to climate change. While this factor will be less important in the Highlands and Islands due to the lower elevation of the planes, it will still have a greater effect than cars and ferries due to the greater proximity of the aircraft to the upper atmosphere.
- 7.6.5 Overall, stakeholders underlined that there are a number of competing factors that will influence the net environmental impacts arising from the ADS. In assessing the marginal change in environmental impact attributable to the ADS on the environment, a much more detailed and extensive analysis would need to be undertaken.

⁶ ERM (on behalf of Highlands and Islands Enterprise) (August 2003) *The Environmental Impact of Aviation in the Highlands and Islands*

8

SUMMARY AND CONCLUSIONS

8.1 Introduction

8.1.1

In August 2007, Halcrow was commissioned by the Scottish Government to undertake an independent, research-based review of the performance and impacts of the ADS in Scotland and to make recommendations on the future of the scheme.

8.1.2

The Scottish Government launched the ADS in May 2006. Its main aim was to make air services affordable for remote communities in the Highlands and Islands and facilitate accessibility and social inclusion by providing a discount of 40% on the core air fare on certain eligible routes. The scheme was introduced under the European Commission's Aid of Social Character mechanism and was designed to deliver lower fares for residents of Scotland's most peripheral communities to Scotland's key population centres and between airports within the eligible areas. The eligible area consists of the Western Isles, Orkney, Shetland, Islay and Jura, Caithness and North-West Sutherland.

8.1.3

The study included a mixture of desk based and primary research. The desk based research involved a literature review of key strategic documents, examination of ADS procedural and promotional materials as well as an analysis of air route passenger and capacity data. The primary research included interviews with wider stakeholders within the public and private sectors as well as a survey of ADS members and non-members. The study was divided into three distinctive parts with a number of sub-tasks for each part and the findings are summarised below.

Performance Review

8.2 Assessment of the administration of the ADS

- There have been some issues with the initial operation of the scheme, but these were considered to be teething problems, and most of the issues have now been resolved.
- The most urgent issue raised has been the requirement for further upgrading of the British Airways online booking system.
- Travel agents suggested that it would be very useful for the ADS helpdesk to be available on a Saturday. This is their busiest day for selling flight tickets, but if there are any problems such as the validation of ADS cards, these cannot be resolved until Monday.

8.3 Satisfaction with the service provided to members

- Satisfaction with the all aspects of the application process were high, ranging from 7.8 (out of 10) for speed of dealing with application to 8.3 for ease of filling in application form
- In terms of the general service provided by the ADS team, the average ratings were relatively high ranging from 7.6 for 'Knowledge of the ADS Team' to 7.9 for 'Helpfulness of the ADS team'.
- Over 80% of ADS users had purchased their discounted flights online through the airline website, followed by 11% through a local travel agent, and the remainder booked through other means. Satisfaction ratings ranged from 7.6 for clarity about where to book discounted flights to 8.0 for ease of booking process.

8.4 Reasons for lack of uptake and use of ADS among some eligible residents

- By the end of August 2007, there were nearly 67,000 adult members of the scheme. Caithness and Sutherland was the only

region where uptake was less than 90%, with a lower uptake of just over half of the eligible population.

- Just over one third of members have used the scheme since its inception in May 2006 to the end of August 2007. Use of the scheme is considerably lower for ADS members in Caithness and Sutherland where only 4% of members have made use of the scheme compared to 38% or higher in all other regions.
- The most important reason for members not yet using the ADS was that air fares were still considered to be too expensive when compared with other modes of travel, particularly for those on lower income and for families, as children aged 12 and over are also required to pay a full adult fare.
- The findings from the survey also underlined that there are still a number of individuals in all eligible regions that are not aware of the ADS and are unsure of how to apply. This is a particular issue in Caithness and Sutherland and therefore, a local marketing campaign could be developed in order to increase awareness of the scheme and its benefits.

Impact Review

8.5

Impacts of the ADS on improving connectivity and reducing journey times

- There is a strong feeling from survey participants that the ADS has made air travel more affordable and air services can now be considered as an option for travelling for many that could not afford it before.
- The scheme has had a positive impact on journey times, particularly for non-business users where almost 40% indicated that their journey times had decreased by 4 hours or more.
- Average ratings ranged from 7.5 for agreeing that the scheme has improved connectivity to employment to 8.2 for agreeing that connectivity to important services has improved for the local community. Nearly two thirds of ADS users strongly agreed that

that their community was a better place to live as a result of the ADS.

