ISLES OF SCILLY TRANSPORT
A Comparative Study of the Isles of Scilly and the Scottish Islands

Council of the
ISLES OF SCILLY

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Foreword

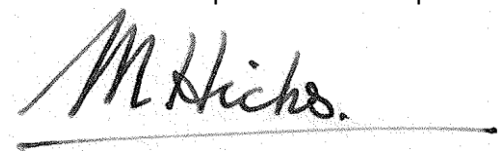
The 'close to the edge' experience of living on a small island invariably prompts great interest in sharing experiences with islanders from elsewhere. For a long time people living in the Isles of Scilly have been aware of the disparity in transport services between ours and those provided for the Scottish Isles but have always felt warned off from drawing comparisons because of perceived differences in government, economies, lifestyles and environments - even weather and sea conditions! The purpose of this report is to dispel false assumptions where they exist and to address some of the anomalies in order to pursue equitable support and equal rights with our island neighbours within the UK and EU community. The Isles of Scilly comprise the only group of small islands within England, and the Scottish Isles provide the only usefully comparable examples within the UK. For the purposes of this report, we have restricted our study to those islands with broadly similar population size or distance from mainland port.

The perception of Scilly from outside is often that of an idyllic holiday destination of white beaches and lush vegetation. Indeed, we are frequently told 'there is a high price to pay for living in a beautiful place'. However, while Scilly **is** a special place, the majority of islanders are ordinary working people who strive to make a living. Most believe it's a good place to live but, as in other places, life can be harsh and probably, more than in other places, suffers from the adverse impacts of isolation. Unless it proves possible to resolve the issues of transport provision and cost, the logical eventual outcome is that Scilly will become a haven of the rich with privately owned transport and serviced by a small residual population.

Although it is recognised that both sea and air services to Scilly have always been susceptible to weather conditions, there is an acute local awareness that the future is now under additional threat from recent factors including the devastating rejection of the 'Route Partnership' by the Department for Transport in March 2011; the uncertainty around the future of the helicopter service; the months of possible imposition of an Airport Passenger Duty tax; the age of the helicopters, the sale of Penzance Heliport and possible move to Newquay Airport in the autumn; and the possibility of both air and sea services being owned by a single private sector operator. The very high cost of fares and freight charges, the limited and seasonal service, the poor facilities, are all damaging to the future of Scilly's economy in general, and to the health and well being of islanders as individuals.

This report demonstrates that the minimum service considered necessary to put Scilly on a level playing field with islands elsewhere would be an all-year ferry to and from the mainland with the minimum of a daily service for both passengers and freight and with affordable fares and freight charges. The challenge which lies ahead, if these islands are to survive as working communities, can only be addressed if an efficient and affordable transport system to the mainland is recognised as key to the economy and accorded the same importance as that granted to the Scottish Isles.

We are enormously grateful for the support and friendship offered by our Scottish colleagues and others in the compilation of this report.



Mike Hicks
Chairman,
Council of the Isles of Scilly
3 April 2012

'It is essential, in my view, to ensure that this ferry link receives support which services to similar island communities in Scotland have received since before devolution and which are now taken for granted in that part of the UK.'

Andrew George, M.P. for St Ives Constituency covering West Cornwall and the Isles of Scilly in letter to Norman Baker, Minister for Transport, February 2011

'huge and persistent unfairness'

Danny Alexander, Secretary to the Treasury, in support of the road fuel discount for the Isles of Scilly and the Scottish Isles, October 2010

'The public sector in England should care about the Isles. In England, they are unique, and they are there for us all to enjoy. In comparison with the Scottish and Irish Islands, the English Government's policy on the Isles of Scilly seems too laissez faire. The view that people have chosen to live there, and if it is high cost that it is their hard luck, is myopic. England cannot seriously follow policies informed by such an argument. The Isles are part of England just as any other rural community is, and it should be supported in the same way.'

Fisher Associates report 'Moving On' Isles of Scilly Transport Strategy, February 2003

The non-binding Member State Declaration No 30 on island regions annexed to the final act of the Amsterdam Treaty ***'recognises that island regions suffer from structural handicaps linked to their island status, the permanence of which impairs their economic and social development'*** and affirm that Union Law ***'must take account of their handicaps allowing for 'special measures' to be taken in favour of their islands in order for them to better integrate into the internal market on fair conditions.'***

'Small islands are microcosms for our world. We are all inhabitants of the global island, surrounded by the limitless ocean of space. If we can find solutions to the special vulnerabilities of islands, it will help us to address more global problems. If we fail to do so, the interlocking environmental crisis facing our planet today may well remain intractable. 'Small islands, big issues' was the slogan we used for the Barbados Conference in 1994. That sentiment remains just as true today.'

Kofi Annan, Secretary General of the United Nations

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Executive Summary

This document sets out the facts on the current economic and connectivity situations in the Isles of Scilly (IOS) and compares them with similar island communities, mainly in Scotland, but also elsewhere in the EU.

Naturally, there are major differences between the Isles of Scilly and the Scottish islands and between the different groups of Scottish islands themselves. However, they all share reliance on sea transport and on tourism as an important component of the economy. When making comparisons with Scilly as a whole, or just the main island of St. Mary's, the Council of the Isles of Scilly have used the island of Islay as the closest comparator, and when considering the smaller off-islands, we have compared St. Agnes with the island of Fetlar in the Northern Isles.

At present, the Isles of Scilly are served by a year round freight vessel, the Gry Maritha, which visits the Islands 3 times a week and a passenger vessel operating between late March and late October, the Scillonian III, which carries up to 600 passengers from Penzance to St Marys once a day and also carries some perishable freight on a daily basis, although there is no Sunday service.

St Mary's has a small airport which has regular year round flights by fixed wing aircraft six days a week from Lands End Airport and Newquay Airport. There are also summer flights from Exeter, Bristol and Southampton. There is also a six day a week helicopter service from Penzance. There are some doubts as to the longevity of this service as the company has sold their current heliport to Sainsbury's supermarkets. The air services are disrupted by fog, crosswinds and runway water-logging.

It is worth noting that there are no current Sunday mainland transport links of any kind. This is long standing and was historically strongly supported by the community, although there are signs of a potential change of view. The recent Tourism Strategy Report identified a need for change.

Contrary to widely held views, Scilly is not wealthy and has the 4th lowest wages in the UK. While there are small pockets of affluence with Tresco, the second largest island, being a private estate and exclusive holiday destination, IOS residents earn significantly less than on the mainland (2.6), or in the Scottish islands, and have to bear considerable additional costs from freight and transport. (6.9).

The average cost of housing on the Isles of Scilly is 29 times the average Scillonian wage, making buying a house almost impossible for local people, and Scilly has been identified by the National Housing Federation as having the least affordable housing in the South West. (2.1) The social rented sector is massively oversubscribed as reflected by the Council and Duchy of Cornwall housing lists.

The Council of the Isles of Scilly regularly reviews prices of basic food items, building materials and fuel, using prices for identical goods obtained from the equivalent Penzance outlet to that on St. Mary's. (6.9.1/2/3) For the purposes of this report, prices are also included from Islay. The IOS food basket is generally about 20 % more than in Penzance (2.2% more than in Islay); building materials average 99% more than in Penzance (63%

more than in Islay); petrol is 26% more expensive than in Penzance (15% more than in Islay) with significant differences in diesel and heating oil prices. (None of the comparative data takes account of the additional freight charge levied on transporting goods from the main island onwards to the four off-islands).

The recent announcement by HM Treasury of a 5p fuel discount for petrol and diesel for road vehicles is unlikely to make a significant difference to household incomes because the islands have just 9km of roads. However, the announcement is welcomed as being a precedent in recognition by the Government that the Isles of Scilly have similar issues to the Scottish Isles that need to be addressed in a similar way.

Recent statistics issued by the Department for Energy and Climate Change state that 40.9% of households on the Isles of Scilly are in fuel poverty, the highest in England. This reflects the combination of high cost of heating fuel due to freight costs, lack of gas supplies, a reliance on increasingly expensive electricity for heating, and the generally low wages on the islands (6.9.2).

The report demonstrates that, in addition to the higher costs of living, the costs of transport to and within Scilly are significantly higher, with less frequent and reliable services and, as a result, the population is at a much greater disadvantage to those on the mainland and even to those living on the Scottish Islands. Worse still, there is an ongoing decline in tourism, the mainstay of the economy, with strong evidence that, while the reasons are complex, this is largely due to the high cost of transport and its knock-on effect on the cost of living. (6.6.2) Unlike Scilly, visitor numbers both to mainland Cornwall and the Scottish islands are increasing. (The sensitivity to cost is supported by a drop in passenger numbers to Islay when other Scottish islands introduced Road Equivalent Tariff which made Islay comparatively more expensive to visit.) 70 – 80% of the IOS economy is based on tourism, and the current decline in visitors and the shortening of the season is likely to prompt an increase in numbers of residents claiming benefits, and also further increases in transport costs when fewer visitors make services less profitable.

On average, the cost of transport to the Isles of Scilly compared to Scottish islands is about 4 times higher for the equivalent distance. (6.7) While there are significant differences in cost per mile for both air and sea transport, the most dramatic comparison in fares relates to the mainland ferry service (IOS £1.28 per mile; Islay 0.25 per mile), compounded by the seasonality of the service. The lack of a winter ferry service between late October and late March means residents and visitors must rely on the much more expensive fixed wing or helicopter service

Amongst all IOS business sectors there is a feeling that the economy of the islands is underperforming A common explanation provided by local businesses (28% of the 128 surveyed in 2007) for this low level of confidence is the cost of travel to and from the islands which is seen as a deterrent to potential customers. Other concerns include high freight costs which impact on any product price point. SWOT analysis with business undertaken by the SW Manufacturing Advisory Service (SWMAS) identifies transport and freight as the main inhibitor to manufacturing businesses. (January 2011)

Although there are some advantages to be derived from marketing the uniqueness of Scillonian products, as has been the case with the flower industry, island farms remain hard places from which to make a living – this has been recognised in the designation of the islands as 'Severely Disadvantaged Land within a Less Favoured Area'. (2.4) The operational challenges faced by island farmers, particularly on the off-islands and relating to livestock production, are exacerbated by high freight costs (6.9.4).

In terms of access to services the islands are ranked in the bottom 2% of the most deprived of all the 32,482 wards in England (Indices of Deprivation,2010). Access is limited by the islands' peripheral maritime locality compounded by the high cost of transport to, between and on the islands, and is of particular importance relating to healthcare (2.10) and education.

To assist in addressing this imbalance, and to make best use of currently available resources for the sea link infrastructure, the Council of the Isles of Scilly, with its partners, the Duchy of Cornwall and the IOS Steamship Company, alongside the Penzance Town Council and partners in Cornwall for the Penzance element, are working with the Department for Transport to develop schemes and access funding to improve the facilities at St. Mary's Quay and Penzance Harbour. This is an essential first step in safeguarding the sea links to the islands and is supported by the Department for Transport and Ministers. However, although very necessary, this will not be sufficient in itself to stem the long-term impact that the seemingly inexorable rise of transport costs for both freight and passengers, and the limited nature of services, is having on the economy and welfare of island residents. Transport provision and its affordability remains a fundamental issue for the community. The policies which the Scottish Government and its predecessors in Westminster have implemented to ensure that Scottish and Northern Irish island economies and links to and within the Scottish Islands are as close as possible to conditions as if they were part of the mainland have helped maintain strong thriving communities.

The people of the Isles of Scilly therefore have every right to expect an affordable, year round, regular, frequent, reliable sea service to the islands, both for island residents and visitors. In Scotland this is provided by a 'lifeline' service to all islands; this is the model that the Isles of Scilly needs. Both the Scottish islands and the IOS are served by other services, in the case of IOS by fixed wing and helicopter flights, but these are very expensive and there is no year round cost effective lifeline service for those who cannot afford the flights. The exact mechanism, vessel specification and means of support, perhaps by franchising, such a service would require further discussion and analysis. The Council is convinced that this is an essential element to put our islands on a secure economic footing and to give islanders and those investing in business, security for future investment.

Without such support, the islands face a slow and steady decline to a point where one or both of the transport operators may fail, at which point there will be market failure and the government could be compelled to intervene in what may become an emergency situation, will inevitably be far more expensive than planned intervention and will need significant support to re-develop and assist the islands' economy.

This report is designed to raise awareness of the issues of poor transport links affecting the economy of the Isles of Scilly with Central Government, support the investment in the quays

at St Mary's and Penzance, and identify what next steps would be necessary to deliver a revenue operating deficit subsidy or road equivalent tariff as is the case in Scotland and Northern Ireland.

In presenting this report to the Department for Transport and the Cabinet Office, the Council of the Isles of Scilly believes that, whilst continued capital investment in the Quays and Airport is essential, there is a need for Government to accept the principle of revenue support for a lifeline service to the Isles of Scilly.

To achieve this, the Department for Transport or Cornwall Council, in conjunction with the Council for the Isles of Scilly, should develop a project setting out the criteria and process for tendering for such a service, including the supply of suitable vessel(s). Further work may be required to provide supporting information, including :

- the analysis of the cost to all public bodies of transport and freight to and from the Isles of Scilly, including the NHS (and all its services), the Council of the Isles of Scilly including the school, Central Government departments such as Defra, CLG, the Home Office, the Police Service and Justice System. This would include not only freight and passengers but uplift costs on capital and IT projects etc.

- a similar analysis should be undertaken of a sample of families and business to understand the true cost as a percentage of income and profits, and to fully understand the barrier this presents to business growth.

- in parallel, a study to assess the full revenue implications to national government and Cornwall Council, as the transport authority, of implementing a revenue operating deficit on the route providing the level of service required. At this point a cost benefit analysis could be undertaken to assess whether the cost of the revenue subsidy would be greater than the combined costs to all those public bodies who currently pay individually for freight and passengers on all modes of transport to the Islands.

- an analysis of the various state aids options and their implications.

These studies would provide the information required to make a full business case for a revenue subsidy for the route and improvements to the service and apply for the state aid notifications potentially required for the subsidy to be implemented. This work would need to be resourced and managed by the Central Government, or the LEP as they are beyond the financial and human resources of the Council of the Isles of Scilly. The latter must, of course, be fully involved throughout this process.

1 Introduction

The Isles of Scilly, situated 28 miles south west of Lands End, are a group of approximately 200 low-lying granite islands and rocks. There are five inhabited islands, of which St. Mary's is the largest, with a population of 1666[1] and is the commercial centre. The islands are largely owned by the Duchy of Cornwall, except for a small number of freehold premises in Hugh Town, the administrative hub of the islands.

The distinctive character of the islands is recognised in the designation of the entire islands as a Conservation Area, as an Area of Outstanding Natural Beauty and a Heritage Coast. The islands are also home to RAMSAR wetlands sites, 27 Sites of Special Scientific Interest, 238 Scheduled Ancient Monuments as well as 130 Listed Buildings. The Islands are also designated a Special Area of Conservation (EU Habitats Directive) and a Special Protection Area (EU Birds Directive).

Figure 1. The Isles of Scilly.[2]

The landscape is a patchwork of small fields and hedges, open heaths and sandy beaches, rocky headlands and bays. The scale and style of the island field systems are the legacies of the islands earliest residents as much as their current agricultural roles. Scilly has a powerful maritime heritage including a catalogue of maritime archaeological finds and "pilot gig" boats; these formerly acted as guides to larger vessels during poor weather but more recently are raced for sport. A small yet significant number of fishermen still operate from the islands. The islands' sea and landscapes are integral to their social, economic and environmental fabric and are the reason why large numbers of visitors come to Scilly each year. The islands' natural environment and relaxed lifestyle provide a

[1] 2001 Census
[2] © Crown copyright. All rights reserved (100025873) (2008)

draw for around 100,000 visitors per season. These passengers arrive via the airport or the harbour; the latter also provides an essential lifeline link for freight via Penzance on the Cornish mainland.

For over 100 years the Council of the Isles of Scilly, the country's smallest unitary authority, has provided a comprehensive range of services equivalent and in some respects greater than any mainland unitary authority. The Council, for example, is responsible for water, sewerage and the airport. This unique nature has been recognised by its special constitutional position, known as the Isles of Scilly Clause.

Historically the Islands have had a completely unsubsidised transport system serviced by a passenger and freight vessel to Penzance, a passenger helicopter service to Penzance, and a fixed wing service to various mainland airports limited to Twin Otters and Islanders by the short runway length at St. Mary's Airport.

For the past 10 years the Council of the Isles of Scilly, with its partners the Duchy and Cornwall Council, has been trying to upgrade the transport connections to and from the mainland. In March 2011 the Department for Transport (DFT) refused to fund the Isles of Scilly Sea Link project which had received conditional approval in 2007 which was reconfirmed in November 2010. This was a scheme for public sector capital improvements to the quays at Penzance and St. Mary's together with the purchase of a new combined freight and passenger vessel to replace the ageing current vessels, the Scillonian III being 35 years old. The project did not seek any ongoing revenue subsidy for the proposed vessel (Annex 1).

This setback galvanised the Council of the Isles of Scilly to take a holistic look at transport to and from the islands and between them, and to benchmark these services against those elsewhere in the United Kingdom serving small island communities similar to the Isles of Scilly.

Section 2 includes details for 31 island communities from Scotland, Northern Ireland, Eire and France. In particular, five Scottish Islands were found to be similar in a number of aspects to St. Mary's, as outlined in the following table. Of these islands, Islay presents the most similarities and is dealt with in greater detail in comparison to St. Mary's as the gateway to the Isles of Scilly.

Table 1. Details of UK island communities of a similar size and distance to the mainland.

Island	Location	Population	Miles to mainland port	Total ferry passengers 2010	Economy Notes
St. Mary's	Isles of Scilly	1666	37	79,148	Tourism, Farming, Fishing
Islay	Inner Hebrides	3457	25	169,280	Whisky, Tourism
Tiree	Inner Hebrides	770	60	52,241	Crofting, Tourism
Barra	Outer Hebrides	1078	90	66,846	Tourism, Fishing
Sanday	Orkney	478	18	28,682	Tourism
Westray	Orkney	563	19	43,382	Beef farming, Fishing, Tourism

This work has also been prompted by research undertaken on the future of tourism on the Isles of Scilly which highlighted the cost of transport to the islands as a barrier for visitors and an underlying reason why tourism numbers are declining whilst those in Cornwall and elsewhere in the UK are increasing. Tourism is the fundamental employer and economic driver on the islands as it is in a number of the Scottish islands.

Likewise, the cost of transport is now of particular concern to residents of the islands who have to pay high fares to come and go whether for business or pleasure. The same applies to businesses, the Council, and NHS services who have to pay for staff to travel to the mainland for business or health reasons. Transport to and from the islands is costly and in the case of the sea service

scheduled for tourists rather than island residents, this is less of an issue for the air services. There is a lack of choice and winter disruption due to fog, water-logging (of the grass runway at Lands End) and high winds is common. Winter disruption can leave the islands without any transport for days at a time with potentially serious costs for health outcomes and business.

There are also growing concerns about general accessibility levels of the various transport modes for the ageing island and visitor population. Access for mobility impaired passengers is particularly difficult.

Study Objectives

The aim of the study from the point of view of the Islanders is to:

- Analyse the transport situation between the islands and the mainland and between the Islands themselves
- Benchmark the Isles of Scilly transport links against other islands in the UK and Europe
- Identification of appropriate minimum service levels

2 Socio-economic Analysis of the Isles of Scilly

This section provides an up to date detailed socio-economic profile and statistical review of the Isles of Scilly compared with West Cornwall/Cornwall/SW/England and Wales, as appropriate. It looks in detail at the challenges within each of the Islands' key sectors such as tourism and farming and presents the Islands baseline socio-economic position. Below is a summary of the key issues facing the Isles of Scilly.

Table 2. Summary of the Key Issues Facing the Economy of the Isles of Scilly.

Population and Housing	Economy and Employment	Workspace	Transport
Small, ageing and static population. Lack of available and affordable housing. one of the most deprived ward in England for access to housing and services.	Relatively stable business stock. Most businesses reliant upon tourism for at least part of their customer base. Low business confidence in the economy.	32% of islands businesses work from home as a result of insufficient workspace. Businesses choose location based on availability of workspace not what's best for the business.	Life line transport links are under threat. Cost of transport and freight and availability of transport links negatively impact on business performance and heighten effects of peripherality.
ICT Infrastructure	**Training and Skills**	**Business Support**	**Sustainability**
The islands have the highest take up of broadband in England (47.2%). 45% of proprietors declare that ICT is essential to their business. ICT helps to reduce peripherality and is an important part of the islands education system.	Consistently higher pass rates from the secondary school compared with English average. Highly educated local labour pool but evidence of a skills mismatch. No Further/Higher education on the islands.	Only 20% of the self employed and micro-businesses on the islands are accessing business support schemes. There is a need for assistance with marketing, finance and premises.	Climate Change (sea-level rise and storm surges) is a significant threat to the islands given their low lying geography. Opportunities exist for developing renewable energy. There is a need for all development to respect the islands environment and to be sustainable.

2.1 Population and Housing

The Isles of Scilly has maintained a relatively fixed level of population over the last century. This is in contrast to other areas of Cornwall which have generally shown an increase in population. The 2001 Census identifies the resident population as 2,153, with 1,607 people living on St. Mary's. The rest of the population is dispersed amongst the off-islands in small though significant communities; 83 residents live on St. Agnes, 78 on Bryher, 167 on Tresco and 113 on St. Martin's. Although the population remains relatively static one observable trend is that of an ageing population. 47% of the population was over 45 at the time of the census compared to just 40% in England and 25% of the population were under 25 compared to 31% nationally. Whilst this trend is consistent with the national picture it is more pronounced. The trend reflects the out-migration of the islands' young, usually following secondary education to access further education, jobs and homes, and in-migration of older persons who come to Scilly to retire (see figure 2).

There is a need to bring back younger people to create a sustainable community. Failure to do so will place pressure on service provisions including social services and healthcare provision as well as reducing the proportion of residents who are economically active, in a context where a small decrease in the number of economically active or the loss of key businesses or social infrastructure can have considerable consequences. The cost and availability of adequate housing is a significant factor in retaining both the islands' young and providing dwellings for the islands' employment base (see figure 3).

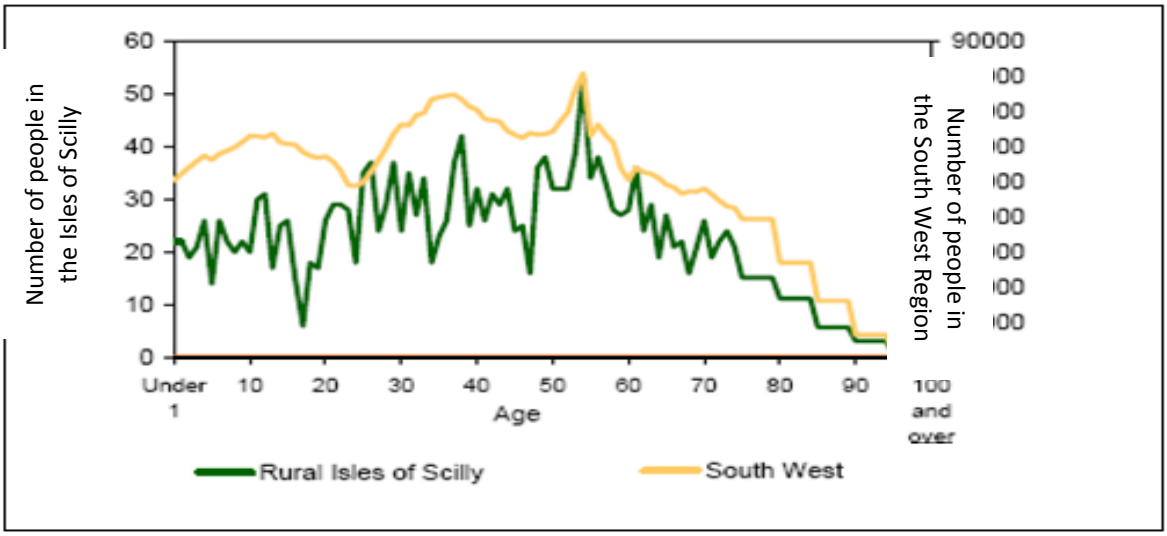


Figure 2. Age of Population comparison between Isles of Scilly and the South West[3]

[3] Data from the 2001 Census UV04 Age

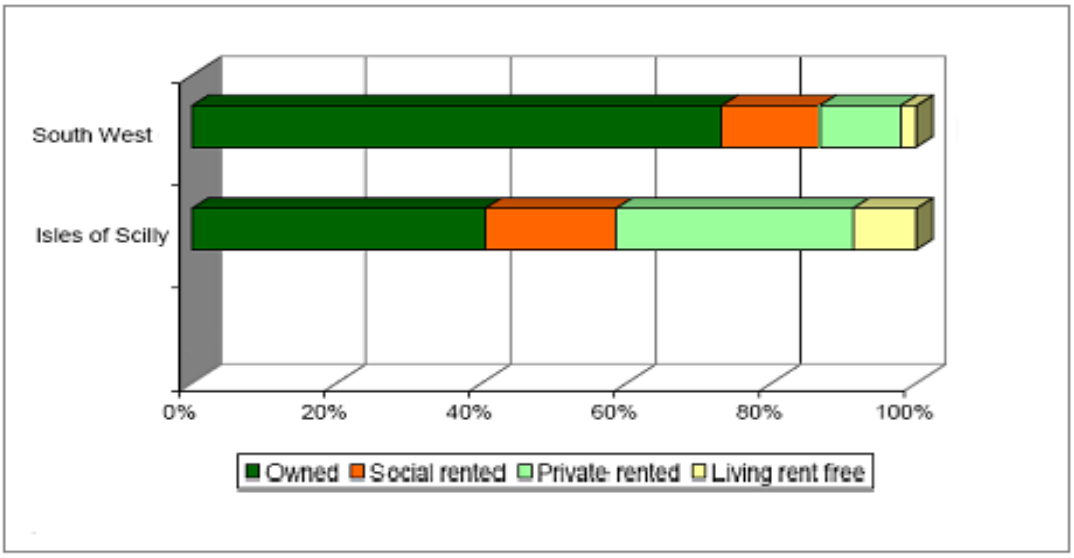


Figure 3. Percentage of Households by Tenure, Isles of Scilly and the South-West[4]

Those privately owned houses that become available for sale on the open market are rarely bought by local residents as property prices, which are higher than the South West average, are well beyond the average earnings of the islands residents. The National Housing Federation identified the Isles of Scilly as the least affordable housing in the South West with the average cost of housing being 29 times the average yearly wage. Those houses that are more "affordable" are restricted by planning obligations with qualifying conditions that must be met in order to allow residents to consider buying/occupying these homes. Whilst this allows for residents that are adjudged to be 'Key Workers' or to meet a 'Specific Local Need' they do not constitute general affordable housing or provide dwellings for those moving to the islands for work purposes. People unable to buy privately, or who do not meet the requirements of the 'Key Worker' or 'Specific Local Need' housing, enter the rented sector. The social rented sector is massively oversubscribed as reflected by the Council's and the Duchy's housing registers and the Housing Needs Assessment (2005). Aside from the issue of demand there is also a lack in variety to cope with the differing family dynamics. The private rented sector is seen to be out of kilter with local earnings and therefore economically hamstrings residents. There is also a seasonal element to housing issues on the islands; with many houses being let during winter months to islanders on short term leases so that they can be let during the summer as holiday accommodation. On top of these issues the islands have a 23% second home ownership rate meaning that at certain times of the year buildings lay unoccupied. It is imperative that strategic decision makers such as the Homes & Communities Agency (HCA) become engaged with future development on the islands particularly those projects enabled by the European Regional Development Fund (ERDF) so that opportunities for remedying the islands' housing situation can be considered as part of an integrated design process.

