



Report to Partnership Meeting 15 April 2016

RESEARCH AND STRATEGY DELIVERY

Skye Air Service Development Strategy Update

PURPOSE OF REPORT

The purpose of this report is to update Members on the development strategy for the reintroduction of air services between Skye and the Central Belt.

Background

In 2013, HITRANS, The Highland Council and Highlands and Islands Enterprise (HIE) jointly commissioned consultants ARUP and RDC Aviation to undertake a feasibility study to help establish the case for reintroducing scheduled flights to Airport on Skye.

The Study estimated current unconstrained demand for air services from Skye to Glasgow/Edinburgh to be of the order of 21,500 passengers per annum. It also evaluated four options for creating the necessary infrastructure to re-establish air services at Ashaig Airport with the capital investment required, ranging from £2.3m to £15.3 million.

The Study developed a range of Benefit Cost Ratio (BCR) scenarios tested for an Option A which represented the lowest cost airport option based on the existing runway length. This assumed Air services using Twin Otter 300 series operating a twice-daily (12 return trips per week) service and a single aircraft dedicated to the route. Other options had significantly greater airport costs but did not provide additional passenger or tourism benefits.

Based on the inputs available at the level of detail which the Feasibility study was undertaken, the BCR using the BASE assumptions was estimated to be 0.95. A variety of other scenarios were also assessed with those tested falling within a range of 0.75 to 1.13.

Skye Air Services Working Group

Following completion of the initial Feasibility Study a working group with representatives from HITRANS, The Highland Council and HIE was set up with the objective of developing a more detailed business case to a level that would enable decisions on investment to be made.

The Working Group has since undertaken a number of elements of additional work including an updated PSO estimate for the service, revised maintenance costs, a CAP 232 survey and commenced the aerodrome licensing process with the CAA.

Before an updated business case could be developed the original study identified that it was essential to undertake a more detailed understanding of the wider socio-economic benefits that a scheduled service to the central belt may provide. Colleagues at Highlands and Islands Enterprise subsequently commissioned Ekosgen to undertake this research which was completed in March

2016. A copy of the full report can be found via the following link <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/skye-air-services-study-2016.html>

The Ekosgen report undertook detailed consultations with over 20 of the larger businesses in Skye and an assessment of the key business sectors including tourism, food & drink and creative industries as well as some of the growing sectors such as education and energy. It also considered three other airports (Donegal, Wick and Newquay) to help understand the benefits an air service provides to other rural areas.

Based on the research undertaken, the study found that the assumptions made in the original feasibility study could be seen as conservative, particularly around levels of passenger-related spend, business use of the service and the monetising of journey time savings. It concluded that although there is no established methodology for quantifying these benefits, it may be expected that GVA impacts would be significant.

Updated Business Case

Following the completion of the socio-economic study, the Working Group members have met with ARUP/RDC Aviation and Transport Scotland’s Aviation team to agree the brief for the updated business case. This report will seek to consider the following;

- Provide an update to the 2013 forecasts (section 4.2) to produce a new ‘unconstrained demand’ figure that takes into account the latest available data
- Update of CAPEX and OPEX assessments based on infrastructure/equipment changes, updated rate information and work undertaken since 2013. In particular it will seek to address uncertainty around the approach procedures and air traffic control.
- Updating the wider economic benefit analysis or long term forecast with new data and incorporating the work of Ekosgen
- Set out different options for the operational model
- Provide an outline business case for the most viable Option for re-introducing air services from Skye to the central belt.
- Provide a detailed and costed development strategy that will enable investment decisions to be made.

At the time of writing, the expectation is that the updated business case will take up to two months to complete with the findings of a the study reported to a future partnership meeting. The updated business case will be jointly commissioned by the three working group members with costs equally shared.

Recommendation

Members are invited to support the proposed development strategy for the re-introduction of air services to Skye.

Risk	impact	Comment
RTS delivery	√	This work supports RTS Strategic priority S11a to reintroduce scheduled air services between Skye and the Central Belt
Policy	√	This work supports development of the Aviation policies set out in the RTS
Financial	-	A budget £5,000 was identified in the 2015/16 budget. As the only costs incurred related to the commencement of the licensing process and acquiring met office data there was underspend. It is proposed that an initial £5,000 allocation be made in the 2016/17 Research and Development Budget for this study.
Equality	-	

Report by:
Designation:
Date:

Neil MacRae
Partnership Manager, HITRANS
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