8.6 Impacts of the ADS on increasing travel amongst eligible residents

- Nearly half of all respondents who undertook non-business trips indicated that their travel expenditure had been reduced and nearly 70% undertook more trips as a result of the ADS.
- Overall, additionality was much higher for non-business trips compared to business trips. Just over a third of all non-business purposes would have been taken on the same air route anyway, compared to three quarters of business trips.
- Additionality was also highest for residents of Caithness and Sutherland, where only 23% of business and 15% of non-business flights would have been undertaken without the existence of the ADS. This compares to 85% of business and 42% of non business flights for residents of Orkney (corresponding to flights from Kirkwall), the region where additionality was lowest.

8.7 Impacts of the ADS on the market

- The ADS has had an effect on further stimulating demand on the eligible routes, and it is unlikely that the increased frequency and capacity on a number of these routes would have occurred without the introduction of the ADS.
- A total of 19% of business trips and 46% of non-business trips would have been undertaken by other means without the introduction of the ADS. The principal modal shift was from a combination of ferry and private transport.
- It is estimated that around 40,000 ferry journeys have been displaced per annum as a result of the ADS. This equates to 8% of ferry journeys to and from the Northern Isles, 4% of ferry journeys to and from the Western Isles and 2% of ferry journeys to and from Islay.
- Feedback from ferry operators suggests that while there has not been any actual fall in total ferry passenger numbers, the

introduction of the scheme has corresponded with a levelling off in passenger demand, which was previously on a rising trend. This levelling off could therefore be attributed to the ADS.

8.8 Impacts of the ADS on the environment

- When assessing the environmental externalities of air travel, these have to be weighed against the corresponding economic and social benefits which also arise, with air travel in the Highlands and Islands making an important contribution to social and economic inclusion in more rural communities.
- Research commissioned by Highlands and Islands Enterprise⁷ suggests that overall air travel in the Highlands and Islands contributed an average of 86kg CO₂ per passenger compared to 90kg CO₂ from the comparative car and ferry journey, although when the number of passengers increases, travelling by car and ferry generates considerably less emissions per passenger compared to air travel.
- Overall, it is clear that there are a number of competing factors that will influence the net environmental impacts arising from the ADS. In assessing the marginal change in environmental impact attributable to the ADS on the environment, a much more detailed and extensive analysis would need to be undertaken.

⁷ ERM (on behalf of Highlands and Islands Enterprise) (August 2003) *The Environmental Impact of Aviation in the Highlands and Islands*,

Future recommendations for the scheme

8.8.1 The main aim of the scheme has been to make air services affordable for remote communities in the Highlands and Islands and facilitate accessibility and social inclusion. Based on the findings of this study, the ADS has been well received in the eligible regions and has had a positive impact on making air services more affordable in the most peripheral regions of the Highland and Islands, particularly for non-business trips for which the main purpose was to visit family and friends. However, it appears to have had less of an impact on making air travel more affordable for individuals on relatively low incomes.

8.8.2 The review of possible enhancements and amendments to the scheme concludes that there should not be any further changes to the eligibility criteria in terms of areas and airports covered by the scheme. In addition, it appears that there is not sufficient justification at this time to increase the level of discount any further. Further cost/benefit analysis would need to be conducted before any decisions are taken on this issue. Therefore, it is the overall conclusion of this review that the scheme should continue in its current form beyond March 2008, as part of a longer term process of improving the level of connectivity to more outlying communities within the Highlands and Islands.

Recommendation One:

It is recommended that the Scottish Government should continue the scheme in its current form beyond March 2008 as part of a longer term process of improving the level of connectivity to more outlying communities within the Highlands and Islands.

8.8.3 While the scheme has been successful in terms of making air travel more affordable, the findings from the review do reveal a relatively low level of scheme additionality, particularly for business flights, where just under 80% of all flights would have been made anyway if the scheme had not existed. This means that the scheme includes a significant amount of deadweight – i.e. public subsidy which is not having any resultant behavioural impact. However, the scheme is having a greater impact on non-business trips, which is the principal focus of the ADS. Just 37% of non-business flights would have been undertaken without the ADS, with the remainder either by other means (45%) or not at all (18%).

8.8.4 While uptake is very high (over 90%) in most areas, memberships rates are considerably lower in Caithness and Sutherland. Nearly three quarters of non-members participating in the survey were not aware of any marketing materials. *Not being aware of the scheme* and *not knowing how to apply* were the main reasons for not joining the scheme for residents aged under 60.

8.8.5 Promotion and marketing could be increased further in order to increase uptake of the scheme in regions where it is still relatively low, particularly Caithness and Sutherland. The survey has shown that overall, most of the ADS members heard about the ADS through the local newspaper. In Caithness and Sutherland however, leaflets and posters were the main means of informing people about the ADS. A combination of both could potentially increase awareness of the ADS and also membership levels.

Recommendation Two:

The Scottish Government should consider increasing the level of promotion and marketing of the scheme in order to increase uptake of the scheme in areas where it is still relatively low, particularly in Caithness and Sutherland.