Diversification of the existing business base should help to retain or attract back younger people who have left the islands. However, such efforts must be complemented by the development of affordable housing. The Regional Spatial Strategy has restricted the islands' ability to house its residents by allowing only 15 dwellings a year. These figures include any sub-divisions of existing housing stock, changes of use of existing premises and/or new build private as well as social housing.

Social facilities are also required to sustain the islands' communities as they are becoming more influential with regards to migration decisions. Access to such facilities is increasingly viewed as

[4] Data from 2001 Census: UV63 Tenure (Households)

important to overall quality of life. Further, the general development of distance learning will help to expand the range and number of courses that can be accessed on Scilly itself. This development should, over time, mean a reduced need to leave Scilly to gain higher-level qualifications and also enhance access to training among the islands' business base.

It is imperative that developments contribute to sustaining the current level of population whilst offering opportunities for school leavers and young people who wish to make their homes and businesses on the Isles of Scilly. Rebalancing of the islands population to counter the ageing population is essential to the long term viability of the Isles of Scilly community. Tackling issues of peripherality and housing will be crucial to retaining a balanced population and the islands require innovative solutions to access and services issues. It is also essential that business activities work in harmony with the Islands' landscape and seascape and where possible harness the environment to deliver new and innovative business sectors.

2.2 Business Stock and Sectoral Profile

The business stock on the Isles of Scilly has remained stable for the past decade with growth slightly lower than Cornwall. With 10 VAT registrations in 2007, there is firm evidence to suggest that there is a willingness to grow businesses on the islands. Furthermore, businesses on the Isles of Scilly have shown remarkable resilience in comparison with those from other areas; 75% of those businesses registering for VAT in 2002 were still operating three years later. In addition 84% of businesses on the islands have been trading for at least 6 years, whilst 55% have been trading over 15 years.

However, amid this successful and resilient business stock there is a feeling that the economy of the islands is underperforming. The common explanation provided by local businesses for this low level of confidence is the cost of travel to and from the islands (28% of businesses). These businesses feel that the cost of travel is deterring potential consumers. Other concerns include the high freight costs experienced by the islands businesses which have an impact on product price point, 17% suggest a lack of customers, while another 17% feel the general economic climate is the main reason for economic underperformance.

The Scillonian economy is dominated by a small number of sectors. Whilst this leaves the islands economy susceptible to consumer choice, financial crises or other issues that may affect these sectors, opportunities for diversification of the business base are limited. Specific limitations include:

- High transport costs.
- Limited frequency of transport provision, especially in the winter, which can act as a constraint in serving/competing in particular markets.
- Population size.
- A lack of available labour supply.
- Lack/affordability of housing.
- Absence of a clear comparative advantage in many sectors.
- The need to safeguard the existing environmental quality.

2.3 Tourism[5]

The economy of the Isles of Scilly is dominated by tourism with it accounting for at least 70% of the economy if tourism support services are added to the count of direct tourism businesses. The Council of the Isles of Scilly, in partnership with the islands private sector Tourism bodies, undertook a review of Tourism to develop a new Tourism Strategy – 'The Future of Tourism' which was completed in 2011.

There has been a decline of arrivals by the main transport to St Mary's in the period 2005 to 2010 – from 111,420 to 102,381. This is a decline of 8%. The headline figures include Scilly residents and contract workers (such as construction workers and trades people). Some data is available for the numbers of contract workers travelling to and from the islands (see figure 38). Between April 2010 and November 2011 Kier contract workers accounted for a total of 2783 return flights.[6] This travel was associated with the new school build meaning that there has been an even greater decline in leisure visitors when such one-off finite projects are taken into account. There has been a substantial decline in the numbers of day trips by sea which have declined from 23,827 in 2005 to 16,439 in 2011. Therefore the decline in staying visitors resulting in a 4.7% decline.

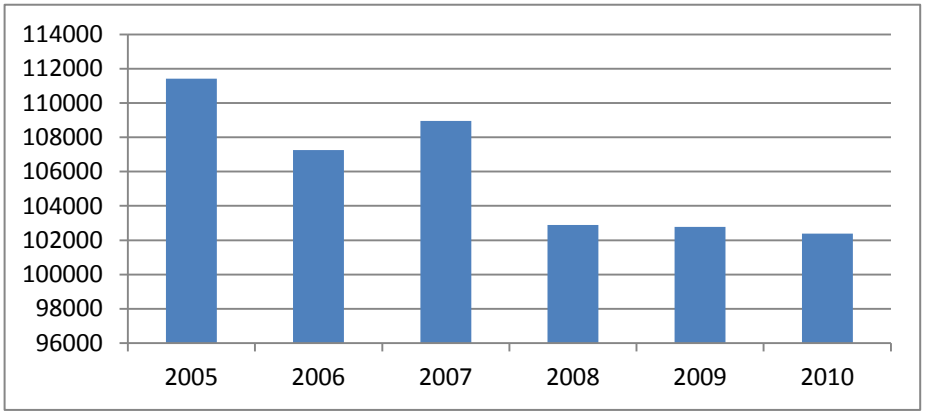


Figure 4. Passenger Arrivals by Public Transport.

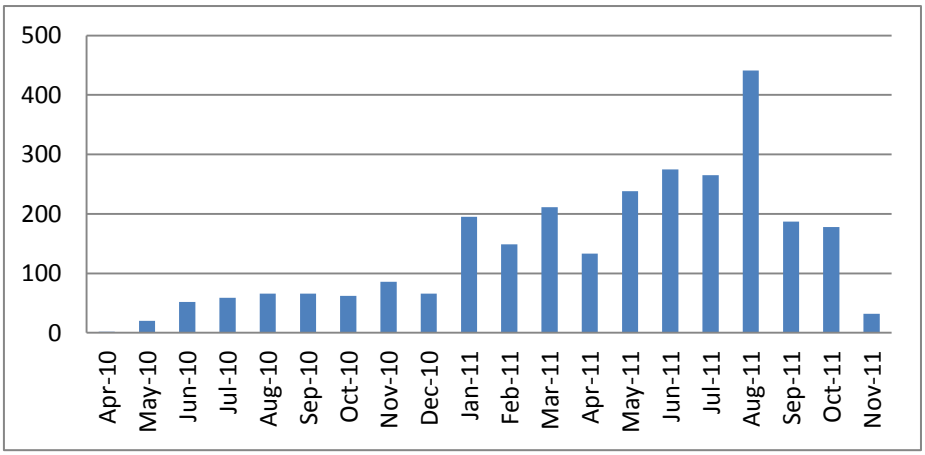


Figure 5. Return flights made by contractors for the new school build on St. Mary's April 2010 to November 2011.

[5] The text and figures (apart from figure 5) in this tourism section are taken directly from the Blue Sail Report '*The Future of Tourism on Scilly*'.
[6] Data from Kier Construction.

Cruise Passengers

A total of 41 cruise ships anchored at Scilly in 2010 and 7472 passengers came ashore by tender for day visits. We do not have figures for earlier years but it is believed that numbers of cruise passengers has increased significantly. This is likely to be driven by promotional effort to attract more ships and by the substantial growth in cruising over the past decade.

Length of Stay

Scilly has profited from visitors taking long stays on the islands. But the number of long-stay visitors is declining as the table below illustrates.

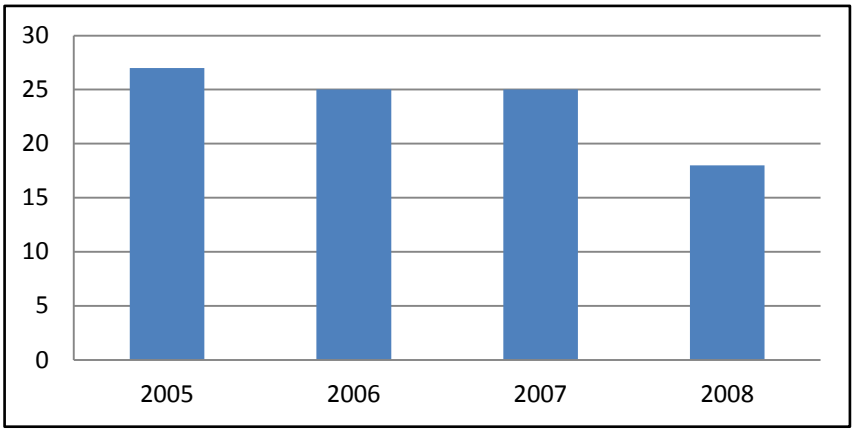


Figure 6. Percentage of Visitors Staying 11-14 Nights or more.[7]

This trend to shorter stays is common to Cornwall and other parts of the UK; indeed it is less marked in Scilly than elsewhere.

Day and Staying Visitors

The headline arrival figures (fig. 7) include both day and staying visitors. Figures for day visitors on the ferry showed a marked decrease over the period 2005 -2009. (There is no comparable data to distinguish between day and stay visitors by air). This decline in day visitors, accounts for much of the fall in the total numbers of arrivals – or in other words the number of staying visitors has declined only marginally.

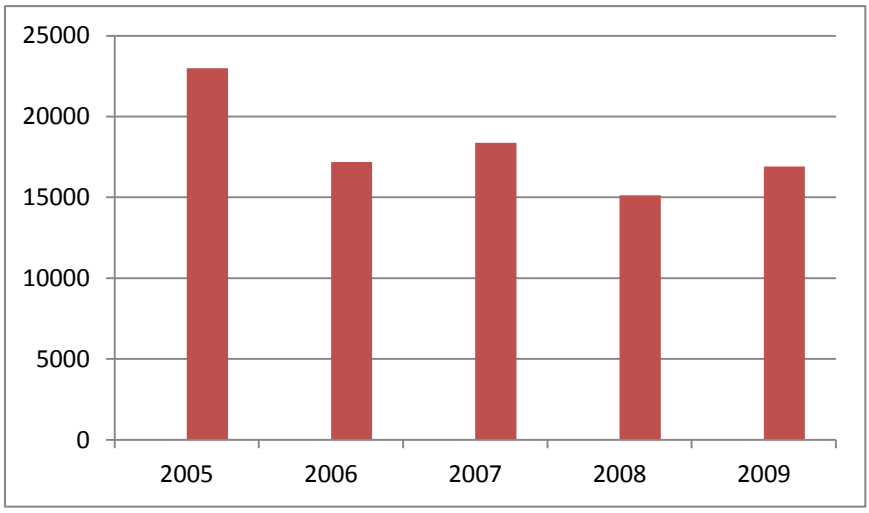


Figure 7. Day Visitors by Sea.

[7] Isles of Scilly Visitor Surveys 2005-2008

Changes in Mode of Travel

There has been a significant decline in arrivals by air over the recent period, from 66,087 in 2007 to 56,529 in 2010, a decline of about 4% a year.

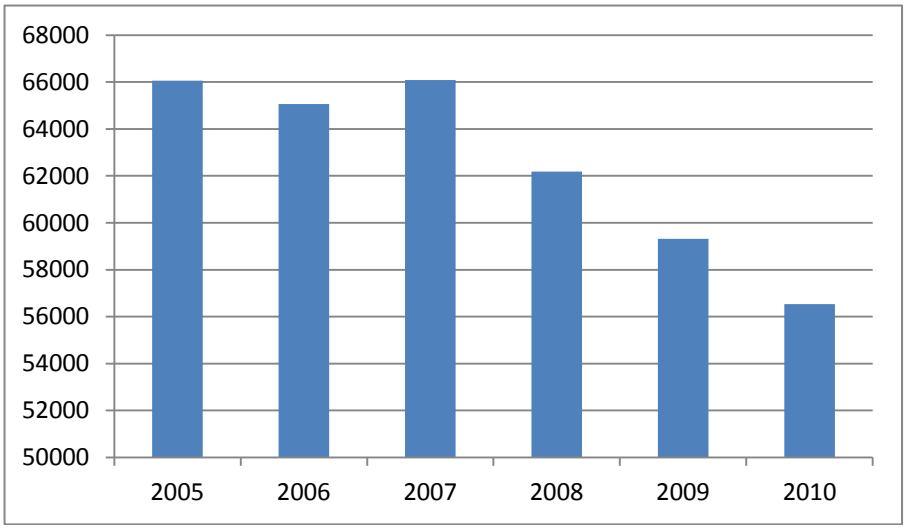


Figure 8. Arrivals by Air.

By contrast during the period 2008-10 arrivals by ferry have increased from20,413 to 25,276 staying visitors, there is also a small increase in fixed wing staying passengers. This suggests a signficant change of mode; the most likley explanation is that travellers have sought a less expensive route to Scilly and a significant decline in the numbers of day tripers overall to Scilly on all modes of transport.

Visitor Characteristics

Age of Visitors

There is evidence from visitor surveys that visitors are mostly mature and are becoming older. There is still a large body of middle aged visitors in the 45-64 range, and this includes many regular/return visitors. But inevitably these individuals will in time join the growing proportion of 65+ visitors. Fortunately today's senior citizens are fitter, richer and more adventurous than earlier generations. Meanwhile fewer visitors in the 26-44 age group appear to be coming - the ones that Scilly would like to become the regulars of the future.

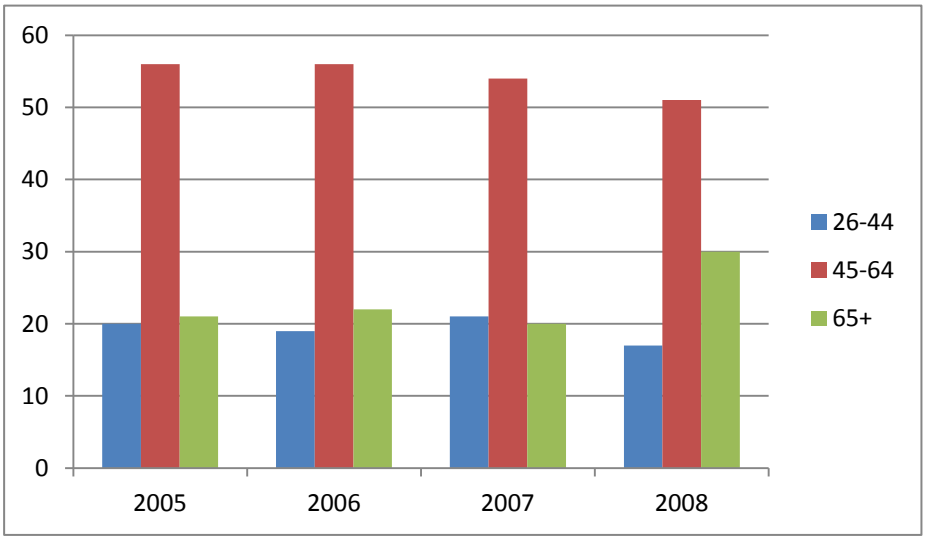


Figure 9. Age of Visitors.

When Visitors Come to Scilly

There is evidence of a changing pattern of visits. Whereas in 2005 there was a clear peak in July and August, progressively that peak has become less pronounced. By 2009 those months were only marginally busier than May and June. Arrivals in April, May, September and October were almost identical in 2005-2009 (fig 43) suggesting that it is in the peak period that Scilly is losing visitors, while the shoulder periods are holding up well.

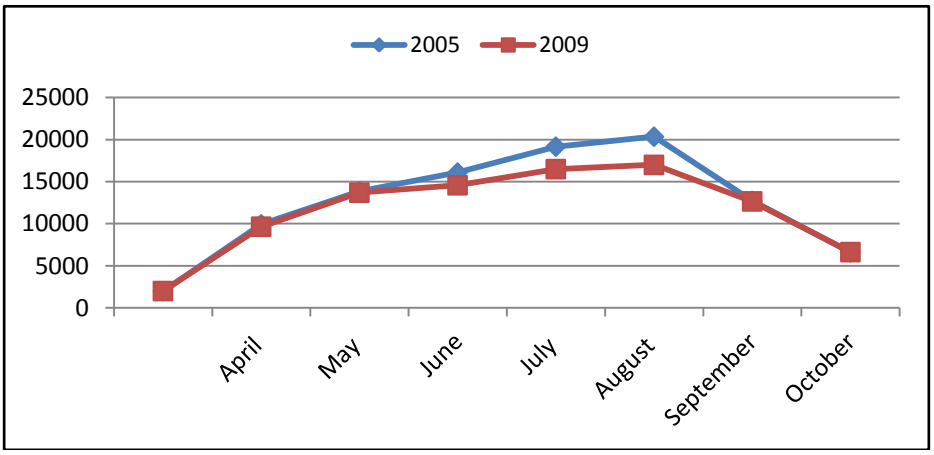


Figure 10. Visitors by Month of Arrival.

Where Visitors Come From

By analysing their post codes, we can establish where UK visitors live. More than half are from the southern-most regions of England; and three-quarters come from the southern half of England, shown in the boxed area below.

Table 3. Origin of Visitors to Scilly 2010.

Origin of visitors to Scilly 2010	
London and South East	*30%*
South West	*27%*
West Midlands	*9.3%*
East	*8.8%*
Other	*24.9%*

2.4 Farming

The agricultural sector remains of importance to the Scillonian economy and, of particular note, Scilly is home to a number of successful and high profile horticultural businesses. In addition to providing flowers to local hotels, restaurants, guesthouses and vendors, as well as being responsible in no small part for the management of the landscape that is a draw for visitors, these businesses are responsible for the bulk of the islands export trade. However the market for vegetable, bulb and flower production is increasingly competitive, with distance being less of a deterrent to shipping or

air-freighting produce world-wide than was the case one or two decades ago. Consequently, Scilly potatoes, narcissi and other cut flowers sold principally in the UK market are competing with imports from Israel, Kenya and even South America, as well as long-established competitors like the Netherlands, Italy and Egypt. Whilst in some respects this is a concern, several local exporters have developed sophisticated marketing strategies and websites to promote their products and to provide an online point of sale. Coupled with the growing consumer trend for provenance, many businesses are reporting improved sales in the last few years. Despite these improvements in performance it is important that opportunities continue to be investigated to secure the future of farming on the islands. One option for exploration is alternative growing possibilities such as development of products for the pharmacological industries. Preliminary information suggests that Scilly may be in an advantageous position for such an enterprise due to its off-shore location being favoured for lower incidents of pest related problems. The creation of the Farming initiative (march 2012) may explore other options for the agriculture sector. A consultation already undertaken by island based Mainland Marketing has identified the following priorities for the islands agriculture sector:

Development of sustainable agricultural and land based industries through supporting traditional farming, investments in diversification, marketing and better links to tourism.

- Increased physical interpretation of the environment and development of a carbon neutral agricultural sector.
- Improved transportation links.
- Increased training, mentoring and business support.
- Strengthened links with tourism and development of an Isles of Scilly brand.

To elaborate further, in general the trend in island farming economics is similar to that being currently experienced throughout the country, but the challenges faced by agriculture on the islands are particularly acute. Scillonian flower farmers may well have 'bucked the trend' by responding to market pressures but even here the volume of stems exported to market is greatly reduced compared to that of even 20 years ago. Figures from DEFRA show that the number of farms on Scilly has reduced since the 1950s from 124 holdings to 62 holdings in 1990[8] – a number that has remained relatively stable ever since. The decline in the number of working Scillonian farms has of course mirrored a national trend, but it is the consequences of this decline (economic, social and environmental) that, due to the scale of Scilly, are both particularly acute and immediately visible, for example a marked increase in the volume of unkempt land and resulting scrub.

The impact of freight charges on farming activities is dealt with in Section 6.9.4, but there are other issues which can detract from farming on the islands. The small-scale of farms (average field size of between 0.1 and 0.4 hectares) means that critical mass and economies of scale are more difficult to achieve. It also means that many of the Rural Development Programme for England (RDPE) schemes e.g. Soils for Profit and Resources for Farms, find that they are unable to support Scillonian famers due to eligibility restrictions relating to minimum farm sizes. Difficulties in accessing the benefits of the current RDPE programme have been a recurring theme when developing this initiative. To date only 2 applications from the islands to Axis 1 of the RDPE programme have been made, whilst not one farmer when questioned claimed to have benefitted from the range of training opportunities offered by the programme. Clearly geographical remoteness from centres of learning and advisory services is just as much a physical barrier facing local farmers as getting goods to market.

In summary although there are some advantages to be derived from marketing the uniqueness of Scillonian products as has been the case with the horticultural industry, Scillonian farms remain hard places from which to make a living – this has been recognised in the designation of the islands as a

[8] Isles of Scilly AONB Strategic Management Plan 2010 – 2014 p.83

Severely Disadvantaged Land within a Less Favoured Area. It is no coincidence that the Isles of Scilly, like those farming communities residing in the nation's uplands, have been highlighted by ministers as areas requiring particular support and assistance, not just in terms of maintaining the economic vitality of the regions' farms but also in recognition of the interdependence between farming, the community and the landscape.

2.5 Other Economic Sectors

Of the islands key sectors, tourism, as acknowledged earlier, is the most significant with 24% of all businesses operating in the Hotels and Catering sector. However, the needs of tourism are such that there are relatively few economic activities on the islands that can be said to have no link to tourism. As a result it is important that tourism remains competitive and continues to deliver visitor expectations; it is vital the islands keep pace maintaining their position in a competitive global market. The islands' environment remains a significant asset for attracting visitors but reliance upon this alone to maintain prominence as a destination would likely lead to a reduction in visitor numbers. Whilst providing a good source of revenue, tourism puts pressure on the ageing infrastructure which sustains it; specifically, the sewerage and water supply systems were not designed to cope with the throughput tourism requires. In order to sustain tourism in the long term this particular issue will need to be addressed, as will the future of the islands' transport infrastructure.

The retail and transport sector makes up 23% of the islands business stock. Trade in this sector is significantly linked to the visitor economy, transport particularly so, with it being unlikely that the islands' residents would benefit from all the current forms of connections to the mainland without tourism. Equally, the number of businesses providing on-islands and inter-island transport would similarly be impacted by a decline in visitor numbers. Transport is also linked to the agriculture sector which underpins the freight service, especially in the winter, as a result of the exportation of flowers from the islands' farms.

Fishing remains an important economic sector on the islands, especially on the off-Islands. Though only providing jobs for a relatively small number of people it must be recognised that proportionately this sector is six times greater on Scilly than in the South West Region. However, previous consultation work identified that as little as 10% of the local fleet's catch is sold on the islands with the rest being taken to the fish market at Newlyn, Cornwall. As this catch is not directly landed at Newlyn it is classified as 'over landed' and as a result fetches a lower price. With the size of the vessels used by the islands' fishermen, the cost associated with running these businesses and the reduced value of the 'over landed' fish the vulnerability of this sector comes as no surprise.

The islands have a disproportionately smaller number of businesses engaged in high value activities, such as the banking, finance and insurance in comparison to Cornwall, the South West and England. In fact the 'Knowledge Based' sector of the islands has decreased by a quarter between 2003 and 2007. This does not represent a significant downturn in the economy of the Isles of Scilly, nor does it represent a failure to sign up to the principles of the Knowledge Economy by islands' businesses. What it reflects is the adoption by traditionally 'low-knowledge' sectors such as the tourism and agricultural sectors of 'knowledge-intensive' practices within their standard business activities. However, whilst some of the islands knowledge needs are being met, at least to some extent, in this manner there is still a niche available for the development of a modest size knowledge sector on the islands and for the development of the infrastructure required to deliver it. The knowledge economy does offer the potential to improve the competitiveness of the islands' businesses as well as offering the possibility of new and well paid employment opportunities for the islands residents.