8.8.6 Satisfaction among members was very high regarding the general service provided by the ADS team. The one issue that was raised which could enhance the service provided was extending the ADS helpdesk to provide support on a Saturday. This was a particular issue for travel agents as this is their busiest selling day for tickets. The ADS Team could for example reduce their working hours during the week and be available for a few hours on Saturdays instead. The implementation of this measure would be very helpful for travel agents and may not incur any additional costs, being dependent on the flexibility of the ADS Team.

Recommendation Three:

The Scottish Government should consider extending the provision of the ADS helpdesk to Saturday in order to enhance the level of service provided to members and travel agents.

8.8.7

While there are clear objectives for the scheme, more work could be undertaken to make these objectives SMART, (Specific, Measurable, Achievable, Relevant, Time-based), particularly in relation to being measurable and time-based. As there are no quantitative targets linked to the overarching scheme objectives, the assessment of whether objectives have been achieved becomes a more qualitative and subjective exercise.

Recommendation Four:

The Scottish Government should consider making the scheme objectives SMARTer, particularly in relation to being measurable and time-based.

I **Appendix I: Stakeholder Interviews**

I.1

Introduction

I.1.1

This appendix to the main report presents findings from the stakeholder interviews, which were undertaken both by telephone and face-to-face with representatives from organisations in both the public and private sectors. This included:

- The ADS team and Civic (developer of the ADS system and database)
- Airlines (Loganair and Highland Airways) and other transport operators (Northlink and Caledonian MacBrayne)
- Selected travel agents in relevant areas
- Local authorities (Argyll and Bute, Highland, Orkney, Shetland and Western Isles)
- Highlands and Islands Enterprise (HIE) and local enterprise companies
- Highlands and Islands Airports Ltd (HIAL)
- Highlands and Islands Transport Partnership (HITRANS) and Shetland Transport Partnership (ZetTrans)
- Representatives from some local businesses in the eligible regions.

I.1.2

A total of 30 semi-structured interviews were undertaken with a wide range of stakeholders as set out above. Around half of all interviews were undertaken face to face and the other half over the telephone.

I.1.3

Many stakeholders had very positive views regarding the ADS as they had a strong interest in its continuation. Many of the comments that stakeholders made were subjective opinions and not backed up by robust evidence. These aspects should be kept in mind when reading the discussion of the interviews, which are presented as stakeholders' views.

I.1.4

In the following sections, the findings from the stakeholder interviews are summarised in relation to the themes that were covered as part of the process. This includes:

- Performance and administration of the ADS
- Reasons for lack of ADS membership uptake
- Impact of the ADS on Demand, Frequency, Capacity and Air Fares
- Impact of the ADS on journey times
- Impact of the ADS on improved accessibility and social inclusion
- Impact of the ADS on businesses and commercial inclusion
- Impact of the ADS on mode shift and other transport operators
- ADS and the environmental impact of air travel
- Potential future impacts of the ADS
- Potential improvements and enhancements of the ADS
- Should the ADS continue?

I.2

I.2.1

Performance and Administration of the ADS

The ADS team is based in Inverness and consists of 5 members. It is responsible for most of the ADS-related activities (with the exception of selling tickets) including

- Initial and ongoing marketing of the scheme
- Dealing with ADS member applications and issuing cards and PINs
- Issuing proof of residence checks
- Dealing with misuse of cards
- Supporting travel agents over a phone helpline (provision of information and validation of cards)
- Dealing with incoming and outgoing mail
- Monthly compliance checks
- Airline invoice checking
- Updating information in the ADS database regularly and making sure it is correct

I.2.2 It was reported by the ADS Team and other stakeholders such as travel agents, that there had been some issues with the operation of the scheme initially such as multiple cards and delays in receiving ADS card and PIN, but most of the issues were resolved and it is felt that the scheme now works very well. Some of the initial and current issues mentioned related to the performance of the scheme are set out below.

a) Misuse of ADS card

I.2.3 The most urgent issue from the ADS team manager's point of view is upgrading the British Airways online booking system. The system as constructed is not able to properly deal with multiple bookings by members.

b) Database information

I.2.4 The initial database did not include some essential information such as telephone details and email addresses, which would facilitate contacting ADS members quickly. The ADS team is trying to request this information from ADS members in order to update the database. However, currently there are only 2,000 email addresses for members in the database representing only 3% of all ADS members.

c) Multiple cards

I.2.5 As all household members need to be mentioned on an application form, if husband and wife both filled in an application form, multiple cards and PINs were issued to them, which led to duplication and confusion. Another problem was that the PIN for a card was sent separately and so it was not clear which PIN was related to which card. This issue is now mainly resolved.

d) Proof of residence

- I.2.6 Initially, individuals did not have to provide proof of residence and fraud was relatively easy. This has been changed now, but there might still be some ADS members that registered at the launch of the scheme under their parents' address but have their main residence outside the eligible areas, as has been indicated by a number of stakeholders. A mechanism has been developed however, to pick these cases up at the booking stage.

e) Children

- I.2.7 Children who turn 16 must have their own ADS card, which they often forget or are not aware of and only realise when they want to book a flight. It was suggested by some stakeholders, such as travel agents, that cards should be sent out to children automatically as soon as they turn 16. However, in order to be able to do this, it is necessary to have details on the date of birth of members. The ADS team confirmed that for those children for whom the date of birth is available, application forms are already sent out automatically as soon as the child turns 16.

f) Availability of support to travel agents on Saturdays

- I.2.8 The ADS team is responsible for providing telephone support to travel agents and providing them with PIN numbers and card details whenever customers provide incorrect details. An emerging issue, which was brought up by a number of travel agents, was that the ADS Team is not available on Saturdays which is the busiest day for selling tickets for the travel agents.

g) Upgrading the data management system

- I.2.9 Some improvements and upgrades of the system could be undertaken to make it easier to use and to search for ADS members. Currently it is not possible to look separately for children in the system, but Civic, the developer of the system, is working on an upgrade to provide the ADS Team with a more effective data management system.
- I.2.10 Civic has developed the ADS database and validation system that travel agents, as well as customers use to validate the ADS card number when booking tickets on a 24-hour basis. They are also responsible for updating the system and database, run reports and ensure that the system is operational at all times. A discussion with Civic's Client Services Director revealed some further areas of potential improvements to the operation of the scheme.

- I.2.11 In general, Civic would have no objections in making the ADS database accessible to travel agents if it is a major issue to them that the ADS Team is not available on Saturdays. However, this should be limited to the provision of PIN numbers and names of dependents on the card due to security reasons. An audit trail could also be applied to record what requests the travel agents made. This is likely to involve less workload for the ADS Team in Inverness and travel agents would have to be trained on how to use the database.
- I.2.12 Civic also receive all airline invoices from the Scottish Government and enter the relevant data into the system. It has been suggested that there should be on standardised reporting format for all airline invoices so that time spent on data cleaning could be avoided and staff costs reduced. The data cleaning exercises takes up around 2 days per month for 1 technical support staff.
- I.2.13 Loganair indicated that there are two main distribution channels for booking flights with the ADS. The primary channel is the website www.BA.com/ads and the secondary channels are the travel agents. Loganair are aware of the problems with the BA online booking system and are committed to ensuring that the issue is resolved. It is not however considered a high priority by BA.
- I.2.14 Loganair have observed a strong trend of passengers moving towards online booking, which has also come out of the ADS member survey. The airline undertakes regular marketing activities and sends out mailings and news to passengers, but has no direct access to the ADS member database. In addition, they undertake regular seat sales and promotion for Christmas shopper breaks.
- I.2.15 When customers book tickets with the ADS through travel agents, the customers need to provide their ADS card number and PIN before the ticket can be purchased. Travel agents then log into a system where they can verify the card number and PIN and receive a validation code and the name of the passenger. The card number is also transmitted to the airlines so they can claim the discount back from the Scottish Government. If problems arise with the validation, travel agents can contact the ADS Team in Inverness who can provide them with the correct information required.
- I.2.16 In terms of the performance of the scheme, all four consulted travel agents indicated that there were some initial issues regarding the

operation of the scheme when the scheme was launched, as everyone applied for the card at the same time. For example, people had not received their cards yet, but wanted to book discounted flights or people received multiple cards and PINS and did not know which one to use.

- I.2.17 Particularly in Caithness, there were some problems with Eastern Airways as it took them a few months to set up an electronic system that would make the booking available online and minimise the reporting workload for travel agents. Initially, travel agents had to create lists for all Eastern Airways bookings manually, which represented a high workload for affiliated travel agents in Caithness. In contrast, Loganair was very quick in setting up their online booking system. The issue with Eastern Airways has now been resolved as the airline set up their online booking system after several months.
- I.2.18 Generally there is a view across travel agents that most of the issues have been resolved and the authorisation and validation process is now quick and easy and does not require a lot of work – therefore does not have any impact on the operation of the travel agency. Travel agents agree that there are usually no issues with the system itself and the operation works very smoothly, issues normally arise when customers provide incorrect information.
- I.2.19 The only major issue mentioned by all travel agents is that the ADS Team helpline they use whenever there are any problems with the validation of ADS cards is not available on Saturdays, which is their busiest day for selling flight tickets. The ADS team manager indicated that it could be considered opening the ADS office for a few hours on Saturdays and at the same time reducing working times during the week to be able to provide support to travel agents when most needed.