Table 4. Percentage of Employment in Knowledge Based Economy 2003-2007.[9]

	2003			2007			2003-2007
	All Employees	Number of KBE Employees	% employment KBE	All Employees	Number of KBE Employees	% employment KBE	% growth
Isles of Scilly	944	83	9	1,091	64	6	-23
West Cornwall	20,170	3,110	15	22,997	2,926	13	-6
Cornwall and Isles of Scilly	180,620	24,082	13	196,796	30,035	15	25
South West	2,145,684	436,483	20	2,236,601	465,932	21	7
England	22,286,260	4,820,304	22	23,004,909	5,132,134	22	6

In the remaining sectors there are a large number of small, often self employed, service based industries, such as decorating, roofing and electrical engineering. Whilst some of their trade comes from the resident population a significant proportion is based around the tourism industry. This is especially so in construction activities, where there is a significant demand for a small number of businesses on the islands to undertake repairs and refurbishments in the period between seasons.

2.6 Employment

The Islands' employment base is made up of the following business activities[10]:

Table 5. Employment Activity within Sectors.

	Isles of Scilly		South West Region (rural only)	
Sector	**Number**	**Percentage**	**Number**	**Percentage**
Agriculture, Hunting and Forestry	78	6.13%	43,438	5.58%
Fishing	12	0.94%	1057	0.14%
Mining and Quarrying	3	0.24%	4042	0.52%
Manufacture	49	3.85%	101405	13.02%
Electricity, Gas and Water Supply	9	0.71%	5163	0.66%
Construction	70	5.50%	60001	7.70%
Wholesale and Retail Trade; Repairs	183	14.39%	122601	15.74%
Hotels and Restaurants	373	29.32%	47048	6.04%
Transport, Storage and Communications	115	9.04%	39618	5.09%
Financial Intermediation	9	0.71%	22279	2.86%
Real Estate, Renting and Business Activity	85	6.68%	88606	11.38%
Public Admin and Defence	57	4.48%	59723	7.67%
Education	62	4.87%	62442	8.02%
Health and Social Work	99	7.78%	82219	10.56%
Other Community, Social and Personal Services	65	5.11%	37244	4.78%
Private Households with Employed Persons	3	0.24%	1503	0.19%
Extra-territorial Organisations and Bodies	-		407	0.05%
TOTAL	**1272**	**100%**	**778,796**	**100%**

[9] Annual Business Enquiry ONS 2007
[10] Source: ONS Census 2001.

Employment within the Scillonian economy displays significant differences with that of the South West Region.

The Primary Sector has a greater importance on the islands than in the South West with both agriculture and fishing being comparatively more significant economic activities. Whilst the official statistics from the census 2001 show only 78 employees in the agriculture sector, a study following the completion of the 'Specific Agriculture Project' in 2011 implied far greater numbers. The study identified 68 full time, 50 part time and 89 seasonal employees working in the flower farming industries alone. This effectively illustrates how important agriculture still is on the islands and also an even greater disparity between the Isles of Scilly and the region *vis a vis* employment in the primary sector.

The Secondary Sector, often viewed by economists as the wealth producing industries, is the area in which the Isles of Scilly economy differs most notably with South West's. In relative terms this sector is 53% less significant here than in the South West where it makes up just over one fifth of all employment opportunities. The bulk of the difference comes from the vastly smaller scale of the islands' manufacturing base which results from the lack of adequate infrastructure to support industrial activities. Furthermore, connectivity with the market place and concerns around the aesthetic associated with industry may also limit this sectors development. The construction sector is also noticeably smaller when compared with the South West, but this is more likely a reflection of the finite supply of development land, a relatively static population size and the consequences of development control policy within a highly designated environment.

The Tertiary Sector is the islands largest sector with over 1000 of the total 1272 economically active persons employed in this sector. Relatively this is 10% greater than in the South West region. The significant employers within this sector are Hotels and Restaurants (tourism), which is responsible for almost 30% of all employment on the islands, and transport which is 9% of all employment. It is also important to note the inter-relationship of these two business activities; with tourism being the main driving force for transport. Statistics from the Annual Business Inquiry (ABI) support the idea of even greater numbers of people working in the Hotel and Restaurant sector. Using VAT and PAYE as its sources, the ABI indicates as much as 45% of employment is focussed in this sector. It should also be noted that using this methodology to account for employment figures does not capture second incomes; therefore, this figure could be greater still. Arguably, the influences of tourism, in respect of employment, are felt throughout most of the islands' sectors as tourism generates significant amounts of work outside of its core business activities.

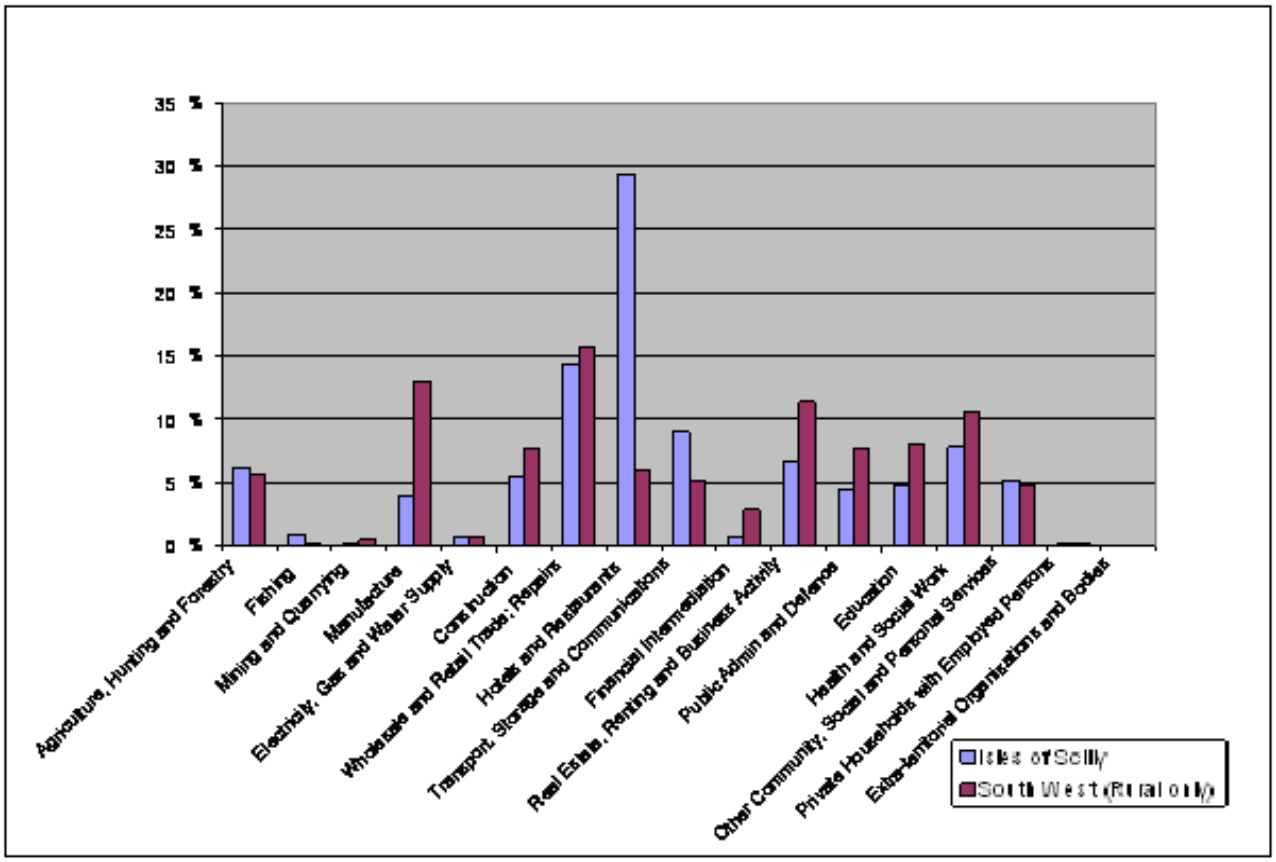


Figure 11. Employment Activity by Sector- South West and the Isles of Scilly

Another atypical feature of employment on the Isles of Scilly is the low rate of unemployment. Where unemployment does occur it is as a result of the seasonality of the tourism and agricultural industries; where at the end of the season some of the surplus workforce is soaked up by the flower farming industry and vice versa. Any remaining workforce usually return to the mainland to pursue other employment opportunities. In this respect the main underlying theme of economic development is the safeguarding of existing employment levels while raising incomes.

Table 6. Percentage of Population Unemployed

	Total Population	Economically active	Economically active: Self-employed	Economically active: Unemployed
Isles of Scilly	2,153	59.9%	34.7%	1.4%
West Cornwall	63,012	71.4%	15.8%	7.7%
South West	4,928,434	48.4%	14.9%	3.8%
England	49,138,831	48.3%	12.4%	5.0%

However, there is considerable under-employment, reflecting the limited career opportunities available and the seasonal nature of some employment. Furthermore, employment on the islands is more likely to be 'lower ranking' than the South West average and as a result there is often a need

for many individuals to hold down more than one job. This is not necessarily a disadvantage in an island economy. However, of greater concern is the absence of higher paying part time employment, that is, even where people have more than one job, these tend to be low paid. The average wage identified by the ONS Annual Survey of Hours and Earnings is £277 per week, well below the national average of £390 per week. This means that the Isles of Scilly are the 4th lowest paid area in the UK.

The low incomes on the island reflect the importance of particular sectors (agriculture and tourism), plurality of occupation, the high rate of self-employment, the very small scale of most business operations and underemployment.

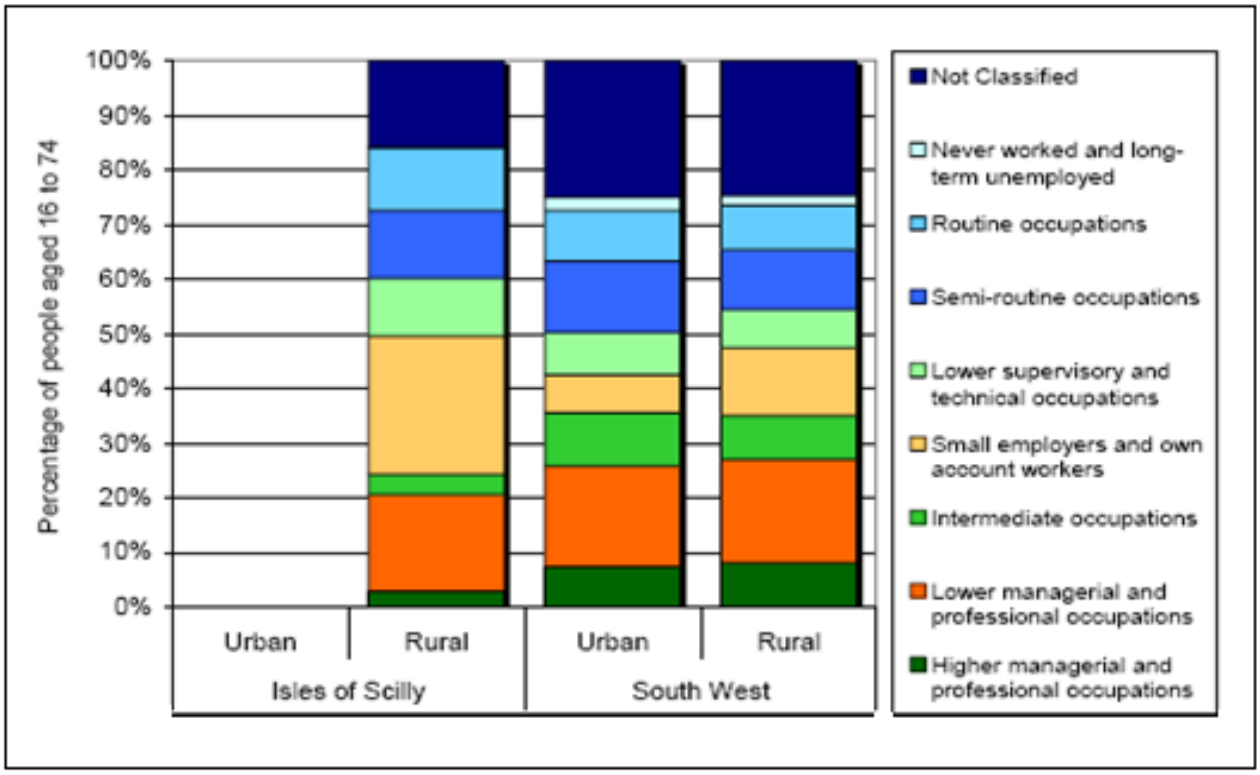


Figure 12. Percentage of People in Employment Aged 16-74[11]

2.7 Economic Performance

In 2007 Local Intelligence Network Cornwall (LINC) published a study on the Scillonian economy. It identified that the islands had experienced 3.8% per annum growth during the period 1995 to 2005, but noted that this was well below the national rate of growth which was 5.5%. The study also identified that Manufacturing was the slowest growing sector with Financial Services and Public Administration sectors seeing the most significant growth. Overall, the islands gross value added per head fell compared with national levels.

The GVA (Gross Value Added) Output of the Isles of Scilly during the period 1995 – 2005 indicate that the majority of sectors on the islands experienced growth in GVA over the decade. However, it is also clear that there was a significant decline in the Agriculture sector, representative of the impacts that lower costs imports from the continent and further afield were having. A decline is also apparent in the fishing and the electric, gas and water sectors. Tourism performed well during this

[11] Source table from the Census:UV31 National Statistics Socio-economic classification

period seeing a 5% rise in GVA over the period and retaining its position of dominance in terms of its contribution to total GVA.

However, looking at the percentage share of GVA for Hotels and Catering, Wholesale, Retail and Repair, Construction and Transport & Communications sectors (4 of 5 of the islands strongest total GVA Output Sectors from 1995 – 2005) it is clear to see that their market share is decreasing indicating a slowing in growth. Only the Real Estate and Business Activities sector makes significant growth in both GVA Output (£2.4mil) and % share of economy (3.1%) in the ten year period. Despite a good growth in total GVA and a growth rate of 6.1% per annum, Real Estate & Business Activities were still lagging behind the growth rate experienced nationally (8.7%).

Comparing the Islands' five strongest sectors in terms of % Share of Output 2005 against the same sectors nationally it is easy to see that the islands' sectors are growing at a much slower rate.

Over the past ten years the Isles of Scilly has moved away from a position where it has enjoyed a greater GVA per head than the national average.

The economy on the Islands is similar to that of other islands communities; having relatively few sectors, no clear advantage, high transport costs, limited frequency of transport, poor access to the market place and an import/export economy. Employment on the Isles of Scilly is focussed in the Tertiary Sector (83%), with the Secondary Sector (10%) being much less important locally than within the region as a whole. The Primary Sector (7%) is still a significant employer and is of greater importance locally than across the South West Region. Employment is concentrated in the Hotel and Restaurant Sector, with Transport and Wholesale and Retail Trade also significant employers. Employment in other sectors and business activities owes much to the needs of the Tourism sector. As a result those indirectly dependant on tourism for employment can be seen as greater than 30% indentified as directly employed in the Hotels and Restaurants sector. There is an high incidence of underemployment, self-employment and low value jobs. The islands' labour supply is restricted by its geographical location. Although the islands economy has seen growth during the past 10 years this growth has been below national levels. On top of this GVA per head has fallen behind the national level having been 114% of national in 1995. Agriculture has seen a significant downturn across the 10 year period and 4 out of 5 of the islands' strongest sectors have seen decreases in their share of the market.

2.8 Summary of Strengths, Weaknesses and Opportunities and Threats to the economy

Table 7. A SWOT analysis of the Isles of Scilly economy.

Strengths	Weaknesses
Strong Maritime history	Fragile and expensive transport links to the Mainland and Inter Island.
Environmental - High quality environment including the islands landscape, marine environment, historic environment and biodiversity. High levels of recycling and sustainability initiatives including good levels of environmental consciousness on the islands.	Environmental - Limited exploitable land (1600 Hectares) within a heavily designated environment. Lack of sites and/or premises for new economic sectors.
Economic - Low rate of unemployment. Recognized quality islands products. Strong tourism sector with mechanisms in place to help improve the tourism offering.	Economic - High rate of underemployment and a prevalence of low paid, low skilled and low rated jobs. Seasonality of employment and economic sectors. Economy reliant on tourism and primary production and a limited manufacturing base. Economic opportunities limited due distance from market and limited resident customer base.
Social – Close knit community with ability to self determine quickly. Good communication/access with, to and between public, private and voluntary organisations.	Social - An ageing population and loss of islands youth to the mainland. Lack of adequate and/or affordable housing. Lack of "all weather" facilities.
Infrastructure - Local energy system provides the islands with greater security of supply. 33Kv energy cable offers opportunities to develop wave power.	Infrastructure - Ageing infrastructure e.g. Sewage systems and desalination plant. Limited capacity of the local authority (relative to its number of functions).
Other - Good links between public, private and voluntary sectors as well as developed links to the greater community and partners.	Deprivation - Access to services limited by peripheral maritime locality compounded by high cost of transport to, from, between and on the islands makes accessing services expensive. High cost of living for residents of the Islands (est. 30% higher than mainland). Limited natural resources. Increased business costs due to the need to import goods.

Opportunities	Threats
Environmental/Economic - Potential to be at the forefront of the renewable wave energy sector including opportunities to export energy to the national grid. Develop the islands tourism sector into an exemplar of Green Tourism and the development of environmental educational tourism.	Uncertainty over the long term financial viability of the transport providers. Environmental/Economic - Climate Change. Damage to the islands environment which underpins the Scillonian economy.
Economic - Redevelopment of Porthcressa area to potentially include new workspace, affordable housing and community facilities. Produce a greater amount of the islands' food needs through local produce initiatives including development of an abattoir. Development of "incubation" units at new and/or old school sites. Social – Development of wet weather facilities including a new library and an interpretation centre. New School Build at Carn Gwaval. Improve the social infrastructure on the islands to provide community benefits and to help retain the islands' young people. Redevelopment of former sites for a mix of uses including workspace, training facilities, affordable housing and community facilities. Infrastructure - Next generation internet access to support islands businesses and community. Public realm enhancements. Works to upgrade the existing water and sewage systems. Other - Develop skills packages through the new school build and through Life Long Learning initiatives to deliver skills which meet the islands' needs - specifically in new knowledge based sectors. Such opportunities may reduce numbers of young people seeking work on the mainland	Economic - Increased energy costs impacting on transport with knock on effects for tourism, energy generation and freight. Declining quality in the tourism product leads to loss of visitor numbers. Lack of premises leads to loss of business opportunities for islands residents. Continued decline of the agricultural and fishing sectors leads to loss of local jobs, food production, landscape and a distinctive Isles of Scilly product Social – Loss of further young people and continued ageing of the islands population leading to a decrease in the islands working age population. Infrastructure – Possible loss of the 33Kv energy cable to the mainland reduces the islands energy security and ability to export energy. Sewage and water systems breakdown as a result of their age and over use. Loss of the islands transport Infrastructure

2.9 Inter-island Transport

A key issue on the Islands is the availability, time and cost of travel between the five inhabited islands, particularly between the off-islands and St. Mary's during winter months. This relates to both personal travel and movement of freight / supplies. Outside the main tourist season, personal travel is irregular and costly which can affect those who live on the off-islands and commute to work or access services (e.g. medical / shopping) on St. Mary's or onwards to the mainland. Commuters can pay in the region of £10 a day if regular fares are charged.

Outside of these arrangements, those wishing to make trips between the off-islands and St. Mary's are charged for a 'special' boat which costs around £40 in each direction between 0800 and 1800, more outside of these times. This is a charge for the boat and this can be spread amongst up to seven passengers, with additional passengers paying a scheduled service fare. However, without knowing in advance if there is anyone to share the cost, it is difficult for users to predict how much they will pay on any given day. There is no standard process for checking whether there is demand for a 'special' on a particular day, with word of mouth being the way information gets passed around. Some feel that better co-ordination would allow 'specials' to be shared. The variability and uncertainty of costs is an issue that has been raised by off-island residents looking for work on St. Mary's. For example, the Duchy, School, Council and Doctors all use boat services during the winter and commission 'specials' at times. The School has introduced its own departmental policy of logging journeys on a week by week basis to encourage sharing and it may be possible to extend this to a dedicated website.

Access to medical services is provided by the Medical Launch Trust, which commissions a special boat on demand for patients with medical appointments on St. Mary's or on the mainland. The current operator uses his own boat and is free to make other commercial trips outside of providing Medical Launch services. The service costs £15 for a single journey. Patients over 60 may use up to four medical boat 'specials' as part of their concessionary fare travel.[12] All users under 60 must pay for the service. Key issues for patients are therefore the cost of travel to appointments, either on St. Mary's or mainland, and travel between the Harbour at St. Mary's and their appointment (onward taxis add to the cost). Funded by the PCT and St. Mary's Health Centre, the Medical Launch has support to 2014, but the situation thereafter is currently uncertain.

Scheduled boat services operate at set times and charge a standard return fare per person of approximately £8 - £10. These are provided to support the shopping trip run three times a week (e.g. Tuesday, Thursday and Saturday for St. Agnes). Time allows for several hours' shopping on St. Mary's but not for commuting to work.

St. Agnes Boating has taken the lead on providing enhanced information to passengers and tourists via a website, which provides information on times and fares. St. Agnes Boating also has a mobile phone application which provides regularly updated information of advanced sailing times and availability of spaces. This has just been implemented and will be useful in enabling passengers to plan trips and understand the costs they will be charged.

There are a number of 'School boats' during term time. The Council supports a weekly boat from each off-island to St. Mary's on a Monday morning, returning on a Friday evening. This is for the off-island secondary school pupils who board on St. Mary's through the week. Primary school children are taught on off -island bases with a federation day on Fridays for children from years 3 – 6. There is a regular school boat between Bryher and Tresco at 08.30, returning 15.45 each day. Social Services currently fund a daily boat for one individual from St. Martin's. In addition to the above, there is a significant volume of school traffic during the 38 weeks of term time, consisting of:

[12] The Council currently funds in the region of 300 off-island residents over the age of 60 for free scheduled boat travel between the off-islands and St. Mary's to access essential services as part of their concessionary fare travel.

- Staff travelling from off-islands to St. Mary's for a meeting every Monday afternoon
- Supply teachers travelling to off-islands once a week to cover staff PPA (planning) time
- Federated day (every Friday), when teachers and children travel to St. Mary's for the day
- Movements of the primary leader, Head teacher, appraisers, governors, advisers, IT manager and others (e.g. candidates for jobs, consultants) as needed.

The school operates a policy of using tripper boats during summer months. In winter months school staff use scheduled services where possible (accounts are held with boatmen) and buy 'specials' when needed. The total school travel budget for these services is £30,000 a year. School services can be used by others, charged at scheduled service rates.

During the off season months, operators take the opportunity to get their larger boats serviced and usually send them to a port on the mainland for service / maintenance / refurbishment / refit, etc. This can be very expensive. For example, new boats of the type used by boatmen have cost up to £250,000 to buy and £35,000 annually to maintain. These costs exclude the usual running costs of fuel, insurance, staff, harbour dues, and licensing (for boats and boat drivers). Paint alone is considered to be very expensive at £500 per annum for a small 14 seater boat. Running costs are therefore considered a significant barrier to extending operations during winter months, when demand is significantly reduced. One boat operator quoted a current annual running cost of around £50,000 for a single boat excluding maintenance.

On-Islands transport differs between the islands. The Office of National Statistics identified that over 600 cars and vans were registered on the islands in 2005. Undoubtedly the majority of these vehicles are based on St. Mary's and cover both business and domestic uses. Lack of off-street parking for cars not in use has a detrimental visual impact on the quality of the public realm which detracts from the character of the island. The Transport Strategy 'Moving On'[13], highlighted the importance of this issue. The comprehensive survey of residents and businesses that contributed to the strategy found that 80% of respondents felt traffic levels and speeds on the island were too high. Visitor surveys have also revealed similar concerns.

There are some motorised vehicles on the off-islands; however, these are usually associated with businesses transporting freight from the quay to their premises or for agricultural use. Electric 'golf buggies' and quad bikes are a popular form of transport on the off-islands and due to the scale of the islands walking and cycling are also strongly supported. The Isles of Scilly does not have a public transport system, although a "community" bus and a number of private hire vehicles are in operation on St. Mary's.

2.10 Access to Healthcare

The government White Paper 'Our health, our care, our say' acknowledges that 'Transport can be a barrier to accessing care'. This is particularly true for residents of the Isles of Scilly who need to travel to the mainland for many healthcare consultations and treatments (some x-rays, MRI and CT scans, ultrasound screening, radio- and chemotherapy, endoscopy, surgery and most tertiary care). Although a limited number of day-case surgeries under local anaesthetic can take place on St. Mary's, most surgical and specialist treatment needs to be carried out in appropriately equipped mainland hospitals (see below). There is a move to increase the use of teleconferencing facilities to reduce the need to travel to consultations that do not require a physical examination; however this is not an option in the majority of cases. The following figure shows data from the Royal Cornwall Hospitals Trust for the location of outpatient appointments for residents of Scilly. Over three-quarters of specialist consultations require travel to the mainland, with data from other hospital

[13] Council of the Isles of Scilly Transport Strategy 'Moving On'

trusts and periodic screening programmes (e.g. tri-annual mammography) increasing this proportion.