I.3 Reasons for lack of ADS membership uptake

I.3.1 Caithness and North West Sutherland are the only eligible areas where membership is at 55% while it is at over 95% for all other eligible regions. The ADS team manager and most of the other stakeholders such as HIAL, local councils and local travel agents believe that the lack of membership uptake in these areas is based on a number of reasons, which can be summarised as follows:

1. More transport alternatives

I.3.2 The most obvious reason that all stakeholders mentioned is that there are more alternatives to air services in Caithness and NW Sutherland such as private car, bus and rail services compared to the islands where the only alternative to flying is to take the ferry. Therefore people living in Caithness and NW Sutherland are less dependent on air travel and ADS membership is lower than on the islands.

2. Lack of routes offered

I.3.3 There are only two direct routes available from Wick Airport. These are Wick – Aberdeen operated by Eastern Airways and Wick-Edinburgh operated by Loganair. This offer is not as comprehensive when compared to other eligible airports, where residents are generally also able to fly to Glasgow, a major hub for international travel, as well as Inverness, the main airport in the Highlands and Islands. HIAL are not currently able to get airlines interested in developing new routes from Wick as the potential for the viability of new routes is very low. There used to be flights from Wick to Kirkwall and Sumburgh but both were removed due to route rationalisation.

3. Lack of awareness of the ADS

I.3.4 Many individuals living in Caithness and Sutherland are not aware of the ADS and even those that are might have the impression that it is only for residents of the Scottish islands and do not know that they are also eligible.

I.3.5 Local councils confirmed that there is still a small proportion of residents on the eligible islands who are not aware of the ADS and in Orkney for example, there seems to be a lack of information on what the scheme is about, how to use it and who is eligible. This may be a reflection of the fact that the initial marketing exercise has tapered off.

4. Lack of awareness of the actual cost of air travel

- I.3.6 There also seems to be a lack of awareness of the actual cost of air travel using the discount and many think that air fares are still too high. This issue is not specific to Caithness and Sutherland only, as it might also be a reason for lack of use in other eligible regions. Even with the ADS, the air fares of low-cost airlines that are available across the UK are still lower than the majority of fares using ADS and so there is a persistent perception that air fares are still too high within the Highlands and Islands.

5. Low catchment area

- I.3.7 Wick is on the east coast of Caithness and as the population is spread out, the catchment area is relatively low. People living between Wick and Inverness or at the far west coast in Durness often find it more convenient to drive straight to Inverness rather than driving to Wick to get on a plane to travel to other principal urban centres such as Edinburgh and Aberdeen.

6. Higher taxes

- I.3.8 It was reported that airport charges are higher in Aberdeen compared to the other main airports in Scotland. This makes the charges on the Wick-Aberdeen flight higher compared to other routes. It has been mentioned that Eastern Airways could follow Loganair's example and consolidate fuel and insurance surcharges into the core fare so that the ADS discount can be applied. In addition, some stakeholders in Caithness indicated that it is confusing that on the one hand the (Scottish) government gives a discount on air fares, but on the other hand (the UK government) increases air service taxes continuously.
- I.3.9 Some of the above reasons can also be considered as reasons for people who have already registered under the scheme, but have not used it yet, particularly in Caithness and Sutherland.
- I.3.10 It was discussed and agreed between the ADS Team, Wick Airport and travel agents in Caithness that a more active marketing campaign with local newspaper advertisements could be undertaken in Caithness and Sutherland to increase awareness of the ADS and of the cost of air travel in order to increase membership uptake. The ADS Team would also like to see regular marketing in the other eligible regions to increase

membership rates further. Some councils confirmed that the local newspapers and radio stations play an important role in the dissemination of information in the Highlands and Islands and that the marketing should be reinforced to increase awareness of the scheme.

I.3.11 One travel agent from Thurso indicated that approximately three quarters of all flights booked through them are ADS discounted flights. This compares to a figure of 90% for the travel agent in Shetland. Some stakeholders also believe that due to the lower dependence of Caithness and Sutherland on air travel, it is understandable that ADS membership is low and it would be difficult to change that. There are also some eligible residents on the islands, particularly older people, who have no reason or no interest in travelling to the mainland and not much can be done to attract them to air services either. This has also been a clear message that has come out of the non-member survey.

I.4 Impact of the ADS on Demand, Frequency and Capacity

I.4.1 Some consultees believed that there has been some increase in demand for air travel. The survey of users does indicate a considerable level of travel that has taken place through the ADS would have happened anyway (particularly for business travel), although a considerable proportion are new air journeys, that have been created through modal shift or would not otherwise have taken place by any means.

I.4.2 Loganair indicated that demand is influenced by a range of factors including the plane capacity, flight timetabling and frequency of flights as well as the price. Some changes that Loganair has implemented recently were also felt to have played a major role in influencing passenger demand. These have included:

- Increase in the frequency of flights across the network so that there are now daily return flights available from Shetland and Orkney
- Introduction of direct flights to most destinations, moving away from the “bus-stop approach”, which involved flying from Glasgow to Inverness, then Orkney, Shetland, etc.
- Introduction of one-way fare structure which enables people to get cheaper fares if they book early

- I.4.3 The ADS was another component that has certainly had an impact on passenger demand and facilitated the move towards increase frequency and capacity on a number of these routes.
- I.4.4 Highland Airways explained that demand for air travel has certainly gone up after the introduction of the ADS and as a direct result of this increase, the airline introduced a new direct route in September 2006 between Benbecula and Inverness. However, demand was not sufficiently high to sustain the route and it was discontinued after nine months.
- I.4.5 The airline indicated that the ADS was a huge marketing opportunity for the airline as they were able to send marketing material to all residents in the eligible regions together with application forms for the ADS. This marketing campaign was a major boost that resulted in higher demand for air travel, even more than the scheme itself.
- I.4.6 Travel agents believe that demand for air travel has certainly increased since the introduction of the ADS, which comes from newly generated demand and also from passengers attracted away from other transport modes. (This is reflected in the findings from the ADS member survey).
- I.4.7 In Orkney, the introduction of direct flights to Edinburgh and Glasgow was reported as a major factor in encouraging greater air passenger demand. In Shetland, the increase in demand was felt to be less considerable since air travel has historically been relatively high due to the only alternative being a 12 hour ferry trip to Aberdeen. Again these views are reflected in the analysis of passenger demand with a higher increase in passenger traffic in Orkney compared to Shetland.
- I.4.8 In Wick, travel agents reported that the ADS has had no positive impact on frequency – it is rather the opposite, as there used to be a flight from Wick to Kirkwall (coming from Edinburgh), which has been removed due to insufficient demand. Nevertheless, there is now more capacity on the Wick-Edinburgh route as the plane no longer takes passengers from Kirkwall to Edinburgh as well as from Wick.
- I.4.9 Overall, our analysis and the views of stakeholders indicated that the ADS is likely to have had the greatest impact on supporting air passenger traffic at Wick airport. It was reported by a number of stakeholders that Wick airport is the least viable of all the eligible airports, and the ADS has been important in sustaining passenger demand. This was supported by the findings from the survey of ADS users where ADS flights from

Wick exhibited the highest level of additionality and the greatest impact on total passenger numbers compared to all other eligible airports.

I.5 Impact of the ADS on journey times

I.5.1 All of the stakeholders stated that a major advantage of the scheme is that it allows people to cut their journey times, as they can afford to switch from ferry to air services. These time savings are particularly important for business trips. In Shetland for example, the only alternative to a 1 hour 15 minute flight is a 12 hour trip on the ferry to Aberdeen. A flight from Wick to Aberdeen takes 30 minutes compared to a journey of 5-6 hours in the car.

I.5.2 In Orkney, a flight time of 45 minutes from Kirkwall to Inverness compares with a car/bus and ferry trip of 5 hours. For Kirkwall-Aberdeen the 45 minute flight compares with a 7 hour overnight ferry ride. Similarly, there is a major difference between flying from Kirkwall to Edinburgh which is 1 hour 15 minutes and taking the 7 hour ferry to Aberdeen plus driving another 3 hours to Edinburgh.

I.5.3 Further details on journey time savings are discussed as part of the ADS member survey, which highlights that a considerable proportion of ADS users experienced journey time savings of four hours or more.

I.6 Impact of the ADS on improved accessibility and social inclusion

I.6.1 Most consultees believed that the ADS has been very successful and has had a positive impact on the eligible residents as reduced air fares now give those residents a more affordable choice in travelling between remote communities/islands and the mainland and leads to social inclusion. It was mentioned for example that many sports and leisure groups now use air services to go away for a weekend and students are able to come home during the term, which they could not afford to do before the scheme was introduced.

I.6.2 Travel agents from Caithness strongly believed that the scheme has improved accessibility to employment for oil workers employed in Aberdeen, as there is a lack of employment opportunities in Caithness. They can get very cheap fares when booking flights in advance with the 40% discount and reduce journey times.

I.6.3 All travel agents agree that the ADS has also made flying more affordable to lower and middle-income families. They felt that people who could not afford it before, can now make use of air services. This is

supported to some extent by the survey evidence, although it is still clear that higher income households are more likely to make greater use of the scheme.