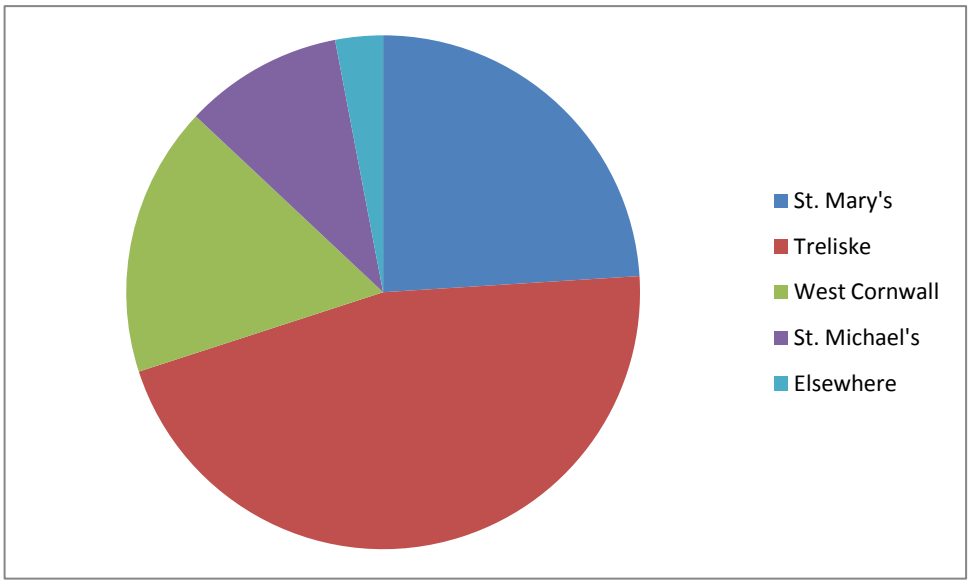


Figure 13. Isles of Scilly residents' out-patient appointments by location.[14]

Under the Department of Health's Healthcare Travel Costs Scheme (HTCS) travel costs incurred by patients on low income to attend NHS services can be reimbursed. This scheme has been extended to include all residents of the Isles of Scilly, so that residents who travel to the mainland for treatment are entitled to have their travel costs refunded beyond the first £5. Where deemed medically necessary by a doctor or other health care professional, the travelling expenses of an escort may also be claimed as part of the patient's cost.

However, travelling to and from the mainland to attend NHS services not provided on the island, can be difficult for patients, especially in the winter where a 10 minute appointment may require a day and night away. The vast majority of client episodes are in the above 65 age group, and in winter there is a significant risk of fog disrupting flights leading to missed appointments or being stranded on the mainland following the appointment necessitating the expense and disruption of an unplanned night away from home. Much work has been put into offering more accessible (around mid-day) time slots but many appointments and nearly all day case surgery involves at least one overnight stay on the mainland.

The HTCS does not apply to visitors to patients in hospital, private patients or in most cases (except where special financial difficulties can be argued) necessary over-night stays for patients or their family members/ escorts. Travel and accommodation costs to parents visiting children in neo-natal units are also excluded from the HTCS, as are any accommodation costs incurred by expectant mothers (and partners) of staying on the mainland (under medical advice) in advance of delivery.

2.10.1 NHS Transport Spend

Definitive numbers are hard to obtain but medical journeys from the islands are thought to be about 200 a month with a rise to 250 at present as there are issues with the x-ray machine on the Islands. The travel costs £99 per return flight with a £5 cost to the patient, with the NHS paying the remainder.

[14] '*Reducing the Need to Travel from the Isles of Scilly'* – Isles of Scilly Local Involvement Network Interim Report to Royal Cornwall Hospital Trust Board, Sept 2011. Data from Oct 2010 to Aug 2011; 665 return trips

Therefore if 200 travel vouchers are issued per month at a cost of £94 each, transport from the islands for health appointments costs the NHS a minimum of £225,600 per annum. This does not include the Air Ambulance service which is charged at £2,000 per call-out, and £12,000 per fly -out by RNAS Culdrose. There are estimated to be at least 25 Air Ambulance call-outs a year and at least 20 Culdrose fly- outs. This gives a total cost of at least £50,000 for the Air Ambulance and £240,000 for Culdrose Emergency Evacuations.

This totals over £500,000 per annum on NHS transport, but does not take into account travel for consultants and locums to the islands for regular surgeries and to cover staff absences.

Increasingly as our population ages, medical non- emergency transfers to the mainland are becoming more common. These are often for very elderly patients with complex medical needs who need to travel for routine operations. None of the regular transport operators has a completely accessible vehicle for disabled passengers so in these cases an Islander plane with all seats removed accommodates a stretcher placed in the back and lashed in with webbing. These transfers cost in the region of £800 per patient one way. Very occasionally patients will have to travel by helicopter, fixed-wing flight or vessel when the Air Ambulance and Culdrose are busy, leading to some very uncomfortable journeys most often in the case of fractures e.g. collarbone, coccyx etc.

2.10.2 Ambulance Service

The ambulance service on the Islands is well served and equipped, and includes an ambulance boat, the Star of Life, for transferring patients to and from the off-islands. This vessel can be used for transfers to the mainland, but only in dire emergencies or when transferring mental health patients who cannot travel by air for safety reasons.

2.10.3 Medical Launch

The Medical Launch is owned and managed by a private operator which carries doctors and other health professionals to the off-islands for surgeries and home visits. This is as part of a contract with the Primary Care Trust who pay an annual lump sum to the Medical Launch Charitable Trust (which also raises money towards the Star of Life Ambulance service). The Medical Launch will also take patients to out-patient appointments at the Health Centre and Hospital on St. Mary's for a £20 one way fare, which is less than the standard £40 rate charged by other private operators.

2.11 Council of the Isles of Scilly transport spend

Currently, the Council of the Isles of Scilly provides a subsidy of £19,900 annually towards the running of the off-island freight service. This subsidy is subject to frequent review and does not allow for future replacement of the vessel.

The Council of the Isles of Scilly commissions significant movements of freight and people between islands and to and from the mainland, which is important in keeping the operators viable particularly in the winter months. This is all subsidised by the government block grant and council tax payers.

Any government build project such as the new school subsidises the cost of transport through the movement of freight and workers – the uplift on the new school (difference in cost between the build cost here and on the mainland) was 34%. On smaller projects, where discounts cannot be negotiated, it can be as high as 50%. This makes Isles of Scilly projects appear poor value for money compared to mainland projects which means that, particularly in a difficult financial climate, Isles of Scilly projects cannot compete. Hence, although an average house in Scilly is 29 times an average

local income, the Homes and Communities Agency (HCA) has refused to fund any affordable housing on the islands during this Comprehensive spending Review Period (CSR – 2010 - 2015) and further into the future if the criteria remain the same.

Table 12 summarises the significant Council of the Isles of Scilly expenditure on transport and freight to/from the mainland and the off-islands. It does not include freight for large scale capital projects (e.g. the new school where freight is an element of the contract with the builder).

Table 8. Summary of Council of the Isles of Scilly Transport usage 2010/11

Type of Transport paid 2010/11 by the Council of the Isles of Scilly	Yeary cost 2010/11
Mainland Freight	£67,861
Staff and member business flights	£57,828
Flights for mainland contractors and consultants	£96,140
Off-Island Freight subsidy	£19,990
Off-Island transport staff and members	£13,784
Off-island transport non staff (includes contractors, adult learning, sure start, extended schools, social care and councillors travel)	£69,220
Off-Island transport non-staff (school travel and concessionary fares)	£44,122
Total	**£368,945**

Transport to and from the Islands is unsubsidised both through capital and revenue subsidy, for either passengers or freight. However, the islands transport is partially subsidised indirectly through the usage of the Council of the Isles of Scilly and the National Health Service (NHS). However, this usage is not transparent so that potential benefits and cost savings may be limited or lost.

2.11.1 Sustainable Transport Strategy Findings[15]

'In particular there is a need for improvements in transport provision in the following areas as well as for the mainland links. This is complicated by the islands' legal status as they are exempted by parts of the Transport Act by the Isles of Scilly Clause:'

- Affordability – apart from a modest subsidy from the Council towards the off-island freight vessel, there is no equivalent to the support that exists for transport links in, for example, the Highlands and Islands of Scotland. Consequently travel is expensive. This is particularly restrictive to residents on the off-islands who may not consider travelling to St. Mary's for employment due to cost. It also affects productivity of the businesses on the off-islands who effectively import twice (once to the Isles of Scilly and then to the island on which they are based)
- Transport on St. Mary's – there is a high level of car ownership for a small island and there is potential for a year-round coordinated alternative transport provision to alleviate congestion and conflict with other road users. 'Moving On' identified a regular year round community bus service as an option worth pursuing.
- Transport on the off-islands – On St. Agnes, Tresco , Bryher and St. Martin's there are no public highways and the roads, mostly concrete, have traditionally been maintained by the communities with some assistance from the Duchy of Cornwall, and on Tresco from the Tresco Estate. Because roads are narrow and people expect to be able to roam freely on the off-islands in particular, there is potential for conflict with pedestrians and cyclists. Given

[15] The Isles of Scilly Sustainable Transport Strategy, Council of the Isles of Scilly 2011

the scale of these islands and the way in which infrastructure is maintained on a community basis, there may be some scope to reduce vehicle numbers and develop a traffic management regime that will allow for more sharing of vehicles.

- Sustainability – The cost of fuel on the islands has always been greater than on the mainland. At present a litre of petrol on St. Mary's costs £1.70 compared with £1.34 in Penzance, a difference of 36p (See 6.9.2). Electric vehicles, of which there are an increasing number in Scilly, offer a significant opportunity to reduce the islands' transport based carbon footprint. If the electricity could be generated locally through renewable measures this would make for a cheap and low carbon transport system for the islands.

3 Links to the mainland

3.1 Existing Transport Infrastructure

The following section outlines the existing transport facilities on the Islands including Penzance Harbour which is the mainland port for the sea link; the ferry to the Isles of Scilly is the only significant commercial user of Penzance harbour.

The Isles of Scilly are connected with the mainland UK by ferry, fixed-wing aircraft and helicopter. Two boats facilitate travel to and from the islands; the Scillonian III, predominantly a passenger vessel with limited freight handling capabilities, and the Gry Maritha, the island's freight vessel. The passenger vessel operates from the end of March to the end of October each year and accounts for around 35% of all trips made by visitors per annum. The freight vessel operates year round delivering in the region of 12,000 tonnes of freight per annum. It offers very basic passenger accommodation for up to 12 people including the crew. Both vessels are owned by the Isles of Scilly Steamship Company and sail from Penzance Harbour. It is anticipated that the two vessels will reach the end of their operational life during the next ten years and consequently a bid for funding by the Route Partnership was developed to sustain this vital link between the islands and the mainland

Fixed-wing flights are available from the Skybus arm of the Isles of Scilly Steamship Group. They fly from Lands End and Newquay, and seasonally from Bristol, Exeter and Southampton. Although these flights are becoming increasingly important they are disproportionately affected by fog and high winds and by water-logging on the grass runway at Lands End Airport.

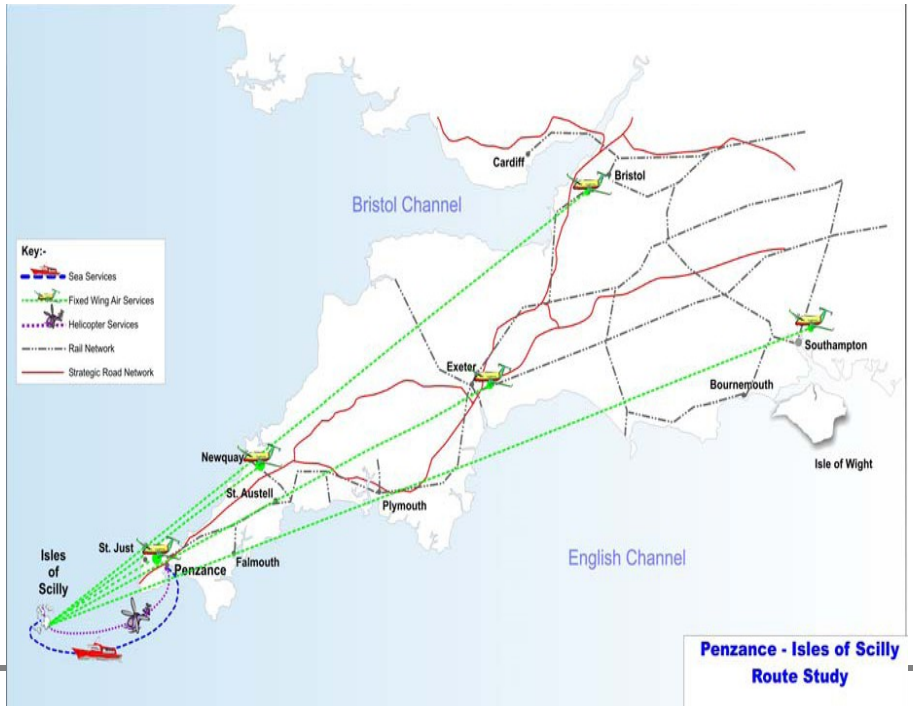


Figure 14. Existing transport links to the Isles of Scilly.[16]

British International Helicopters (BIH) operate the helicopter services from Penzance to St. Mary's and Tresco. The transport strategy[17] identified that this mode of transport is more popular with people visiting the islands for a longer duration and with islands' residents (see below). This can partially be explained due to BIH being the only mode of mainland transport directly to Tresco.

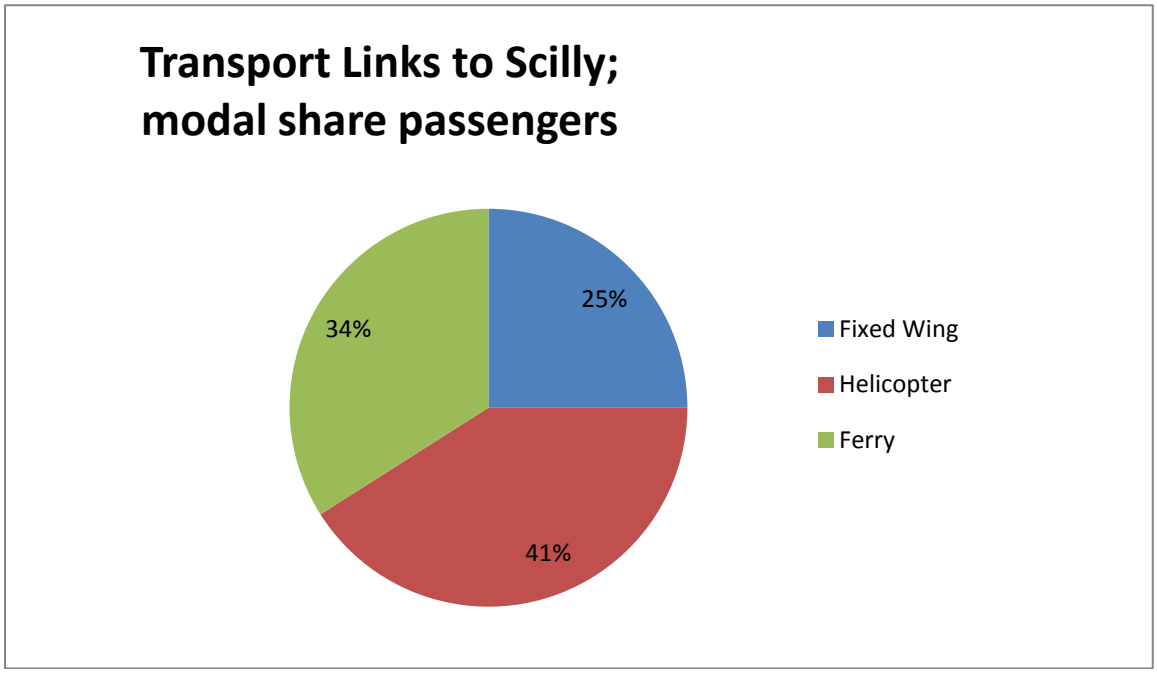


Figure 16. The proportion of passengers to Scilly using the different transport links.[18]

3.2 Access to Mainland Departure Points

The access to the ports and harbours by public transport are important to consider for residents who arrive on the mainland without access to a car for the onward journey and to encourage tourists to travel by other means.

The following table shows the level of access to each of the ports and harbours serving the route by each mode. The end column gives an overall assessment of current level of accessibility.

[16] Mott Macdonald Major Scheme Business Case – Isles of Scilly Sea Link Application

[17] 'The Isles of Scilly Sustainable Transport Strategy' WSP Development & Transportation

[18] Mott Macdonald Major Scheme Business Case; Isles of Scilly Sea Link Application – data for 2008.

Table 9. Accessibility to Mainland Departure Points.[19]

Transport Facility	Access	Level of Accessibility
Penzance Harbour	Railway station well located in the town centre with small car park and adjacent bus station. 600m walking distance from Central bus/ railway stations.	Reasonable except for those with luggage/ small children)
Penzance Heliport	Adjacent to the A30. 1.5km from railway station. Dedicated Heliport mini bus from railway station. Number 2 bus operates an hourly service from bus station and number 17 bus operates half hourly service from bus station.	Current site Good. However, relocation beyond Oct 2012 uncertain
Land's End Airport	5km North of Land's End adjacent to the B3306. No direct rail service/ links. Dedicated mini bus service £4 return. Summer bus service Penzance – Land's End – St. Ives. Hourly service stopping at the airport.	Poor
Newquay Airport	8km North-east of Newquay adjacent to the A3059 and A39. No direct rail services. 410 on demand bus service from Newquay – every 30mins, must be pre-booked. 556 bus service from Newquay – hourly.	Poor
Exeter Airport	8km east of city centre adjacent to the A30/ B3184. Readily accessed from the M5. Hourly bus service to/ from Exeter bus station – service 56. No direct rail linkages to the airport. Nearest – Exeter St. David's – 15km. Only 2-3% share by public transport.	Reasonable
Bristol Airport	Surface access links to Bristol are not as good as many other similar size airports in the UK. 13km south of Bristol adjacent to the A38. 30 min journey time to Bristol on Bristol International Flyer service from Temple Mead's and Bus Station. Bus service A1 operates a 10 minute service from Bristol Bus station. No direct rail linkages to the airport. Low public transport modal share 4%	Reasonable
Southampton Airport	6km north west of city centre adjacent to A355. U1C bus service from city centre operates a 15 minute service. 50m from train to airport terminal. 3 trains per hour from London Waterloo. 4-5 trains per hour Southampton city station	Good

The accessibility assessment undertaken for the Isles of Scilly Sea Link project indicates that the facilities with problems of accessibility are Land's End Aerodrome and Newquay Airport, both of which are remote from main public transport interchanges.

In addition, it is important to note that accessing public transport hubs on the way to and from the islands is only half the story; the lack of coordination between the timetables for the different modes of transport can also be a significant problem. For example the ferry timetable (departing Penzance 0915 and returning to Penzance 1930) makes further travel through the southwest peninsula difficult without an overnight stay either side, especially as the only train out of West Cornwall following the evening arrival of the ferry is the sleeper service to Paddington. In the winter the problem is exacerbated by the only scheduled morning flights for both the Skybus and Helicopter leaving for St. Mary's just too early to coordinate with the arrival of the sleeper train from London.

[19] Mott Macdonald Major Scheme Business Case; Isles of Scilly Sea Link Application

3.3 Sea Links to the Mainland

3.3.1 Penzance Harbour

The point of embarkation by ship to the Isles of Scilly is Penzance Harbour. Penzance Harbour is owned by Cornwall Council and is both a commercial and leisure harbour. The southern half operates as a commercial undertaking and includes a wet dock with a 14.8 metre wide fendered gate entrance which can be accessed an hour and three-quarters before high water. There are also tidal outer berths at Lighthouse Pier and on the north face of the North Arm.

The existing facilities are comprised of four main areas:

- The Dock: An impounded structure controlled by lock gates. It is currently used for the berthing of the Gry Maritha (freight vessel) and for winter berthing for the Scillonian (passenger vessel). The Isles of Scilly Steamship Company use the north arm of the dock for cargo handling operations and the South Pier for access to the Scillonian III. The north arm is used for both freight handling and for access to the Harbour Master's office. This shared use creates a health and safety risk which has to be closely managed. The dock is also used in connection with operations associated with the adjacent dry dock where it can work upon floating vessels. A number of private deep keeled recreational craft also berth in this dock on an ad hoc basis.
- Drying Berths: A significant proportion of the overall harbour is tidal with a relatively high bed level meaning that at low tides it dries out. This area is used primarily for mooring small recreational craft although this area is traversed by vessels accessing the dry dock and is used as an occasional foul weather berth for the Scillonian during the summer. There are a small number of commercial users who moor up their vessels in this area.
- The Dry Dock: This facility is currently leased by the Isles of Scilly Steamship Company. Vessels access this facility by passing through the drying berth portion of the harbour at high tide.
- Lighthouse Pier: This pier is used for berthing of the Scillonian III in the summer months and for occasional use by other vessels when the Scillonian III is away from the port.

Currently both the Scillonian III and the Gry Maritha are berthed at Penzance Harbour and, as a result of failure to dredge, movement within the harbour can only be facilitated at certain times when tidal states allow. This results in occasional changes to timetables.

Another significant issue with current quay provision is the use of the harbour area by multiple interests. As well as its use as the embarkation point to the Isles of Scilly, the dock area is used in connection with the dry dock and for ad hoc recreational usage. Current operations are controlled by the Harbour Master but there is a strong potential for a conflict of interests and of health and safety problems. There is an obligation on Harbour Authorities under the Port Marine Safety Code to take reasonable care and to prevent loss or injury.

The need to improve the passenger and freight handling facilities is multifaceted. The existing freight operation is inefficient. The freight building is a former fish market with an entrance in one end that restricts the type and quantity of goods that can be stored within. It has no provision for temperature controlled goods and consequently most freight is left outside the building or on the quay for loading to the freight vessel.

Figure 17. The existing freight building with stacked freight awaiting loading

Larger commercial vehicles cannot turn within the harbour area and have to reverse onto the adopted highway. There is an allocated stacking area for delivery vehicles that generally arrive on a just-in-time basis for the vessel which results in queuing on the road and congestion around the harbour area.

Figure 18. Delivery vehicles reversing down the North Arm of Penzance Pier.

Figure 19. Vehicles waiting to deliver freight to the quay on the main through-road in Penzance.

There are health and safety concerns with regards to multiple activities on North Arm (public access to the Harbour Master's office and visiting craft and freight loading/unloading, and the mix of passengers, public and vehicles on the South and Lighthouse Piers. Such traffic includes forklifts transporting the luggage containers and other freight items in connection with the passenger vessel. There is also a lack of protection for passengers whilst queuing to check-in or to retrieve luggage on a returning voyage. Currently passengers check-in at a small office part way along the quay (its original purpose was a store). There are no facilities for the passengers to sit, take comfort breaks or seek refreshment.

Figure 20. Waves overtopping the quay providing hazards to both passengers and baggage handlers.

Figure 21. Passengers and vehicles both have access to the quays presenting hazards.

The handling of baggage is undertaken by the passing of bags between passengers and freight handlers, with the only separation being by a post and rope system. This is done on the open quay which also sees vehicles, such as taxis and private cars, driving along it to drop off passengers. Furthermore, whilst attended, the containers are open both to the elements and individuals. Port security is also of concern in relation to passenger and baggage handling.

There is a need for a separation between passengers and the activities of the freight and baggage handlers and also from vehicles delivering passengers to the quays.

There are a number of inadequacies in terms of health and safety which can be summarised as:

- Foot traffic is embarked along the South and Lighthouse Piers. There is a lack of any protection to passengers whilst waiting for check in or to collect luggage. Also, there is a lack of an adequate physical barrier between passengers and forklifts operating in connection with loading and off-loading the vessel, segregation being provided by a post and rope system.
- Most passengers access the loading area either from coaches or cars. There is inadequate parking or manoeuvring space for the number of vehicles involved which results in dangerous and inefficient traffic/pedestrian movements.
- Larger commercial vehicles cannot turn within the harbour area and have to reverse onto the adopted highway. The vehicle stacking areais also inadequate and therefore queuing occurs on the main through route.
- During foul weather waves overtop the existing pier walls drenching passengers and creating problems with the berthing of the ferry.

Further issues with the harbour are:

- The exposure of the harbour to the marine environment which during poor weather conditions can cause the better operational berths to become unusable.

- Out dated passenger and cargo handling facilities (freight can be handled as many as 6 times[20]); and
- Lack of any basic facilities for passengers including basic shelter

3.3.2 St. Mary's Harbour

The harbour is owned and operated by the Duchy of Cornwall. Although it is open to the north, the quay and its berths are relatively protected from direct wave penetration by Tresco and Bryher which form a natural breakwater that calms waters entering the harbour. The mainland ferries are accommodated on the only non-drying quay, referred to as the outer berth, but the vessels do ground at low tide due to insufficient depth of water. The middle berth, inner berth and old quay are all dry at low tide and are used by small private and recreational boats, inter-island passenger boats, fishing vessels and visiting yachts.

The entrance to the quay, shared by passengers and vehicles, and the access road along the quay are narrow. There is no segregation between vehicles and pedestrians or between commercial and leisure activities, except along the outer berth where control gates have been installed.