I.6.4 A number of interviewees suggested that if the scheme is about social inclusion, then family members of those living in the eligible regions, who have moved out of the eligible area could also be included in the scheme. It was highlighted that many people live on the mainland and have elderly parents living in the island communities who are not fit enough to travel. It would therefore be worth considering extending the discount to family members living on the mainland as well. Then they could visit family and friends in the eligible regions and discourage people from leaving these more remote communities. This would also support economic development by reducing leakage from outward travel and encouraging more inbound travel to these areas.

I.6.5 It was also highlighted by several island based stakeholders that residents now feel more able to continue living on the island because it is now affordable to access facilities in the main urban centres. The scheme enables them to carry out activities that are sometime taken for granted by other people living in Scotland. It was highlighted that flying used to be dominated by those travelling on business and more affluent households. Now it is also affordable to middle or even lower income families in the eligible regions. Even those that do not use the scheme, feel that there is a value to the community because all have the opportunity to fly at more affordable rates.

I.6.6 In summary, most stakeholders felt that the scheme has made air travel more affordable to residents of the eligible regions and has therefore had an impact on improved connectivity to family, friends and the main economic centres in Scotland.

I.7 Impact of the ADS on businesses and commercial inclusion

I.7.1 Most stakeholders agree that the ADS has had a positive impact on businesses and commercial inclusion as it enables them to reduce their travel budget and journey times or to travel more frequently for the same travel budget as before. Loganair mentioned that the increased frequency of flights and the availability of daily return flights have had a strong impact on businesses in the eligible regions as they do not have to plan an overnight stay when they have a business meeting on the mainland.

- I.7.2 Some stakeholders believed that there could be a negative long-term economic impact on the island communities as people spend their money on the mainland rather than in their local community. The ADS encourages people to leave the area and spend money elsewhere, which might have a detrimental impact on some local businesses.
- I.7.3 Consultations with a number of businesses across all regions revealed that in most cases, the number of trips undertaken for business purposes stayed the same as businesses already used air services before the introduction of the ADS, but the scheme has had a positive impact on the travel budget of businesses. The general view was that the impact of the scheme was stronger on personal travel rather than on business travel, which is supported by the findings from the ADS member survey.
- I.7.4 Only one major business indicated that the number of business trips to the mainland undertaken by air have increased, which is partly due to switching from ferry to air services and partly due to additional trips that would not have been undertaken otherwise. The travel budget for the business has largely stayed the same and there has been no impact on turnover or training opportunities. As a very large proportion of the firm's business activities were outside Orkney, there was a major requirement to travel. As there are a number of business sites across Scotland, the ADS has led to employees from Orkney travelling more to the mainland rather than employees based in the mainland coming to Orkney for meetings or knowledge dissemination.
- I.7.5 One business manager in Stornoway indicated that the ADS has had no impact on the business as the main office is based in Glasgow and when employees travel to the mainland for meetings or training, the company pays for it centrally so that the discount that individuals are eligible for does not apply. He stated that employees would not want to pay for the flight out of their own pocket in advance and claim it back.
- I.7.6 Businesses were also asked to provide suggestions for potential improvements to the scheme and most indicated that it would have a positive economic impact on the communities and the tourism industry if the scheme was opened to non-residents who want to travel to the eligible region.
- I.8 Impact of the ADS on mode shift and other transport operators**
- I.8.1 Travel agents stated that there might have been some displacements from ferry to air services, but the impact is constrained by the fact that those

passengers who need the car will still use the ferry. Highland Airways agree that there has only been a minor impact on ferry operators as people who need their car or want to take a lot of luggage will still take the ferry. Furthermore, demand for travel modes has always been weather dependent, if poor weather is forecast people prefer to fly rather than take the ferry.

I.8.2 Orkney Council believe that there has not been much mode shift from ferries to air services as both are very different types of journeys and serve different markets. People needing a car, carrying a lot of luggage or travelling with a large family will still prefer the ferry.

I.8.3 It was felt that there has not been any major impact on mode switch in Caithness as people were more likely to switch from car to air services and not from other transport modes. This is supported by survey evidence which highlights that the main modal shift in Caithness was from private car.

I.8.4 Feedback from ferry operators suggests that while there has not been any actual fall in total ferry passenger numbers, the introduction of the scheme has corresponded with a levelling off in passenger demand, which was previously on a rising trend.

I.9 Potential future impacts of the ADS

I.9.1 It was generally felt by consultees that demand for air travel was likely to stay at the current level unless the discount increases to 50%. In Caithness however, travel agents believe that there is potential for a future increase in demand as membership and uptake are still relatively low.