Figure 22. Access to the quay is narrow.

[20] 'Moving On' Transport Strategy for the Isles of Scilly 2002

Figure 23. There is no segregation between passengers and vehicles on the quay.

On the quay is the harbour office, Steamship Company office, hotel, fuel depot, sail loft, engineering workshop and fishermen's ice store.

The existing berths have been progressively extended since the 1800s to provide better protection for the harbour and deeper water for passenger and freight ships.. Most recently, the harbour side of the Outer Berth was reconstructed in 1993/4 to stabilise the structure and to provide a new berthing face. In 1997 there was further reinforcing to combat the effects of wave action.

Figure 24. Waves overtopping the quay at St. Mary's.

Recent works were carried out at St. Mary's to provide a level of segregation between passengers and vehicles over part of the length of the quay by installing a line of bollards, creating a pedestrian zone along the outer edge of the quay between the old Quay and the Harbourside Building. When permission was sought to undertake this work a condition was imposed by English Heritage to relay the setts over the pedestrian area so as to create a more uneven surface. This surface is less comfortable for pedestrians, particularly if they are in a wheelchair, or have suitcases or a young child in a buggy.

Passenger check in for the Scillonian takes place in a small room to the seaward end of the existing Harbourside building. There is no shelter for passengers waiting to check in, who may be queuing to be processed for up to 30 minutes at peak time. There is a small waiting room in the ground floor of the existing Harbourside building, in advance of check in, which can comfortably hold approximately 20 persons, although much of the space is often taken up with luggage. This space must also be shared with off-island boat passengers and quickly fills to capacity during poor weather. After check-in passengers must walk around the freight handling area and then cross the quay to access the vessel ramp and this route is exposed to the elements. Passengers are either dropped off on the quayside by minibuses and taxis, arrive by the off-island boats or walk the length of the quay from the centre of Hugh Town. As an arrival point, however, the harbour is attractive and leads directly to the centre of island activity.

Specific issues relating to the quay at St. Mary's include:

- Restricted access to the quay for vehicles and passengers
- No separate access for vehicles and passengers
- Quay area too small for the quantity of passengers and freight causing severe overcrowding
- Difficulty in providing segregation between passengers, freight and vehicles
- Lack of protection to quay from severe weather i.e. quay and approaches suffer from sea overtopping. Inadequate shelter for passengers
- Inadequate access to smaller boats (e.g. inter-island ferries) from quay
- Lack facilities for the disabled; this is an issue shared with all transport routes on and off and between the Islands
- Inadequate depth of water at low tide for lifeboat and ambulance boat
- Quay structure provides inadequate shelter to smaller vessels
- Potential tripping hazards from trailing pipes and cables due to inadequate number of service points
- Lack of facilities for passengers

  Inefficient and insecure cargo handling facilities

Figure 25. Existing freight handling facilities at St. Mary's.

After the end of the Route partnership proposal, the St Mary's Quay partners, the Council of the Isles of Scilly, the Duchy of Cornwall and the Isles of Scilly Steamship company, have accessed development funds from the DFT to develop a lower cost scheme on St Marys. This includes a quay extension to facilitate the IOSSCO to find a second hand replacement vessel, improved freight handling facilities and improved passenger access to the quay.

3.4 The Isles of Scilly Steamship Company (IOSSCo) Fleet

The IOSSCo was formed in 1920 by Islanders who sought to create a regular link to the mainland for both goods and passengers , following the cessation of Government support after World War 1. The IOSSCo has continuously operated the shipping service which provides the lifeline service to the Islands up to the present day. The current passenger vessel is the Scillonian III, and like its predecessors was purpose built for the route and is now in its 35th year of service. As a result of a struggle to afford vessels it was built in Appledore, Devon using a £1m soft loan from Government and started in service in 1977. Currently the IOSSCo has 857 shareholders of which one third are island residents.

3.4.1 Gry Maritha

The Gry Maritha is the main provider of freight transport to the islands. It was purchased by the Steamship Company in 1989, having been built in 1981 as a Norwegian coaster. She provides a year round service between St. Mary's and Penzance. The vessel can carry up to 350 tonnes of cargo and can carry 12 passengers and crew as well as the freight (passenger transport is primarily utilised in the winter months when the Scillonian III does not sail and when flights are cancelled). The ship is equipped with a deck crane (a stern crane arm) and all freight is lifted on and off the deck. There is also a side loading pallet hoist.

The vessel is a mixed cargo carrier with the capability to accept standard containers, fuel and other non-standardised cargo.

Length: 42.3m

Beam: 9.7m

Draught 3.4m

Figure 26. The Gry Maritha berthed and unloading freight at St. Mary's Harbour.

The Gry Maritha operates year round and works on a 3-days a week rotation, departing from St. Mary's on a Tuesday, Thursday and Saturday. This equates to 156 return trips. The average time for a single journey is approximately 4 hours 30 minutes in good conditions, travelling at 9 knots.

The total amount of freight carried by the Gry Maritha during 2008 was 15,700 tonnes and the average tonnage over the period from 2004 to 2008 was 15,000 tonnes per annum. . The ship has a theoretical capacity, based on current scheduled sailings, to be able to carry 54,600 tonnes per year, but the bulkiness of the freight is a significant factor in terms of filling the vessel by volume rather than weight.

3.4.2 Scillonian III

The Scillonian III provides the main sea transport for passengers to the Isles of Scilly. The ship made her maiden voyage in May 1977. It was built by the Isles of Scilly Steamship Company with a soft loan from the Labour government; she was especially designed for the route like her predecessors. The vessel is capable of transporting 600 passengers per sailing and now has a nominal capacity for the transfer of freight (40 to 50 tonnes) which is facilitated by a deck crane.

The Scillonian III was given a major refit in 1999. This brought the hull condition up to a vessel of 5 years old, implying that she has a further potential life of 15 or so years to 2014 (verified by Hart Fenton naval architects). The actual life however will be determined by the vessel's cost effectiveness (as she ages, five-year Special Surveys and annual maintenance become increasingly expensive) and her ability to comply with future design and safety regulations as these emerge. The Scillonian 111 has a passenger certificate which is issued annually by the MCA.

The Scillonian III was designed with a shallow draught in order for the vessel to berth in waters at both harbours, and due to this the vessel has a tendency to roll in moderate seas, which can lead to an uncomfortable journey. This is especially so as the passage from Penzance to the Isles of Scilly is across an exposed and open sea area and experiences a wide variety of weather conditions; the Gulf Stream splits at Land's End to go either side of the south west peninsula, meaning also that the vessel goes against the currents on the way to Scilly and with them on the way back. As a result the flat-bottomed vessel can be subject to severe motion, which combined with the increased

prevalence of sea sickness in journeys of over two hours, can make for an unpleasant and uncomfortable experience.

The ship's design and safety restrictions mean that it may not be possible to cater for all requirements. However, if passengers with special needs advise the Steamship Company of their requirements at the time of booking they can accommodate a number of needs. Service dogs for blind and/or deaf passengers and helping dogs for the disabled are permitted onboard Scillonian III and will be accommodated free of charge. With prior arrangement, blind passengers can be escorted along the quay and onto the boat but they must be able use the toilet facilities without assistance. None of the menus, safety signs or directional signage is in Braille. There is no hearing loop on the ship; only laminated hard copies of the safety announcements. Most of the seating onboard is 'airline style' and is 48cm wide; however, there are a few seats available for a larger person (in the bar and on the open deck) which can be reserved with advance notice.

Figure 27. Passenger access problems on and off the vessel at St. Mary's.

Access by passengers to the ship is provided by a gangway and is not suitable for motorised mobility scooters, these will be carried free of charge but loaded as freight. Passengers who use motorised buggies need to transfer to a standard wheelchair which can be pre-arranged with the Steamship Company and can be assisted up the gangway by a staff member. Although the position of the gangway ramp can be varied between two decks depending on the height of the tide it can still have an extreme slope in excess of 1:2, which greatly exceeds the desirable angle of 1:20 for disabled passengers (see figure 27).

Once onboard, passengers on the Scillonian need to be able to traverse the stairs between decks to access facilities including the buffet and toilets. There is a Dolphin Stair-lift on the main stairway between the Bridge Deck and Upper Deck, it is 43cm wide and is restricted to 180kg weight. It is a 'person lift' and does not take a wheelchair. In order to use this facility, passengers need to be able to transfer from their chair onto the stair-lift unaided, or with assistance from their own helper and the chair needs to be carried down the stairs (Scillonian crew are not permitted to lift passengers). In

addition to the stairs, 'storm guards' (metal lips across doorways and into the toilets) make moving between some areas difficult where passengers are unable to step over them.

Length: 68m

Beam: 11.9m

Draught: 2.9m

Figure 28. The Scillonian III entering St. Mary's Harbour.

3.5 Air Links to the Islands

An important and recurring issue is the long term sustainability of air services. Following the rejection of the Sea Link Project/ Route Partnership Proposal (see Annex 1 for full details), this is considered even more important.

Consultation with key stakeholders through the development of the Isles of Scilly Transport Strategy revealed the long term sustainability of air services as a key issue for mainland connections alongside the importance of a secure sea link.

For air services, the issues are as follows:

- The current configuration and infrastructure at the airport for aircraft and air services
- The current facilities for passengers / handling of freight and the potential to improve the journey experience and ensure safety and security for passengers
- The possibility of operating the airport on Sundays, to extend the range of visitor options
- The long term viability of helicopter services (and flexibility that the current service provides alongside fixed wing services)
- Access to services on the mainland for residents; particularly transport connections, health care, education and retail facilities which are currently readily accessible via helicopter services to / from Penzance
- The potential for larger and/or faster planes or helicopters to serve the airport in the longer term and the potential implications for infrastructure

The Airport operates with a 600 metre long and 23 metre wide main (asphalt) runway. There are starter extensions of 38 metres and 13 metres at either end. The main runway is crossed by a second runway of 523 metres, 287 metres of which is asphalt with the rest grass. There is apron space for three Twin Otter / Islander planes and the helicopter. There are defined opening and closing hours due to the strict operating rules for air traffic controllers, which can limit the potential for services to catch up on any delays due to weather. The airport's operational hours are 0700 to 1900 for six days a week during seven months of the year and 0800 to 1700 (eight hours a day with an hour break in the middle of the day) during the off season months. Sunday services are currently prevented by existing planning consents and the availability of air traffic control cover.

Air services to and from the islands are run commercially with no public subsidy. The Airport levies charges on the operators as follows[21]:

- Landing charges (relating to the weight of the aircraft); £8.89 per 1,000 kilos (1 tonne). Average weights are 3 tonnes for the Islander (charge £26.67 per landing), 6 tonnes for the Twin Otter (charge £53.33 per landing) and 10 tonnes for the helicopter (charge £88.90 per landing).
- Passenger Load Supplement (charge per passenger carried); £5.30 per passenger. Assuming aircraft are full, this would amount to £47.7 for an 8 seater Islander and £100.70 for a 18 seater Otter / Helicopter.
- Freight charge, which is currently £0.13 per kilo of freight loaded / unloaded).

In the 10 years between 1999 and 2009 landing charges have risen by 44%.

The Airport, which receives no subsidy from the Council, has been building a reserve (currently around £0.5million) towards future maintenance and repairs although this is unlikely to be sufficient to pay for the resurfacing of the runways. Resurfacing, which is likely to cost several million pounds, will be required within the next few years.

3.5.1 Helicopter Service

Helicopter flights run by British International Helicopters (BIH)operate out of Penzance to St. Mary's and to a lesser extent, Tresco. Up to two Sikorsky (S61-N) helicopters are used on the route between the islands and the mainland. In general a maximum of 23 passengers outbound and 25 passengers inbound can be carried (two passengers worth of fuel is burnt on the outbound leg). The average time for a single journey is approximately 20 minutes, although this can vary substantially according to wind strength and direction. Flights operate 6 days a week, with up to 17 flights a day in peak periods.

Passengers with mobility difficulties can be provided with a wheelchair for traversing the terminal building or tarmac to board the helicopter if advance notice of the need for assistance is given to the reservations team at the time of booking. However, entry into the helicopter requires the negotiation of a small flight of steps. Although some passengers unable to transfer from a chair to the helicopter seats via the steps can be carried in the wheelchair by two porters onto the plane, those weighing over 15 stone cannot be carried this way due to health and safety lifting regulations.

The current situation at BIH is changing: they have agreed to sell the Heliport in Penzance to Sainsbury's and currently have not confirmed a new location for their mainland operations beyond the end of October 2012.

3.5.2 Fixed wing Aircraft Service

Fixed wing flights operate from the mainland UK airports at Land's End, Newquay, Exeter, Bristol and Southampton to St. Mary's airport. Over half of all flights are between Lands End and St. Mary's; the flight time from Land's End to St. Mary's is about 20 minutes. Twin Otter planes can accommodate up to 18 passengers and the Islander has 8 seats

The type and size of aircraft operated by Skybus means that the fixed wing service cannot cater for all requirements. However, if passengers with special needs advise the operator of their requirements at the time of booking they can accommodate a number of needs. Blind passengers, if not accompanied by a helper, can be escorted to/from the aircraft by ground staff and sat in a pre-arranged seat away from emergency exits. Subject to availability and advance notice, service dogs are permitted on all Skybus flights and will be accommodated free of charge. There is no hearing

[21] St. Mary's Airport operator charges for 2009

loop on any of the Skybus aircraft. There are extension belts available for larger passengers and with advance notice it may be possible for them to be seated alone, however, larger seats cannot be supplied. For passengers who require oxygen during the flight, small oxygen supplies can be accommodated onboard.

The main accessibility issue with Skybus is entering the small plane via the portable step; this is not easy for anyone, particularly those with mobility difficulties. In general, the planes servicing the routes to the islands are too small to make use of the kind of portable passenger lifts provided at some airports. With prior arrangement, elderly and infirm passengers and those with mobility difficulties can be taken to/ from the aircraft in a foldable wheelchair which can then be folded and placed in the hold. However, passengers must be able to climb into the aircraft with minimal assistance. Non-foldable specialised wheelchairs or non-portable buggies cannot be carried. In a number of cases the only option may be carriage on a stretcher requiring seats to be removed from the larger Otter planes. This must be arranged in advance, at an extra cost and is only likely to be possible in exceptional cases during quieter periods with few bookings.

3.5.3 Flight Disruption Statistics

The air services to the Isles of Scilly suffer from disruption for a number of reasons. The main causes are fog both on St. Mary's and on the mainland which can affect both the fixed wing and helicopter service; high winds and water-logging at Lands End affecting the fixed wing; and technical issues affecting both as they have very small fleets of aircraft.

Unfortunately, as shown in the following graphs, most disruption occurs in the winter when there is no passenger boat service to or from the mainland. This can result in periods of several days with no access to or from the mainland.

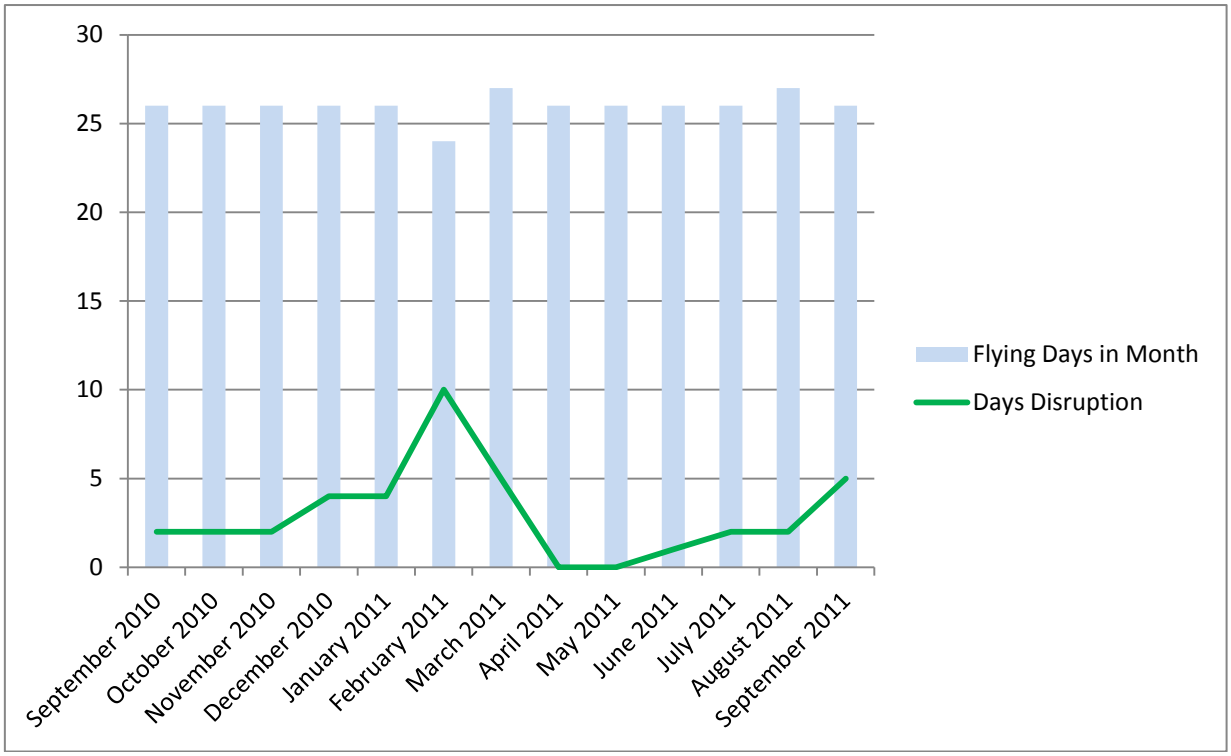


Figure 29 Flying days per month where fixed wing and/or helicopter flights were disrupted (NB: No scheduled flights on Sundays)[22]

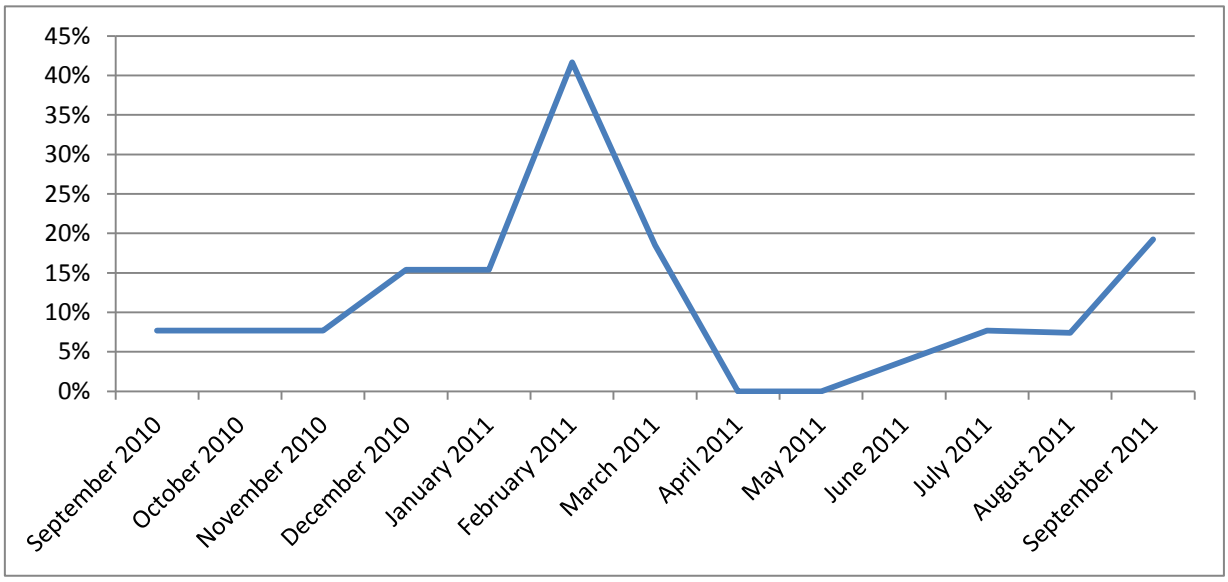


Figure 30. The percentage of flying days per month where flight timetables were disrupted

3.6 Cost of travel to the Isles of Scilly

Table 10. 2012 fares for the three transport modes from West Cornwall destinations based on an adult return.

ROUTE/PROVIDER	Day Trip Return	Period Return
Scillonian III Penzance to St. Mary's	£35	£85 – 95
Skybus Land's End Aerodrome to St. Mary's Airport	£75-£95	£120 – £160
Helicopter Penzance Heliport to St. Mary's Airport	£110	£190

The following table shows return fares by mode for air-links to the mainland since 1999.

Table 11. Period Return Fares (£) by Transport Mode and by Year.

[22] Data from St. Mary's Airport

Year	Islander	Otter	Helicopter
	Land's End	Newquay	Penzance
1999	92.00	99.00	94.00
2000	98.00	103.00	96.00
2001	98.00	104.00	98.00
2002	95.00	114.00	100.00
2003	103.00	120.00	117.00
2004	108.00	125.00	122.00
2005	115.00	130.00	130.00
2006	119.00	138.00	140.00
2007	125.00	145.00	152.00
2008	129.00	149.00	160.00
2009	140.00	165.00	170.00
2010	145.00	165.00	170.00
2011	140.00	170.00	179.00
2012	120.00-160.00	150-190	190.00

Between 1999 and 2009, average return ticket costs for Skybus services rose 52% (for Islander from Lands End) and 66% (Twin Otter from Newquay) with Helicopter prices rising by 81% (from Penzance).

Both the Steamship Group and BIH offer loyalty schemes for island residents, allowing cheaper travel, especially for standby departures (when available). Table 7 details the loyalty scheme discounts for 2012.

Table 12. Loyalty Schemes for Isles of Scilly resident travel (Summer 2012) - Adult Fares

ROUTE/PROVIDER	Membership Charge	Standby** Single	Single Fare	Return Fare
Scillonian III ferry Penzance - St. Mary's	FREE	£20.50	£20.50	£41
Skybus - aircraft Land's End - St. Mary's		£43	£48- £64	£76 (day trip) £96-£128 (period)
Helicopter Penzance - St. Mary's	£30.00*	£72	£81	£104 (day trip) £145 (period)

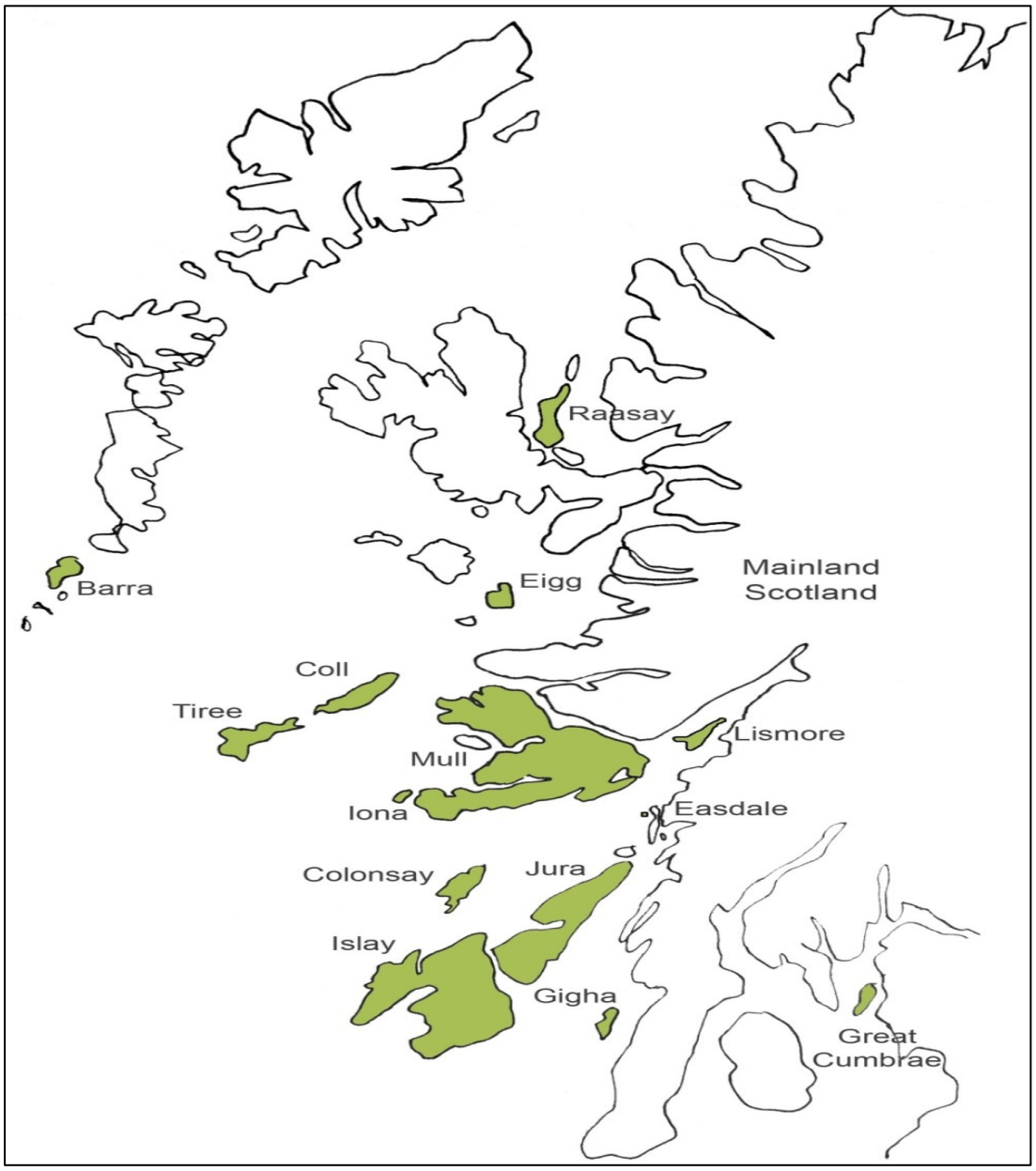
* BIH loyalty scheme does not at present have an annual renewal fee.
**Standby fares are limited availability and only bookable from 3pm on the day prior to travel (Lands End Airport Transfer to Penzance is £5 each way)

4 Scottish and other European Union Islands

The following section presents basic details on economy, population and transport links for 31 islands across Scotland and also for Rathlin in Northern Ireland, the two main Aran Islands in Eire and Ushant in France. All of these islands support a population of between 50 and 3500 people and are fully isolated at low tide (i.e. no Road Bridge or causeway).