I.9.2 Highlands Airways believe that on the eligible air routes, demand can only be stimulated to a certain extent by reduced air fares, as the population is relatively low on the islands and consequently the number of those travelling by air is limited. It is difficult to have self-sustaining air service provision in these regions and increase capacity and frequency as it was expected due to the population restrictions. In addition, Orkney Council indicated that future impacts of the ADS would be limited by the infrastructure, such as small planes and airports.

I.10 Potential improvements and enhancements of the ADS

I.10.1 Stakeholders commented on potential improvements and enhancements to the scheme and the main suggestions are set out below. It should be

noted that stakeholders were free to express their opinions, but they may not have fully understood the purpose of the scheme and the conditions of the approval given by the European Commission.

1) Extend ADS to encouraging inbound traffic

- I.10.2 One major issue mentioned by many stakeholders in relation with the ADS is that it does not actively promote inbound traffic, as for example PSO routes or an extension of the scheme to non-residents would do. However, there was also the view that the PSO mechanism was not flexible enough and airlines would not have enough capacity to serve PSO routes. In addition to that, some recognise that there is insufficient infrastructure in many eligible regions to accommodate increasing inbound traffic. Particularly on the Western Isles, hotels and bed and breakfasts were not felt to be sufficiently available for any large increase in tourists.
- I.10.3 Various sources suggested that inbound traffic to the eligible areas could be included in the scheme extending to those with parents or other family in the eligible regions but who live on the mainland and cannot make use of the ADS to visit their relatives. In addition, it would support the tourist industry on the island as inbound tourism would be encouraged
- I.10.4 HIE officials believe that the scheme should be widened to include all Scottish residents, as air fares to the Highlands and Islands are very high for those that are not resident in one of the eligible regions. This raises concerns that the remote regions of Scotland may become more economically peripheral to the Central Belt compared to other UK regions. For many businesses this would make doing business in the Highlands and Islands unaffordable. Similarly, the current air fares discourage domestic tourism to the eligible regions and make it unaffordable for many Scottish residents to visit family and friends on the islands or in Caithness and Sutherland.
- I.10.5 Similarly to other stakeholders, such as local councils and local enterprise companies, Highland Airways believe that the main failure of the ADS is that it does not encourage inbound traffic as the discount is only applicable to residents of the eligible regions. It does not support the fragile economies of the regions as it encourages people to leave the island and spend their money in the main economic centres of Scotland. This might have positive social impacts on the population in the short-term, but in the long-term it is likely to have a negative economic impact

on the islands and reduce social benefits in the regions. Then people will start leaving the eligible regions and consequently communities will lose their skilled work force.

- I.10.6 Some travel agents also stated that the local tourism industries would benefit if the scheme also attracted inbound traffic to the island. However, a more widespread view was that eligibility could be extended to those who work and have their main livelihood in the area, but not their main residence.

2) Increase ADS discount to at least 50%

- I.10.7 Some stakeholders believed that air fares were still too high for many individuals, which has also come out of the survey as the main reason for not using the scheme. Therefore it was suggested by a number of stakeholders that the discount should be increased further to 50% as approved by the European Commission. It was also noted that increasing the discount to 50% could have a psychological “half-price” effect and therefore have a greater impact on demand.

- I.10.8 Nevertheless, it was also highlighted that there needs to be a limit to government support for air fares and the discount should not be increased further and further.

3) Marketing and Promotion

- I.10.9 It was suggested that the ADS Team could work together with transport departments within local councils in order to promote the scheme and provide detailed information on how to use it. Schools and individuals working in career planning could also be involved to make sure that students are aware of the scheme so that they know then can come home during the term at affordable rates. This could encourage students to return to the island communities when they finish their education as it enables them to keep in contact with friends and family during their studies. Were they not able to do this, they would probably build up stronger ties with new friends on the mainland and feel less attached to their home community.

- I.10.10 It was also suggested that there could be a common marketing strategy between the ADS team, local communities and airlines to promote the scheme in the future.

I.11

Should the ADS continue?

I.11.1

A number of consultees highlighted that the ADS was now considered to be an absolute entitlement among eligible communities and that it could not now be discontinued. Residents of eligible regions have enjoyed the 40% discount for over 1½ years. A sudden stop of the ADS could make air fares seem extremely expensive, which could lead to a more dramatic drop in demand for air services.

I.11.2

If the scheme was discontinued, it would also have a major negative impact on Wick Airport, in particular. It was highlighted by several consultees in Caithness and Sutherland that if the ADS had not been introduced, Wick Airport may not have been able to continue operations. Stopping the scheme would also have a negative impact on businesses that set their travel budgets based on the discount currently available.

I.11.3

It was also highlighted that if the scheme were to be discontinued, the fragile economies in the eligible regions would be marginalised further and people would be encouraged to leave these areas. Without good and affordable air connectivity with the main economic centres, it would be difficult to sustain economic and population growth on the islands and the remote mainland regions.



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