4.1 Islands off the West of Scotland

The islands off the West of Scotland, more commonly referred to as the Clyde and Hebrides, are home to some 141 islands. Of them 51 are inhabited and combined boast a total population of over 45,000. This group of islands are linked to the mainland by both sea and air services and many, such as the Outer Hebrides are connected to one another by causeways.



Great Cumbrae

Tourism, Watersports
Marine Research Stn.

Sea Link

Millport (Cumbrae) – Largs (Scotland),
1.2 miles, 10 mins
Total passengers 2010 – 727,310
£4.90 Adult Return

CalMac Ferries
MV Loch Shira 2007, 250pax, 24cars
MV Loch Riddon 1986, 200pax, 12cars

Every 15-30 mins 0645-2215
Up to 2015 on Sundays

Air Link

No Air Link

Lismore

Livestock Farming,
Tourism

Sea Link

Achnacroish (Lismore) – Oban (Scotland),
6.5 miles, 50 mins
Total passengers 2010 – 19,982
£7.90 Adult Return

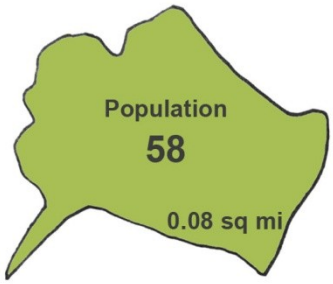
CalMac Ferries
MV Eigg 1975, 164pax, 6cars
Argyle and Bute Council
(Pax only service)

1-4 returns per day, year round;
Summer-time ferry from Port Appin also

Air Link

No Air Link

Easdale



Tourism,
Slate Mining History

Sea Link

Easdale - Seil, 0.12 miles, 3 mins
£1.70 Adult Return

Argyle & Bute Council
Easdale Ferry, Fladda

Min 20 returns per day
0715 -2300, year round

Air Link

No Air Link

Islay

Tourism,
Whiskey Distilling

Sea Link

Port Askaig - Kennacraig,
25 miles, 2h 5mins
Total passengers 2010 – 169,280
£12.35 Adult Return

CalMac Ferries
MV Finlaggan 2011, 550 pax
MV Hebridean Isles 1985, 507pax

4 returns per day, year round
3 returns on Sundays

Air Link

Islay – Glasgow
72 miles, 40mins

Loganair via FlyBe
From £98 Adult Return

Hebridean Air
£130 Return

2 returns per weekday;
1 return per day
weekends

Isle of Mull

Tourism, Farming,
Aquaculture

Sea Link

Craignure - Oban, 9 miles, 45mins
Total passengers 2010 – 715,079
£6.90 Adult Return

CalMac Ferries
MV Loch Fyne 1991, 200 pax
MV Isle of Mull 1988, 968pax
MV Lochlinnhe 1986, 200pax

3- 6 returns per day, year round;
2 additional routes year round

Air Link

Tobermory – Glasgow
81 miles, 35mins

Loch Lomond Seaplanes
£179 Adult Return

3x per week, Mar - Nov

Sea Link

Tiree - Oban, 60 miles, 3h 40mins
Total passengers 2010 – 52,241
£17.30 Adult Return

CalMac Ferries
MV Clansman 1998, 638 pax
MV Lord of the Isles 1989, 506pax

1 return per day, year round

Air Link

Tiree - Oban
53 miles, 35mins

Hebridean Air
£195 Adult Return

4x per week

Raasay

Tourism

Sea Link

Raasay - Sconsor, 2 miles, 25mins
Total passengers 2010 – 58,043
£6.50 Adult Return

CalMac Ferries
MV Loch Striven 1986, 200 pax

8-10 sailings per day, 2x Sunday

Air Link

No Air Link

Jura

Tourism,
Whiskey Distilling

Sea Link

Feolin, Jura – Port Askaig, Islay
1 mile, 10mins
£3 Adult Return

ASP Ship Mgmt Ltd
MV Eilean Dhiura 1998, 10 cars

Approx. 15 returns per day
5x Sunday

Air Link

No Air Link

Coll

Tourism

Sea Link

Arinagour, Coll – Oban
40 miles, 2h 40mins
Total passengers 2010 – 52,241
£17.30 Adult Return

CalMac Ferries
MV Clansman 1998, 638 pax
MV Lord of the Isles 1989, 506pax

Sailings 6 days per wk, yr round

Air Link

Coll - Oban
44 miles, 30mins

Hebridean Air
£170 Adult Return

4x per week

Iona

Tourism,
Religious Centre

Sea Link

Iona – Fionnphort, Mull
1.04 miles, 10mins
Total passengers 2010 – 233,194
£5.50 Adult Return

CalMac Ferries
MV Loch Buie 1992, 250 pax

Min 1 phr 0610-1830, yr round

Air Link

No Air Link

Gigha

Tourism,
Livestock Farming

Sea Link

Gigha – Tayinloan, Kintyre
2.5 miles, 20mins
Total passengers 2010 – 66,539
£6.40 Adult Return

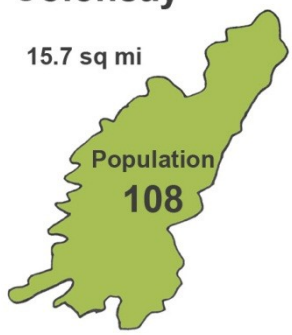
CalMac Ferries
MV Loch Ranza 1987, 200 pax

Mon- Sat every hr 0800-1900,
10-5 Sunday, Year round

Air Link

No Air Link

Colonsay



Tourism,
Micro-Brewery

Sea Link

Scalasaig – Oban (& Islay)
32 miles, 2h 20mins
Total passengers 2010 – 24,478
£18.90 Adult Return

CalMac Ferries
MV Finlaggan 2011, 550 pax
MV Isle of Mull 1988, 968pax

Oban 5x per wk incl. Sunday
1x pwk Kennacraig also

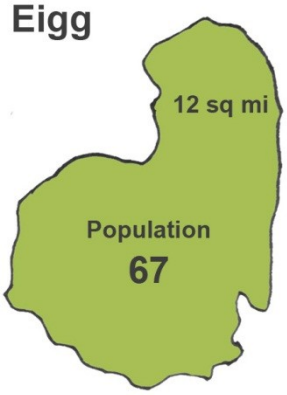
Air Link

Colonsay - Oban
36 miles, 25mins

Hebridean Air
£170 Adult Return

4x per week

Eigg



Tourism

Sea Link

Eigg – Mallaig, Scotland
12.4 miles, 1h 15mins
Total passengers 2010 – 26,697*
£12.90 Adult Return

CalMac Ferries
MV Loch Nevis 2000, 190pax

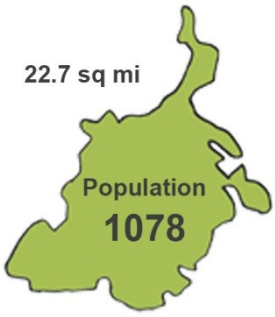
4x per wk, year round

*Small Isles numbers combined

Air Link

No Air Link

Barra



Tourism,
Fish Processing

Sea Link

Castle Bay, Barra - Oban
89.5 miles, 4h 50mins
Total passengers 2010 – 66,846
£23.60 Adult Return

CalMac Ferries
MV Lord of the Isles 1989, 506pax

1 return per day, year round

Air Link

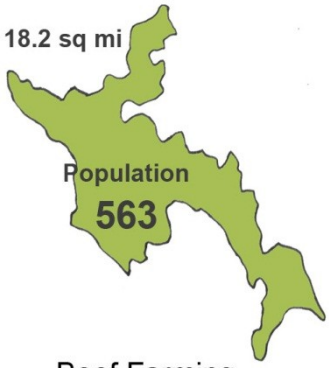
Barra (beach) - Glasgow
139 miles, 1hr 40mins

Loganair via FlyBe
From £110 Adult Return

1-2 returns daily,
except Sundays

4.2 The Northern Isles – Orkney Islands

Westray



Beef Farming, Fishing, Tourism

Sea Link

Rapness, Westray - Kirkwall
19 miles, 1h 25mins
Total passengers 2010 – **43,382**
£15.40 Adult Return

Orkney Council Ferries
MV Earl Thorfinn 1989, 190pax
MV Earl Sigurd 1989, 190pax
MV Varagen, 144pax

2-3 returns per day 0845-1755
Year round

Air Link

Westray - Kirkwall
28 miles, 16mins

Loganair
£74 Adult Return

2-3 returns daily
1x Sunday

Sanday

Tourism, Wildlife

Sea Link

Loth, Sanday - Kirkwall
18 miles, 1h 25mins
Total passengers 2010 – **28,682**
£15.40 Adult Return

Orkney Council Ferries
MV Earl Thorfinn 1989, 190pax
MV Earl Sigurd 1989, 190pax
MV Varagen, 144pax

2-3 returns per day 0845-1755
Year round

Air Link

Sanday - Kirkwall
23 miles, 22mins

Loganair
£74 Adult Return

2 returns daily
none Sunday

Stronsay

Tourism, Wildlife

Sea Link

Stronsay - Kirkwall
19 miles, 1h 35mins
Total passengers 2010 – **18,589**
£15.40 Adult Return

Orkney Council Ferries
MV Earl Thorfinn 1989, 190pax
MV Earl Sigurd 1989, 190pax
MV Varagen, 144pax

2-3 returns per day, Year round

Air Link

Stronsay - Kirkwall
16 miles, 25mins

Loganair
£74 Adult Return

2 returns daily
none Sunday

Shapinsay

Tourism, Farming

Sea Link

Shapinsay - Kirkwall
5 miles, 25mins
Total passengers 2010 – **69,904**
£7.90 Adult Return

Orkney Council Ferries
MV Shapinsay 1989, 91pax

4-6 returns daily, Year round

Air Link

No Air Link

Hoy

Tourism, Archaeology

Sea Link

Hoy - Stromness
7 miles, 30mins
Total passengers 2010 – **15,178**
£7.90 Adult Return

Orkney Council Ferries
MV Graemsay

2-6 returns daily, 0810-1830

Air Link

No Air Link

Rousay

Tourism, Archaeology

Sea Link

Rousay - Kirkwall
6 miles, 25mins
Total passengers 2010 – **53,518**
£7.90 Adult Return

Orkney Council Ferries
MV Eynhallow, 95pax

6 returns daily, 0650-1920
Year round

Air Link

No Air Link

Eday

Tourism, Marine Energy Test Centre

Sea Link

Eday - Kirkwall
14 miles, 1h 15mins
Total passengers 2010 – **10,434**
£15.40 Adult Return

Orkney Council Ferries
MV Earl Thorfinn 1989, 190pax
MV Earl Sigurd 1989, 190pax
MV Varagen, 144pax

2-4 returns per day, Year round

Air Link

Eday - Kirkwall
17 miles, 11mins

Loganair
£74 Adult Return

1 return weekly, Weds

Flotta

Gateway to Scapa Flow,Oil Terminal

Sea Link

Flotta – Houton, Orkney
7 miles, 35mins
Total passengers 2010 – **11,066**
£7.90 Adult Return

Orkney Council Ferries
MV Hoy Head 1994, 125pax
MV Thorsvoe 1991, 125pax

6 returns daily, 0650-1920
Year round

Air Link

No Air Link

North Ronaldsay

Crofting, Tourism, Migrant Birds

Sea Link

North Ronaldsay - Kirkwall
30 miles, 2h 40mins
Total passengers 2010 – **561**
£15.40 Adult Return

Orkney Council Ferries
MV Earl Thorfinn 1989, 190pax
MV Earl Sigurd 1989, 190pax

2 returns per week Summer
1 weekly return Winter (Tues)

Air Link

North Ronaldsay - Kirkwall
34 miles, 18mins

Loganair
£74 Adult Return

3 returns per day
2 returns on Sunday

Papa Westray

Tourism, Worlds Shortest Flight, Birds

Sea Link

Papa Westray – Pierowall, Westray
5 miles, 40 mins
Total passengers 2010 – **387**
£7.70 Adult Return
(free if joining RoRo to Kirkwall)

Orkney Council Ferries
MV Golden Mariana, 40pax

3-5 returns per day, year round

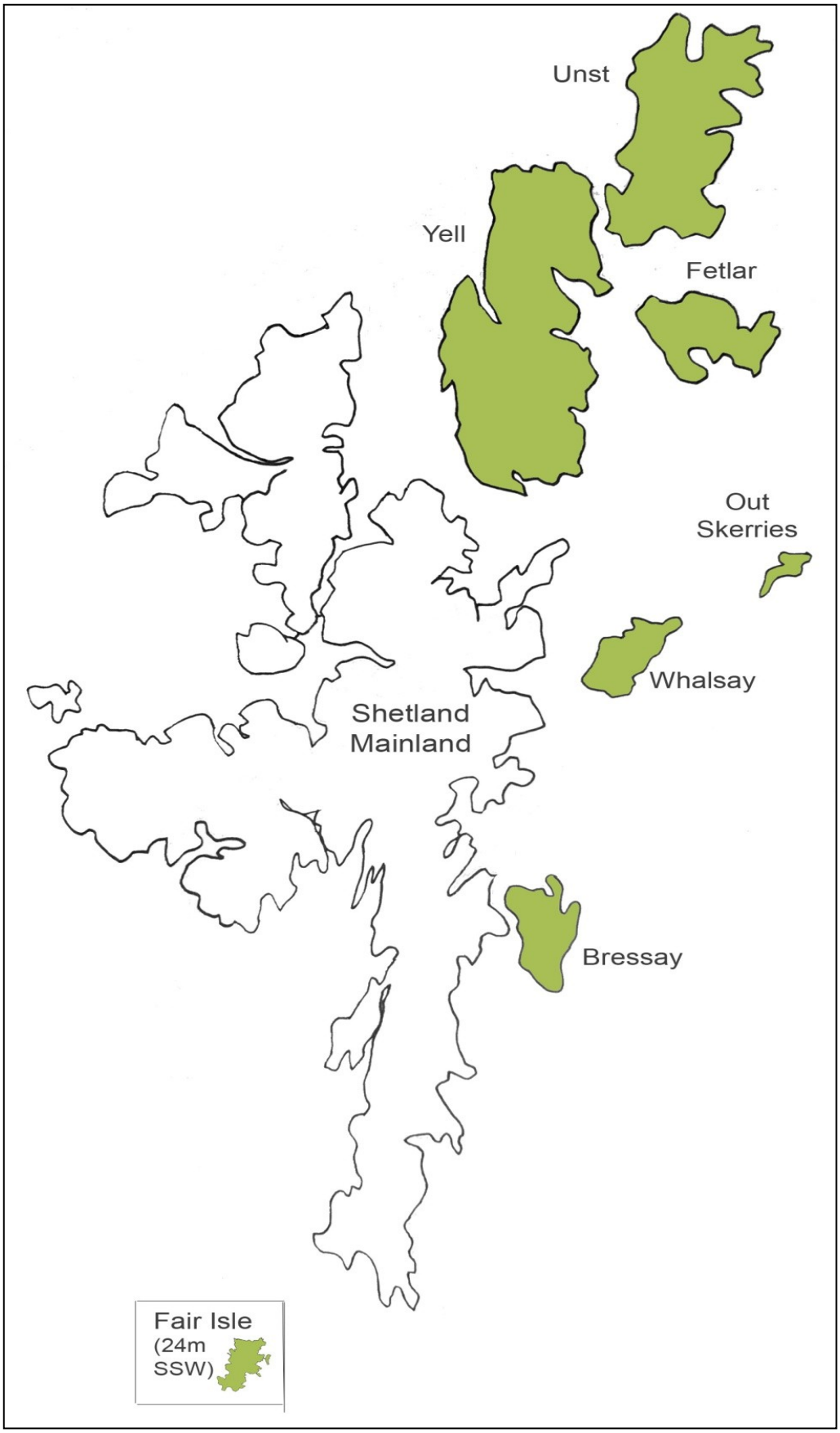
Air Link

Papa Westray - Kirkwall
27 miles, 16 mins
(to Westray 2 mins)

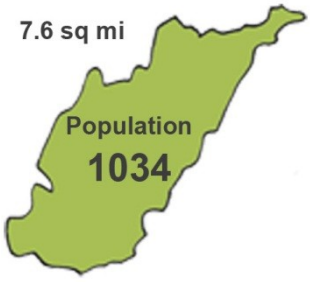
Loganair
£36 Adult Return

1-4 returns daily

4.3 Northern Isles - Shetland Islands



Whalsay



Fishing,
Crofting, Tourism

Sea Link

Symbister (Whalsay) – Laxo (Shetland)
5 miles, 40 mins
Total passengers 2010 – **288,658**
£8.20 Adult Return

Shetland Islands Council
MV Hendra, 1982, 23 cars, 132 pax
MV Linga, 2002, 16 cars 95 pax

Every 45 mins peak times
13-18 returns per day

Air Link

No Air Link

Yell

Fishing, Crofting
Tourism

Sea Link

Ulsta, (Yell) - Toft, (Shetland)
3 miles, 20 mins
Total passengers 2010 – **269,804**
£8.20 Adult Return

Shetland Islands Council
MV Daggri, 2003, 31 cars, 144 pax
MV Dagalien, 2004, 31 cars,
144pax

Every 30 mins peak times

Air Link

No Air Link

Unst

Fishing, Tourism

Sea Link

Belmont, Unst – Gutcher, Yell
1.5 miles, 10 mins
Total passengers 2010 – **163,994**
(Fetlar and Unst combined)
No Charge

Shetland Island Council
MV Bigga, 1991, 125 cars 86 pax
MV Geira, 1998, 125 cars, 86 pax

Every 30 mins peak times
20-30 returns per day

Air Link

No Air Link

Bressay

Tourism

Sea Link

Bressay – Lerwick (Shetland)
1 mile, 7 mins
Total passengers 2010 – **179,251**
£8.20 Adult Return

Shetland Islands Council
MV Leirna, 1992, 16 cars, 125 pax

Every 30 mins peak times
@20 returns per day

Air Link

No Air Link

Fetlar

Tourism, Archaeology

Sea Link

Fetlar – Gutcher, Yell
2.8 miles, 30 mins
Total passengers 2010 – **163,994**
(Fetlar and Unst combined)
No charge

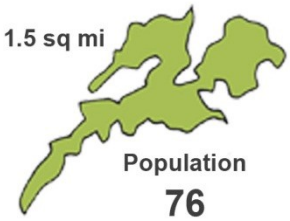
Shetland Islands Council
MV Bigga, 1991, 125 cars 86 pax
MV Geira, 1998, 125 cars, 86 pax

4-9 returns per day

Air Link

No Air Link

Out Skerries
(Housay & Bruray)



Fishing, Crofting, Tourism

Sea Link

Bruray – Lerwick (Shetland Mainland)
22.9 miles, 2h 30mins
Total passengers 2010 – **5214**
£7.80 Adult Return

Shetland Islands Council
MV Filla, 2003
9 cars, 30 pax

1-3 returns per day

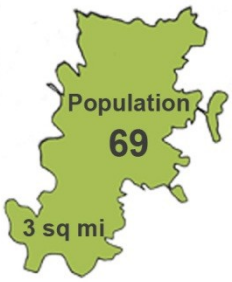
Air Link

Out Skerries - Tingwall
23 miles, 20 mins

Direct Flight
£61 Adult return

1x Mon, Wed; 2x Thu

Fair Isle



Bird Observatory, Crofting, Knitting

Sea Link

Fair Isle – Grutness, Shetland
25.3 miles, 2h 40mins
£7.80 Adult Return

Shetland Islands Council
MV Good Shepherd IV, 12 passengers + freight (no vehicles)

3 returns per week
1 return per week Winter

Air Link

Fair Isle - Tingwall
48 miles, 25 mins

Direct Flight
£39.50 Adult Return

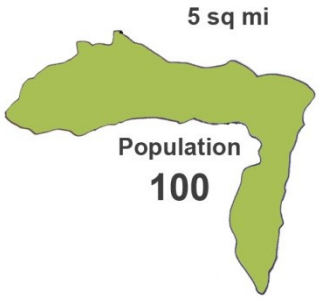
2x Mon, Wed, Fri; 3x Sat

4.4 Other European Union Islands

4.4.1 Northern Ireland

Rathlin Island which lies 6 miles off the coast of County Antrim is the only island in Northern Ireland with a resident population of greater than 50 people and no road or low water land bridge to the mainland.

Rathlin



Tourism, Birds

Sea Link

Church Bay, Rathlin - Ballycastle
6 miles, 45mins
Total passengers 2007 – 49,000
£11.20 Adult Return

Rathlin Island Ferry Ltd.
MV Canna 1975, 140 pax 6 cars
MV Rathlin Express, 100 pax

Up to 10 returns per day summer;
5 returns daily winter

Air Link

No Airlink

4.4.2 Eire

The west coast of Eire has a number of off-shore islands, including the Isle of Aran (or Arranmore) in County Donegal and a number of smaller islands with very low numbers of residents (if any) off the coasts of Counties Cork, Kerry and Mayo. For the purposes of comparison to the Isles of Scilly however, Inishmore and Inisheer in the Aran Island Group in Galway Bay prove the most useful in terms of population size and distance from a mainland port. They are served by three ferry companies with routes from Doolin, Galway City and Rossaveal on the mainland. The O'Brienline and Doolin ferries run commercial services in the peak summer months combining sight-seeing trips to the islands with views of the Cliffs of Moher. Only the Aran Island Ferry Company runs a year-round service; it is supported in this enterprise by a 5-year government contract secured in 2008 after the previous operators Aran Direct Ferries went into receivership.

Inishmore/ Inis Mōr

Tourism, Geology, Irish Culture

Sea Link

Inishmore - Rossaveal
26 miles, 40 mins
£22 Adult Return

Aran Island Ferry Co.
MV Music of the Seas, 294 pax
MV Magic of the Seas, 294 pax

2 Returns daily (winter);
Up to 5 returns daily (summer);
(Incl. O'Brienline & Doolin Ferries)

Air Link

Inishmore - Connemara
26 miles, 15 mins

Aer Arann
£39 Adult Return

Minimum 3 flights
per day winter

Inisheer/ Inis Ōirr

Tourism, Geology, Irish Culture

Sea Link

Inisheer - Rossaveal
24 miles, 55 mins
£22 Adult Return

Aran Island Ferry Co.
MV Music of the Seas, 294 pax
MV Magic of the Seas, 294 pax

2 returns daily (winter);
Up to 9 returns daily (summer)
(Incl. O'Brienline & Doolin Ferries)

Air Link

Inisheer - Connemara
24 miles, 15 mins

Aer Arann
£39 Adult Return

Minimum 3 flights
per day winter

4.4.3 France

Similar to the west coast of Eire, the west coast of France has a number of off-shore islands; however, many have very low, if any, numbers of residents. Ouessant (aka. Ushant) Island in the Iroise archipelago off the coast of Brittany is the closest to the Isles of Scilly in terms of population size and distance from a mainland port. Ouessant is served by a year-round daily foot ferry service. This service is subsidised by the state under the principle of Territorial Continuity, which stipulates that public services should be provided to assure access to mainland France. Total traffic on this route is in the region of 275,000 passengers per annum[23]; in addition a daily year-round air service carries approximately 10,000 passengers annually.

Ouessant/ Ushant

Tourism,
Maritime History

Sea Link

Ouessant – Le Conquet
16 miles, 1 hr
£25 Adult Return

Pen-Ar-Bed Ferry Co.
MV Andre Colin, 1996, 195 pax

Up to 5 returns per day summer;
1-2 returns daily winter

Air Link

Ouessant - Brest
26 miles, 15 mins

Finist'Air
£56 Adult Return

1 return daily

[23] '*Stakeholder participation in island settings'* Bureau voor Economie & Omgeving Buiten, September 2006.

5 Policy Review

5.1 European Union Policies

Europe's islands are home to almost 10 million people who occupy an area of 10,000km^2, 3% of the population of the Union on 3.2% of its area. As a result; '*Economic cohesion has been a policy consideration for the European Community for half a century. In this period it has become increasingly important and it is likely that it will remain a priority*'[24] The European Union's regional policy seeks to reduce structural disparities between EU regions, foster balanced development throughout the EU and promote real equal opportunities for all. It seeks to achieve this through its Regional Policy for which the European Structural and Cohesion Funds provide the financing.

The aim of strengthening economic and social cohesion is addressed explicitly in the second Article of the EU Treaty of Lisbon[25]:

> *[The Union] 'shall promote economic, social and territorial cohesion, and solidarity among Member States'*

The inclusion of explicit references to islands as a whole can be seen in two Articles of the Lisbon Treaty. Article 170 (ex 154) on Trans-European networks, which stresses that the Community:

> *'Shall take account in particular of the need to link island, landlocked and peripheral regions with the central regions of the Community'*

Article 174 (ex 158), states that:

> *'In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.'*

In that framework Article 174 also stresses that:

> '*Particular attention*' [shall be paid to certain types of regions, amongst which those that] '*suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.*'

Further Community obligations in respect of island regions as set out in Article 174 are provided in Declaration No. 30[26]:

> *'The Conference recognizes that island regions suffer from structural handicaps linked to their island status, the permanence of which impairs their economic and social development.*
>
> *The Conference accordingly acknowledges that Community legislation must take account of these handicaps and that specific measures may be taken, where justified, in favour of these regions in order to integrate them better into the internal market on fair conditions*.'

National Cohesion Policies within the European Union

In terms of responsibility for reducing regional disparities, this is a joint task of the EU and the Member States. A report produced annually by the European Commission[27] explains:

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[24] House of Lords European Union Committee, *The Future of EU Regional Policy*, July 2008
[25] Treaty of Lisbon 2009
[26] Annex to the Final Act of the Amsterdam Treaty adopted 1997, Luxembourg
[27] Investing in Europe's Future: Fifth Report on Economic, Social and Territorial Cohesion, 2010

> *'EU Cohesion Policy operates alongside an array of national and regional policies devised and implemented in many different places and under widely differing circumstances. The objective of promoting harmonious development across the EU and a reduction in disparities between regions enshrined in Article 174 of the Treaty is a joint task with Member States. According to Treaty (Article 175), the latter should conduct and coordinate their policies to attain economic, social and territorial cohesion.'*

The EU policies supporting territorial and economic cohesion have been translated and implemented at a national level across a large number of EU island communities, with the majority supported by varying levels and methods of state subsidy in order to allow them to maintain sustainable communities. In Greece 'lifeline' ferry services operate on as many as 70 island routes, in Eire 14 subsidised routes are operated by domestic and private shipping companies, and 'lifeline' ferry routes are also subsidised in Denmark, the Netherlands, Sweden, Finland, Germany, France and Spain. In addition, many EU countries support a number of air links to islands and peripheral regions.

European Union Law on State Aid

The European Commission has a duty under Article 88(1) of the Treaty to keep under review aids existing in Member States and to propose to the Member States appropriate measures required by the progressive development, or the functioning, of the Common Market.

The EU report on Economic, Social and Territorial Cohesion[28] examines national cohesion policies with regard to aid for transport and islands:

> '*The Treaty on the Functioning of the EU[29] allows aid to be used to facilitate the development of certain other areas, where it does not significantly affect competition ('category c' regions). The areas concerned include those regions with a GDP per head below the EU-25 average, those with unemployment over 15% higher than the national average or those undergoing major structural change or in serious relative decline, as well as regions with low population density,* ***islands with a population of 5000 or less*** *and regions similarly isolated geographically, regions neighbouring 'category a' regions. Aid in these 'c' regions totalled around EUR 7.4 billion in 2008*.'

In particular transport to and from islands needs to take into account EU regulations regarding international and national maritime transport. Maritime cabotage[30] was liberalised throughout the EU in 1993[31] removing any government restrictions on the free market and pricing controls. The potentially adverse impact of this regulation on less economical routes was at the same time recognised in Council Regulation No 3577/92/EEC. This short regulation allows pragmatism and flexibility to apply case by case solutions that can accommodate diverse community needs. It allows the temporary exclusion of areas from the 'liberalisation of cabotage', enabling member states to maintain adequate transport services between the mainland and its islands and between the islands themselves by means of direct aid to cover operating losses. This is achieved by the imposition of Public Service Obligations (PSOs) for **Lifeline Services – '*those that would not have been provided by the free market*.'**

More detail on the procedures expected in a competitive process for the award of a Public Service Contract on a PSO by Member States is set out in Community guidelines on State Aid to maritime transport 97/205/05. A public service obligation is defined as:

[28] See Above
[29] Article 107(3)(c)
[30] Trade (including the transport of goods and/or passengers) or navigation in coastal waters
[31] Implementation delayed until 1999 France, Italy, Portugal, Spain; 2004 Greece

> *'any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest.'*

The guideline states that:

> *'PSOs may be imposed for scheduled services to ports serving peripheral regions of the Community or thinly served routes considered vital for the economic development of that region, in cases where the operation of market forces would not ensure a sufficient service level.'*

In order that contracts relating to PSOs are not regarded as State aid within the meaning of Article 92 (1) of the Treaty and that notification is not, therefore, required under Article 93 (3), the following criteria must be met[32]:

- public tenders must be made to allow transparency and competition,
- the call for tender must specify all requirements concerning the level and frequency of the service, capacity, prices and standards required, etc. ensuring that all Community carriers with the right of access to the route (according to Community law) have had an equal chance to bid,
- the Member State can then award a contract to the successful bidder (except in exceptional and duly justified cases, whichever bidder requires the lowest financial compensation) and reimburse the extra costs incurred (together with a reasonable return on capital employed) by the operator as a result of providing the service. This should be directly related to the calculated deficit made by the operator in providing the specified service, avoiding overcompensation or cross-subsidy.

The guideline specifies that the duration of public service contracts should be limited to a reasonable and not overlong period (normally in the order of five years). In addition it states that:

> *'Restrictions of access to the route to a single operator may only be granted if, when the public service contract is awarded according to the above mentioned procedure, there is no competitor providing, or having a demonstrated intention to provide, scheduled services on the route. The terms of any restriction or exclusivity must in any case be compatible with the provisions of Article 90 of the EC Treaty.'*

With regards limits to aid, the regulation explains that:

> *'Certain Member States support their maritime sectors through tax reduction whilst other Member States prefer to make direct payments - for instance, by providing reimbursement of seafarers' income tax. In view of the current lack of harmonization between the fiscal systems of the Member States, it is felt that the two alternatives should remain possible. Obviously, those two approaches may, in some instances, be combined. However, this risks cumulation of aid to levels which are disproportionate with the objectives of the Community common interest and could lead to a subsidy race between Member States.'*

In view of the considerable cost involved in a full and open tendering process, in certain cases a simplified tendering procedure has been proposed on small island routes. These are defined as routes carrying less than 300,000 passengers per year, especially where there is a strong seasonal bias in traffic.

Also Commission decision[33] provides that if a ferry operator has an average turnover of less than €100 million and receives an annual subsidy of less than €30 million, or carries less than 300,000

[32] Community guidelines on State Aid to maritime transport 97/205/05

passengers a year, the subsidy does not need to be notified to the Commission. This means that whether there is an obligation to notify the Commission depends on the scale of ferry operation and the level of subsidy provided.

5.2 UK National Policy

National Ports Policy and State Aid

EU guidelines on State Aid to maritime transport[34] with regards investments in infrastructure do not normally consider quay improvements to invoke State aid within the meaning of Article 92 (1) of the Treaty if the State provides free and equal access to the infrastructure for the benefit of all interested operators.

Modern Ports: A UK Policy (2000)

This report which was published in 2000, sets out the broad policy aims of the Government and the devolved administrations for UK ports. The report is designed to reflect an integrated approach to transport and to recognise the relationship between transport and other important policies.

The report sets out the policy aims of the Government for the UK ports. It is underpinned by four key objectives:

- To make regulation add value rather than cost.
- To promote agreed national standards and good practice for port management and port operations alike
- To promote training and the recognition of skills for those who work in the ports industry at all levels
- To maintain a balanced policy on development which aims to make the best use of existing and former operational land, secures high environmental standards, but supports sustainable projects.

In line with this, the policy aims to be adhered to by the Government and the devolved administrations are set out in the report. Amongst others, these policies include:

- to encourage ports to redevelop former operational land which exploits its transport connections in order to reduce traffic
- to provide good access to ports in developing policies and programmes for the various forms of transport
- to increase the range of planning policy guidance which identifies the needs of ports, and the environmental standards required of those planning port developments and managing port operations

National Policy Statement For Ports October 2011

This statement seeks to guide planning authorities on new port development. It acknowledges that the UK port sector is the largest in Europe by tonnage, with the top 15 ports accounting for 80% of

[33] Commission Decision of 28 November 2005 on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest; OJ L 312, 29.11.2005, p.67

[34] Community guidelines on State Aid to maritime transport 97/205/05

the tonnage. It is also designed to support the overall UK Ports policy above. The Government believes that there is a compelling need for substantial additional port capacity over the next 20 -30 years. Therefore the policy, with safeguards, is generally supportive of port developments from a planning perspective.

UK Cohesion Policy

Within the European Structural and Cohesion Funds regulation 2007-2013 identification of the poorest member states and regions (based on an assessment of per capita GDP less than 75% of the community average) is made through the 'Convergence' objective[35]. Within this objective the Scottish Highlands and Islands region is identified as a 'phasing out' region as the GDP only falls slightly above the threshold, whereas the Isles of Scilly and Cornwall are identified as a full convergence area.

The general objectives of the UK National Strategic Reference Framework (NSRF)[36] are to support the UK Government's aim to increase the rate of sustainable growth, improve prosperity and achieve a better quality of life, with economic and employment opportunities for all. To address these objectives through all UK Structural Fund programmes, the UK NSRF sets out overarching themes and high level principles which include:

> ***'Environmental and Community Sustainability*** *– encouraging innovation to support sustainability, ensuring sustainable development, production and consumption, and promoting social and economic cohesion in local economies, including in urban and rural areas.*
>
> ***Focusing on market failures*** *– transversal to the above themes, regional policy interventions will be made where free markets have genuinely failed.'*

It is worth noting that Cornwall and the Isles of Scilly are the only Convergence area in England, and with the Valleys and West Wales, one of only 2 in the UK. The Highlands and Islands of Scotland are considered to be a transitional area, having previously been a Convergence area.

5.3 Application of UK Cohesion Policy to the Scottish Islands

The Scottish ferries transport is the responsibility of the Scottish Government who manage a devolved budget for transport in Scotland. The Ferries Division manages a ferries budget which was set at £105 million for the financial year 2010/11. 80% of this budget was allocated to the ferries contract and the remainder to vessel loans, maintenance and upgrades to harbour facilities. In 2010/11 the ferries contract covered services to the Western Isles (20,000 population, £50million per annum subsidy) and Shetland and Orkney islands (20,000 population, £35million per annum subsidy). The amount of funding is not directly proportionate to the population but is determined by the costs of providing the minimum specified service level.

The Historical Context for Central Government Support for Ferry Services to Scottish Islands

Although there have undoubtedly been maritime transport connections between the Scottish mainland and its many islands for as long as the islands have been populated, the history of Caledonian MacBrayne goes back to 1851, and Government interest in ferry services in Scotland goes back many decades. The first major milestone in the development of systematic Government support for ferry services was the Highlands and Islands Shipping Services Act 1960.

[35] EU Regional Policy Factsheet: Regions and cities for growth and jobs: An overview of regulations 2007-2013 on cohesion and regional policy, 2006

[36] UK Cohesion Policy 2007-13 Factsheet, BERR

That Act provided the first comprehensive legal framework for subsidy arrangements and enabled the then Secretary of State for Scotland to seek Parliamentary approval for "undertakings" to support maritime transport services in the Highlands and Islands. The first such "undertaking" was made in 1961, with further approvals up to 1995, enabling the Secretary of State for Scotland (and the Scottish Ministers, after Devolution in 1999) to fund what became Caledonian MacBrayne Ltd to provide Clyde and Hebrides ferry services. Those ferry services subsequently formed the basis of service requirements under the 2007-2013 public service contract for Clyde and Hebrides ferry services.

CalMac Ferries Ltd.

CalMac Ferries Ltd., which was incorporated in May 2006, is a wholly-owned subsidiary of David MacBrayne Ltd, which is wholly owned by Scottish Ministers. As a result of corporate restructuring which took place in October 2006 as part of the preparation for the tender process for the Clyde & Hebrides Ferry Services, CalMac Ferries Ltd. took over operation of these services as successor to Caledonian MacBrayne Ltd.

As a separate element of this corporate restructuring, Caledonian MacBrayne Ltd had its name changed to Caledonian Maritime Assets Ltd. (CMAL) and retained ownership of the vessels and piers which are required for the operation of the Clyde & Hebrides Ferry services. Under the new arrangements, CMAL leases the vessels and piers to the operator of the Clyde & Hebrides Ferry services (currently CalMac Ferries Ltd.). CMAL is also wholly owned by Scottish Ministers and is based in Port Glasgow, Inverclyde.

All of the services currently operated by CalMac Ferries Ltd require subsidy as the normal operation of market forces would not ensure a sufficient service level to the communities all the year round at acceptable fares levels. This subsidy is provided to support approved services which, in the opinion of Scottish Ministers, are necessary to maintain the economic or social conditions in the Highlands and Islands.

CalMac Ferries Ltd. currently charters a fleet of 29 vessels from CMAL to provide passenger, vehicle and shipping services to the islands off the West Coast of Scotland and in the Clyde estuary. Two other vessels are retained on separate charters. There are currently 27 routes within the network. In 2008, over 4.5 million passengers, 1 million cars, 99,000 commercial vehicles and 11,000 coaches were carried.

Northern Isles Ferry Services

The 1960 Act also provided the legal basis for Government support for maritime transport services to Orkney and Shetland. P&O had operated passenger services to the Northern Isles from 1971 to 2002, trading as P&O Scottish Ferries from 1988. For most of that period, P&O Scottish Ferries was a monopoly operator, transporting passengers, cars, freight and livestock. However, by 1984 it was struggling to remain profitable and was brought into the then Scottish Office's Tariff Rebate Subsidy (TRS) scheme. That scheme, established under the 1960 Act, had previously been used to provide support for bulk freight and livestock carryings by various small shipping operators. TRS payments were made to eligible shipping operators designated by individual "undertakings" approved by Parliament. These provided a subsidy for every unit of eligible traffic carried and were intended to enable operators to reduce their charges to customers whilst still allowing a reasonable level of profit. TRS payments to these small freight operators ended in 2004 following a Scottish Executive review of its effectiveness that found that it was failing to provide significant benefits to end users.

Following the failure of NorthLink Orkney and Shetland Ferries Ltd[37] in their operation of the Northern Isles ferry services in 2003, the Scottish Executive re-examined their justification of support. They concluded that;

> *'lifeline ferry services are fundamental to the people of the Northern Isles. The ferries supply them with basic living commodities, provide transport links to the mainland and support their economic well-being.'*[38]

Accordingly, the then Scottish Executive felt it had to maintain those essential services by making additional extra-contractual funding payments whilst re-tendering the contract.

Current Scottish Ferry Public Service Contracts

The Scottish Government Ferries Division ferry services contracts are currently subsidised as follows:

- Ferry timetable, staff costs, fares, vessel usage and fuel burn are all fixed costs set out by the Scottish Government
- Services are tendered by the Scottish Government
- The winning tender is the operator who can demonstrate supply of specified services at the lowest financial compensation (known as an 'operating deficit subsidy')
- Agreements cover both passengers and freight
- Scottish Ministers sign off contracts and tendering process
- The winning tender leases the boat from a company owned by the Scottish Government

The operator for the ferry services to the Clyde and Hebrides are CalMac Ferries Ltd who in October 2007 won the 6 year Public Service Contract for these routes. This contract will expire in September 2013.

The current Public Service Contract to operate ferry services to and from the Northern Isles of Orkney and Shetland to the Scottish mainland was awarded to NorthLink Ferries Limited with the contract period covering 6 years (July 2006 – June 2012). In a change to previous arrangements, this contract used Section 70 of the Transport (Scotland) Act 2001 (as amended 3) as the Government's funding power, providing greater flexibility to funding arrangements.

Road Equivalent Tariff Scheme

In October 2008 in recognition of their inherent disadvantage of distance from mainland markets, public services and social and cultural facilities, the Scottish Government introduced a Road Equivalent Tariff (RET) Pilot in the Western Isles, Coll and Tiree. The RET scheme is a uniform fare structure which links ferry prices to the cost of travelling the same distance by road.

Under the RET scheme;

- cars and small vehicles are charged £5 plus 60p per mile;
- passengers pay £2 plus 10p per mile, and
- commercial vehicles £30 plus 18p per lane metre per mile.

The introduction of RET on the majority of the four routes between the Western Isles and the mainland and Coll and Tiree and the mainland resulted in a reduction in fares by as much as 50%. The Scottish Government said that this reduction in fares[39]:

[37] a joint venture between Caledonian MacBrayne Ltd and the Royal Bank of Scotland
[38] Audit Scotland report 1 in December 2005

> '*recognised concern within these fragile communities that they might be further disadvantaged by the expense of ferry travel and the impact this has on islanders' lives, the local economies and the wider national economy*.'

Evaluation of the scheme[40] found, discounting the initial growth and subsequent fall in traffic on non-RET routes, the indication is that RET gave rise to around 12% more passenger traffic in year one of the Pilot, and a further 5% in the second year - a cumulative increase of 17% over two years - in comparison with the pattern presented by other routes. Some 30,000 additional visits were made by ferry to the Pilot area during each year of the Pilot and one fifth of all visitors say they would have not travelled to the area without the lowering of fares. Nearly three quarters of businesses providing accommodation in the Pilot area had experienced increased levels of occupancy since the introduction of RET and there is some evidence that the season has been extended. Tourist sector businesses have seen increased employment and retail employment in the Pilot area appears to have increased. Residents visited friends and family on the mainland more after the introduction of RET, especially younger people, and the predominant perception of both residents and businesses was that RET has been beneficial to island businesses and hence to the island communities as a whole.

5.4 Application of UK Cohesion Policy to other Islands

When comparing the Isles of Scilly with other island communities, it is important to compare like-with-like as far as possible. The approach to regulations on state aid and subsidy of transport links to island communities differs across member states and in the context of this report it is felt that comparisons of Scilly with other UK islands is most useful. Other islands located off England and Wales tend to be either too large (e.g. Isle of Wight population 140,500) or too small (e.g. Lundy population 28) or have a road or low water land bridge to the mainland (e.g. Anglesey population 68,600; Walney Island, Cumbria, population 11,388). As a result, other than the Western and Northern Isles of Scotland, the only other UK island from which a useful comparison may be drawn is Rathlin Island off Northern Ireland.

Rathlin is located 6 miles off the coast of County Antrim and has a resident population of 100. In a set-up akin to that in Scotland, the ferry service to Rathlin is subsidised by the Northern Ireland Executive Department for Regional Development as a 'lifeline' service for the island community. A six-year contract to operate the ferry route to Rathlin was won by the Rathlin Island Ferry Company in 2008. Previous to this the service was run by Rathlin Ferries Ltd, a subsidiary of David MacBrayne Ltd. The MV Canna is owned by Caledonian Maritime Assets Limited and is leased to the operator. This current 6 year contract is supported by a subsidy from the Northern Ireland Executive totalling just under £4 million.

5.5. The Situation in the Isles of Scilly

In an EU analysis of island regions as part of economic and social cohesion[41], all islands with a permanent population of at least 50 people (among other criteria) were assessed. In the analysis, the Scottish islands, grouped into the Hebrides, Orkney and Shetland island regions, were judged as disadvantaged in terms of demography, outlying nature and access to public services and neutral in

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[39] Scottish Government Assessment of the impacts of the Road Equivalent Tariff Pilot, Halcrow Group Ltd. 2011

[40] As above

[41] 'Analysis of the island regions and outermost regions of the European Union' Planistat Europe & Bradley Dunbar Ass 2003

terms of economic structure. The analysis further states that the islands of England and Wales are 'accessible, diversified and successful' and thereby the Isles of Scilly are judged as advantaged in terms of economic structure and access to services, neutral in terms of their outlying nature and disadvantaged in terms of demography.

Looking in more detail at the source for these conclusions, it appears that whilst economic activity and employment rates have been taken into account, no measure has been taken of the relative wages level of that employment. Also, most importantly, the Isles of Scilly are consistently grouped with island communities such as the Isle of Wight (population approx.. 133,000) Anglesey (population 68,600) and Walney Island, Cumbria (population 11,388) – which have two permanent land bridges between them.

As is clear from Section 2 it is important that the Isles of Scilly are treated separately in terms of their socio-economic status from these other islands in England and Wales. In recognition of their low per capita GDP, they have been recognised as a **Convergence area** for support from the European Structural and Cohesion Funds for the poorest member states and regions.

The Isles of Scilly are also identified as a **Less Favoured Area**. Less Favoured Areas (LFA)[42] were established as a means for providing aid specifically to the socially and economically disadvantaged areas in the UK uplands.

Following Scottish devolution, it could be argued that comparison between the Isles of Scilly and the Scottish islands is not like-with-like; however, it should be noted that state support for transport links for the Scottish islands was in place before devolution. In addition, an important precedent has been set by the current administration in the introduction of a **road fuel excise duty discount** (5p per litre) for remote areas. The scheme specifically groups the Isles of Scilly with the Scottish islands to receive the subsidy in recognition of the high cost of travel.

This UK government policy, with approval from the EU for state aid notification, is aimed at making '*a real difference to people in remote island communities'* [43], and has been applied to the Isles of Scilly alongside the Inner and Outer Hebrides, the Northern Isles and the islands in the Clyde. The regulations, which came into force 1st January 2012, provide a relief from excise duty of 5p per litre on fuel supplied for use in a road vehicle[44]. The policy background states that the duty relief '*will offer some help to consumers in the areas concerned who are faced with the high costs of petrol and diesel.*' In particular, the Chief Secretary to the Treasury Danny Alexander said that the '*triple whammy'* of high fuel costs and having poor public transport faced by the remotest parts of the country had been a '*huge and persistent unfairness.'* In the explanatory memorandum to this regulation the policy background section states that:

> *'the price of fuel on the Scottish islands is on average 10ppl and on the Scilly Isles is 25ppl more than in other parts of the UK, due mainly to higher transport and distribution costs.'*

It is important to note that at present [45] the retail cost of a litre of petrol on St. Mary's is £1.70 compared with £1.34 in Penzance, a difference of 36p (see section 6.9.2).

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[42] first established Through accession to the European Union, in 1975 under EC Directive 75/276 concerning the Community list of LFAs within the meaning of EC Directive 75/268 (United Kingdom) and by Commission Decision 91/25 altering the limits of the LFAS in the United Kingdom

[43] Chief Secretary to the Treasury Danny Alexander, BBC Scotland 9th October 2010

[44] The Hydrocarbon Oil and Biofuels (Road Fuel in Defined Areas) (Reliefs) Regulations 2011, UK Stat utory Instruments, No.2935

[45] November 2011

5.6 Relating Scottish Government Policies to the Isles of Scilly

The draft Scottish Ferries Review [46](SFR) published December 2011 for consultation closing in March 2012, sets out some criteria for assessing the transport needs of island communities, both in respect of fares and frequency of services, and comments on the different forms of support that may be required to achieve these, and how they can be achieved. This covers both the need to comply with EU policies and laws relating to competition and island regions, but also the designation of '**lifeline services'** and how they can work alongside commercially operated services. The term 'lifeline' is in general use to describe vital transport connections between mainland and island communities It carries no formal or legal status[47].

Like the services to the Scottish islands and Rathlin, the ferry service to the Isles of Scilly has been identified as a **lifeline service**[48].

In a letter of 10th June 2010 to Cornwall Council as the Route Partnership Scheme Promoter, the DfT for the first time referred to the Isles of Scilly Link as a **lifeline service**. And in the letter rejecting the Route Partnership scheme, Norman Baker, Minister for Transport, stated that '*DfT recognises the importance of the sea connection. . . . and is totally committed to working to ensure this remains secure into the future.'*

The Scottish Ferries Review indicates the Scottish government as willing to be responsible for all 'lifeline' ferry services in Scotland, following an assessment of a route's 'lifeline' characteristics. A variety of factors would be considered: the needs of the community being served; alternative routes available (including where appropriate distance by road compared to the distance by ferry); and historic carryings on the route. The Scottish government will only assume overall responsibility where the route is 'lifeline' and their responsibility '*will be limited to getting involved only where the private sector fails to deliver an adequate service.'*

Appendix 2 of the SFR identifies the ferry service needs of a community using four key dependencies: commuting (and frequent business use); personal; freight; and tourism. It is likely that the link from Scilly to the mainland would fall into the category of 'personal, freight and tourism' – commuting daily to the mainland is not a practicable option. Based on Table 2 (p61) of Appendix 1, this would require at least one service seven days a week, possibly more at times of high demand in the tourist season. This, of course, is significantly more than at present, where the Scillonian III operates six days a week April to October; outside this period there is no passenger ferry service, except for basic 'emergency' provision on board the freight vessel.

A **Public Service Obligation** (PSO) is required by EC law to subsidise EC lifeline ferries. A PSO represents an obligation which a ferry operator would not adopt if they were considering solely their own commercial interest, for example, holding fares down to a certain level, running a service with a minimum level of frequency, or running the service all year round. It is recognised in EC law that a case can be made for imposing PSOs to help support vulnerable communities for economic and social reasons. Many of the routes to the Scottish islands qualify as PSOs. If you want to subsidise an essential service you must impose a PSO. If you want to assure regularity of service you can impose a **Public Service Contract** (PSC). If you want to subsidise a regular service, you can use PSOs and PSCs as complementary tools. The lack of winter passenger ferry service to Scilly, frequency of service and fare levels provide potential grounds for designation as a PSO route. However, a PSO

[46] Transport Scotland 21/02/2011 Scottish Ferry review – Draft Ferry Plan for consultation
[47] Parliamentary written answers – House of Lords-Isles of Scilly Sealink 26/04/2011
[48] Isles of Scilly Steamship Group press release 10/03/12 Scillonian III gets shipshape for 2012 sailing

without relevant revenue support grant could result in unintended consequences, meaning that it could be very unattractive to a purely commercial operator.

Road Equivalent Tariff (RET) is the formula being introduced in Scotland for lifeline services, for linking ferry fares to the cost of travelling the same distance by road. The passenger rate of £2 plus 10p per mile used in Scotland would indicate a charge of £11.40 per return journey on the Scillonian, the current period return being £85 - £90 (dependent on day of travel). On the Islay route, the return fare of £12.50 is under challenge with a view to implementation of RET and a return fare of about £9.00.

Concessionary fares for islanders apply on the sea route through membership of the IOS Travel Club, with the 2012 return fare costing £41.00, a saving of up to 55%.

Concessionary air fares for island residents are also available with the two operators through their loyalty schemes. British International Helicopters' period return fare of £190 is reduced to £145 (approx. 24% discount through the 'Loyalty Travel Scheme' with an annual membership fee of £30.

The Skybus period return fare to Land's End is discounted from a maximum for £160 to £96.00, a reduction of 40%.

In Scotland the government operates an air discount scheme for islanders living on Colonsay, Orkney, Shetland, the Western Isles, Islay, Jura, Caithness and North West Sunderland. The **Air Discount Scheme** (ADS) aims to tackle the problems of high air fares for the remotest communities in the Highlands and Islands by providing a discount of 40% on the core air fare on all eligible routes. Those services covered by Public Service Obligations are not eligible for the ADS discount. The Scillonian III is approved to operate safely, albeit with increasingly restricted licence conditions.Itsage (35 years) compares unfavourably with the Scottish ferries. In this study, the average age of the eleven ferries studied which serve island populations of about 1000 was 15 years. Within guidelines on Public Service Obligation routes there is preclusion on use of vessels over 35 years old. There is general agreement that a new ferry is required and that consideration should be given as to the most appropriate and cost effective means of procuring a suitable craft. The rejection of the Route Partnership scheme denied the prospect of a new purpose built vessel although all previous passenger ships serving the route had been custom built to meet the demands of the harbours and crossing. Most Scottish ferries are Ro-Ro carrying both passengers and freight, as are many of those serving the French islands. As a result there are far more Ro – Ro ferries available in the market place for second hand tonnage.

Penzance and St. Mary's quays also contrast unfavourably with comparable Scottish harbour facilities and safe operations of the ports and quays that they use. Schemes to make necessary improvements to both harbours are currently under development and are imminently to be submitted to the Department for Transport. These schemes would still be necessary as part of any later introduction of a Ro-Ro ferry.

6 Best Comparisons

6.1 Key Socio-Economic Issues

Table 13 refers to IOS data on population, housing affordability, economy, employment and education compared with data from Scottish areas of Highlands and Islands, Lochaber, Skye and Wester Ross and Argyll and Bute (which includes the island of Islay).

Table !3	**Isles Of Scilly**	**Highlands and Islands**	**Lochaber, Skye and Wester Ross**	**Argyll and Bute (inc Islay)**
Population	2,153	447,043	38,002	70,543
	The Isles of Scilly's population has remained static since the census in 2001 though it is thought that population is ageing.	The population of the Highlands and Islands has increased 3.14% between 2001 and 2009; above the Scottish average of 2.48% over the same period.	The population of the Lochaber, Skye and Wester Ross has increased 2.9% between 2001 and 2009; above the Scottish average of 2.48% over the same period.	The population of the Argyll & Bute (including Islay) has increased 0.9% between 2001 and 2009; below the Scottish average of 2.48% over the same period.
Housing Affordability	£243,000 Very high house prices and low availability of owner-occupied housing are compounded by wages that are among the lowest in the country.	£117,750 House prices have risen rapidly in recent years. The median house price in the Highlands and Islands area are above the national average of £114,500.	£123,250 House prices have been rising in recent years. The median house price in Lochaber, Skye and Wester Ross are above the Scottish average £114,500.	£100,000 House prices have been rising in recent years, however the median house price in Argyll and the Islands are below the Scottish average £114,500
Economy	Dominated by Tourism Businesses in the Isles of Scilly do not perceive the local economy to be in a strong position. This can be attributed to the current global recession, the impact of high travel costs and the small local customer base. The population is ageing but not apparently growing. The local workforce is highly dependent on tourism, as an unusually large number of residents are employed in hotels, restaurants, services and trades that support the sector.	Dominated by Public Administration, Education and Health (32.8% of all jobs 2008) Business start-ups in the Highlands and Islands have been slightly higher than in Scotland. In 2008, there were 4.0 new start-ups per 1,000 of the population compared to 3.9 per 1,000 in Scotland. Distribution, hotels and restaurants, manufacturing, construction, transport and communications and agriculture and fishing also account for a higher proportion of employees in the Highlands and Islands than in Scotland as a whole.	Distribution, hotels and restaurants is the largest employment sector, accounting for 34% of jobs in 2008. There were 4.4 new start-ups per 1,000 of the population in 2008 compared to 4.0 in the Highlands and Islands. Business start-ups in Lochaber, Skye and Wester Ross are higher than average. Public administration, education and health sector also accounts for a further 30% of all employees in the area.	Public administration, education and health is the largest employment sector, accounting for over 30% of jobs in 2008. The most recent Gross Value Added (GVA) figures for 2007 state that GVA per full-time equivalent employee was higher in Argyll and Bute than in the Highlands and Islands for construction and services, but lower for manufacturing. Agriculture and fishing; distribution, hotels and restaurants; and public administration, education and health account for a greater proportion of employees than in the Highlands and Islands.

Table !3	**Isles Of Scilly**	**Highlands and Islands**	**Lochaber, Skye and Wester Ross**	**Argyll and Bute (inc Islay)**
			The recessionary impact in the area has been less marked than in Scotland, with a good tourism season in 2009 playing an important part in this.	The Argyll and the Islands area has a large tourism sector, which was further bolstered in 2009 as UK residents holidayed at home due to the recession.
Employment	Although unemployment rates on the islands are very low, due to the seasonality of the visitor economy they do increase during winter months. There are also high levels of job 'plurality' with many people taking on more than one job. Although paper qualification levels among residents are high, the prominence of the visitor economy and agricultural sector may mean that some workers are overqualified for their roles. The Isles of Scilly have very high levels of self-employment.	Unemployment in the Highlands and Islands has been consistently below the Scottish rate. In 2008, over 50% of workers were employed by companies with fewer than 50 employees, which demonstrates the dominance of employment within small businesses in the Highlands and Islands.	Unemployment in Lochaber, Skye and Wester Ross is very seasonal and shows higher fluctuations than in the Highlands and Islands. A larger proportion of workers (58%) were employed by companies with less than 25 employees in 2008 than in the Highlands and Islands (43%). This demonstrates the dominance of employment within small businesses in Lochaber, Skye and Wester Ross.	Over the past three years, unemployment in Argyll and the Islands has been higher than the Highlands and Islands average but generally lower than in Scotland. The large majority of workers (65%) were employed by companies with 49 or fewer employees in 2008 Self- employment in Argyll and the Islands area stood at 12.2% of the working population in 2008, higher than the Highlands and Islands (10.5%) and Scotland (7.7%). This demonstrates the dominance of employment within small and micro businesses in Argyll and the Islands.
Education	While GCSE pass rates are high, there is no provision for schooling post- 16, meaning that schoolchildren must travel to the mainland for Further Education or remain qualified to level two.		In 2007/08, educational attainment levels were higher in Lochaber, Skye and Wester Ross than in Scotland by the end of both S4 and S6 and a higher proportion of school leavers progressed to Higher Education.	In 2008/09, educational attainment levels were higher in Argyll and the Islands than in Scotland by the end of S4, and similar by the end of S6.

6.2 Islands Comparable to St. Mary's, Isles of Scilly

Although elsewhere in this report data for the Isles of Scilly treats it as a single entity, it is important to separate the transport links between St. Mary's, and the UK mainland from details of the transport links between St. Mary's and the four off-islands. Looking in more detail at the data, five of the Scottish islands are similar in a number of aspects to St. Mary's, as outlined in the following table. Of these, Islay presents the most similarities and is dealt with in greater detail in comparison to St. Mary's in the following pages.

Table 14. Details of UK island communities of a similar size and distance to the mainland.

Island	Location	Population	Miles to mainland port	Total ferry passengers 2010	Economy Notes
St. Mary's	Isles of Scilly	1666	37	79,148	Tourism, Early flowers
Islay	Inner Hebrides	3457	25	169,280	Whisky, Tourism
Tiree	Inner Hebrides	770	60	52,241	Crofting, Tourism
Barra	Outer Hebrides	1078	90	66,846	Tourism, Fishing
Sanday	Orkney	478	18	28,682	Tourism
Westray	Orkney	563	19	43,382	Beef farming, Fishing, Tourism

6.2.1 The Isle of Islay

Islay is in the Southern Hebrides and has a population of about 3,200. It is 600km^2 and has 130 miles of coastline. It is the closest of the Scottish Islands to the Isles of Scilly in terms of size of population and distance from the mainland. The Isles of Scilly has a population of 2,200 and is 16km^2.

Transport is via a subsidised ferry or by air from Glasgow. The ferries run all year and run 3 -4 times a day Monday to Saturday and twice on Sundays. There are 2 ferries plying the route at present with a new Ro-Ro ferry hat entered service 2011. The new MV Finlaggan has cost £24.5m, there is also significant investment in the quays at either end of the route. Air services operate to Glasgow and Oban.

The ferry journey time is similar to the Isles of Scilly at 2hrs 5mins.. Both the infrastructure and the fares are subsidised by the Scottish Executive.

Tourism is important to Islay with 29,956 visitors last year; the Isles of Scilly have over 100,000 per annum.

Table 15. Islay travel costs

Transport Type	Cost of an Adult Return
Ferry Return CalMac ferry: Kennacraig to Port Askaig	£12.35
Flight from Glasgow return; Loganair via FlyBe	From £98
Flight from Oban return; Hebridean Air	£130

Freight and passenger transport is subsidised to the Isle of Islay. A direct comparison is difficult because Islay uses Ro – Ro ferries with freight carried on lorries onto the ferry – rather than unloaded and reloaded with additional cost as happens on the Isles of Scilly.

Figure 31. Ferry routes to Islay

Most car, freight and passenger traffic to and from Islay goes by ferry using the route from Kennacraig on West Loch Tarbert to Port Ellen or Port Askaig. Kennacraig is located 6 km south of Tarbert on the Kintyre Peninsula. The operator on this route is Caledonian MacBrayne, mostly referred to as CalMac, and is owned by the Scottish Government. CalMac operated the Kennacraig to Islay route from the early 1970s and has done so ever since. Since 2007 this route is operated by two ships all year round, due to increased whisky production of the island's distilleries and an increase in tourism. The vessels that operate the route all year round are the Hebridean Isles and the MV Finlaggan, the latter started service in June 2011 and is CalMac's newest and most technically advanced ferry.

6.2.2 Ferries currently sailing the Kennacraig to Islay route

MV Finlaggan

MV Finlaggan - Fionnlagan

Onboard Services

Mariners Cafeteria, Coffee Cabin, Shop@CalMac, Game-On

Passenger Facilities

Observation Lounge, Reclining Seat Lounge, Quiet Lounge, Children's Play Area, Two Passenger Lifts, Two Decks of External Panoramic Seating

Specifications

Built: 2011 Remontowa Yard, Gdansk Poland
Cost: £24.5 million
Size: 89.8m x 16m
Gross Tonnage: 5209t
Service Speed: 16.3 knots
Capacity: 85 cars, 10 lorries, 500 passengers

General Info

The vessel was contracted by CMAL in November 2007 and will be the first new ship to serve the Islay route in almost 40 years. The ferry will sail from Kennacraig to Port Askaig initially, while infrastructure works are completed at Port Ellen.
The MV Finlaggan replaced the MV Isle of Arran, built 1984 on the Kennacraig to Islay Route.

MV Hebridean Isles - Eileanan Innse Gall

Onboard Facilities

lounge, disabled toilets, lift for disabled, ambulance room, full meals, light snacks and packed lunches, shop, cafeteria and bar.

Specifications

Built: 1985, Cochrane Shipbuilders Ltd, Selby, North Yorkshire
Gross Tonnage: 3046
Size: 85.2m x 15.8m
Service Speed: 15 knots
Capacity: 62 cars and 494 passengers

MV Hebridean Isles

The normal sailing frequency from Kennacraig to Islay is three to four times on weekdays and Saturday and twice on Sunday. On most days there are two early (07.00 and 09.45) and one late (18.00) sailing to Port Ellen and an early afternoon sailing (13.00) to Port Askaig. In the summer season, on Wednesdays, is an early sailing (07.45) from Kennacraig to Oban, which calls at Port Askaig (09.50) and Colonsay (11.25). The same ferry returns from Oban in the afternoon (15.30) to arrive at Kennacraig in the evening (21.50), again stopping at Colonsay (17.45) and Port Askaig (19.15). Day trippers from Islay often use this ferry to visit the neighbouring Isle of Colonsay, giving them six hours to discover the island. The journey time is 2hrs and 5 minutes.

6.2.3 Travel to Islay by Air

Two departures are made daily to/from Glasgow International Airport to Islay Glenegedale Airport (ILY). The distance is 72 miles or (116 Km) and duration is 0hr 40min. The plane leaves from terminal M at Glasgow International Airport. The plane, a Saab 340/340B, is operated by Loganair, a franchise of FlyBe since 2008.

Hebridean Air Services - Oban - Colonsay - Islay

Hebridean Air Services operate a Tuesday and Thursday day return service from Oban and Colonsay to Islay. This is a new service running since June 2010. The aircraft depart Oban at 0805, routing through Colonsay to Islay. This gives Colonsay residents the opportunity of flying to Islay to connect with the FlyBe service to Glasgow. Islay residents also have the availability of a day return service to Oban departing Islay at 0930 and departing Oban for Islay at 15-10.

6.2.4 Comparison between Scillonian III and Islay Ferry MV Finlaggan

Scillonian III

Onboard Services

Bar, Buffet, Souvenir shop

Passenger Facilities

Stairlift, Couchettes and reclining seats in lower, quiet saloon, toilets including baby change, limited disabled facilities

Specifications

Built: 1977 Appledore, North Devon
Size: 68m x 11.85m
Draft: 2.89m
Gross Tonnage: 1255.25
Service Speed: 15.15 knots
Capacity: 600
Journey time: 2hrs 40mins
Distance: 37 nautical miles

General Info

The vessel is owned and managed by the Isles of Scilly Steamship Company. It runs from end March to the end of October, with one sailing per day in summer and 4 per week in the shoulder periods (April and October). It is designed for tourist transport as it leaves Penzance in the morning and arrives back in the evening. There is no scheduled Sunday service.

Cost: £95 Return

Cost per mile: £1.28

MV Finlaggan - Fionnlagan

Onboard Services

Mariners Cafeteria, Coffee Cabin, Shop@CalMac, Game-On

Passenger Facilities

Observation Lounge, Reclining Seat Lounge, Quiet Lounge, Children's Play Area, Two Passenger Lifts, Two Decks of External Panoramic Seating, full disabled access.

Specifications

Built: 2011 Remontowa Yard, Gdansk Poland
Cost: £24.5 million
Size: 89.8m x 16m
Gross Tonnage: 5209t
Service Speed: 16.3 knots
Capacity: 85 cars, 10 lorries, 500 passengers
Journey time: 2 Hrs 5 mins
Distance: 25 nautical miles

General Info

The vessel was contracted by CMAL in November 2007 and will be the first new ship to serve the Islay route in almost 40 years. The ferry will sail from Kennacraig to Port Askaig initially, while infrastructure works are completed at Port Ellen. Sailing 3 – 4 times a day weekdays and twice on Sunday

Cost: £12.35 Return
Cost per mile: £0.25

6.2.5 Comparison between the Isles of Scilly and Islay Air Transport

Return Flights Land's End to St. Marys

Distance: 28 miles

Time flying: 20 minutes

Type of plane: Twin otter

Number of passengers: 17

Cost: £140 return

Cost per mile: £2.50

Freight: Lands End only small goods, 76p/kg minimum charge £5; boat carriage encouraged

Return Flights from Glasgow to Islay

Distance: 72 miles

Time flying: 40 minutes

Type of plane: Saab 340/340B

Number of passengers: 34

Cost: From £98 return

Cost per mile: 68p

Freight: 68p/kg more than 37kg (minimum £25) £20 express all inclusive for parcels under 5kg

6.3 Comparison of Key Socio-Economic Indicators

There are common issues for all small island communities, largely based on peripherality and distance from market and access to services.

The Isles of Scilly stand out in Northern Europe as a permanent island community of fewer than 3000 having unsubsidised freight and passenger transport to and from the mainland. The smaller Channel Islands like Sark are supported by the larger communities on Jersey and Guernsey, which partly subsidise their costs.

Table 16. Key Socio-Economic Indicators for the Isles of Scilly and Islay 2009/10.

Key Indicator	Isles of Scilly	Islay
Population	2,153	3,457
Average House price	£405,429	£159,631
Median Workplace Earning	£13,660	£18,200
Number of people self employed	34.7%	12.2%
Proportion of resident population aged 16-64 claiming out of work benefits (April-June 2010)	2.1%	3.3%
Public sector employee job share (2008 figures)	27.3%	30%

The table above compares a range of indicators that the current government consider to be important from an economic perspective. The indicators for the Isles of Scilly indicate that the

economy has a very high prevalence of very low paid jobs, with a large number of self employed and micro businesses. With unaffordable housing and a high reliance on the public sector for the employment – public services generally on the isles of Scilly have higher than locally average wages – any cuts to public services will further lower the median workplace earnings. The Islands do however have very low unemployment rates.

Islay has similar employment in the public sector, far fewer self employed, higher wages,lower house prices and slightly higher unemployment.

6.4 Comparison of Island Community Age Structure

Significant to all Island communities are the age and demographics of the population. It is interesting to compare the Isles of Scilly age profile with Scottish islands. It is clear that young people leave the Islands for education, and this is particularly true for Scilly (with the lowest percentage of under 20s of all the islands) where there is no post-16 education on the islands. The Isles of Scilly also, with the largest proportion of 50-60 years olds and greater than 40% of residents over 50 years of age, have a more extreme peak around retirement age.

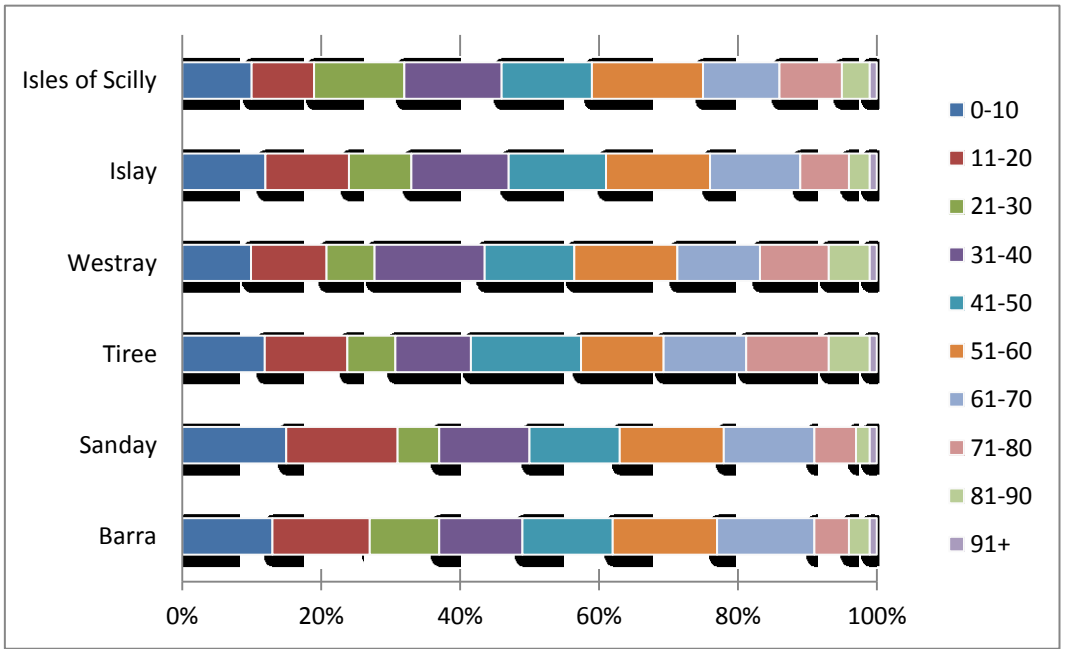

Figure 32. Age Structure of Selected Island Communities.[49]

The cost and availability of adequate housing is a significant factor in retaining both the islands' young and providing dwellings for the islands' employment base. The Isles of Scilly are at the extreme, with much higher house prices and lower wages, and many more self- employed people.

6.5 Comparison of Island Community House Price and Tenure

The following graph compares the costs of average house prices between the Isles of Scilly and similar islands in Scotland (Barra, Islay, Sanday, Tiree, and Westray). It also compares the tenure prevalent on the various islands. House prices in the Isles of Scilly are significantly more expensive than in Scotland and the tenure is dominated by the rented sector, rather than privately owned. In

[49] Data from www.ons.gov.uk – 2001 Census

the Isles of Scilly a significant percentage of households are 'privately rented or living rent-free'. This category includes property rented from the Duchy of Cornwall; this includes nearly all off-island accommodation and much of the property outside the main town of St. Mary's. Also included here isaccommodation that is linked to employment; for example most island hotels offer affordable accommodation to their staff within a shared 'staff house'. In addition, much of the households recorded as 'owned' are let as holiday accommodation and not available for year round rental by residents.

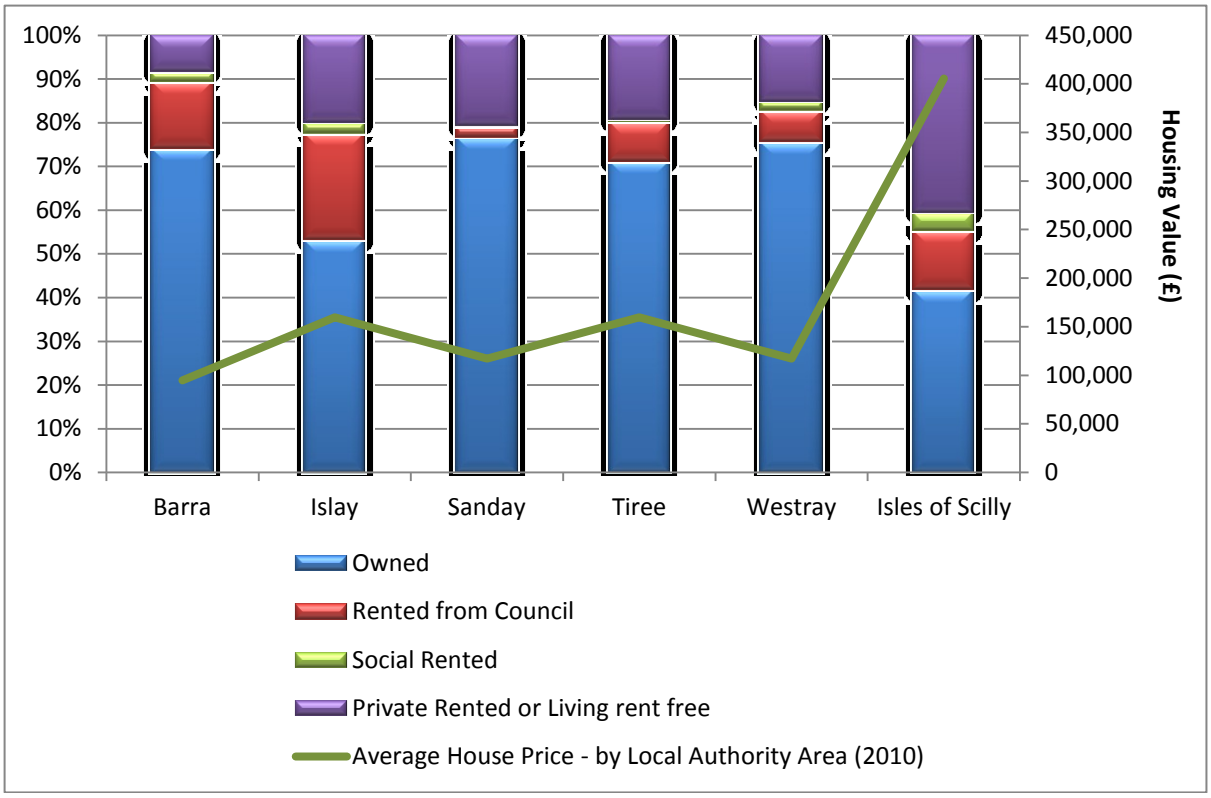

Figure 33. Household tenure and average price for selected island communities.[50]

The housing tenure information and house price comparison data highlights the very high average cost of housing in the Isles of Scilly compared to Scottish Islands, as well as significant differences in housing tenure. The role of the Duchy of Cornwall as owners of the Isles of Scilly, except social housing, Hugh Town and Tresco is highlighted by the significantly lower home ownership and far higher levels of private rental. This creates a limited housing market on the Isles of Scilly and increases the price of housing both for sale and for rent. For example a recent Duchy property with four bedrooms, four bathrooms, 1/3rd Ha and outbuildings on St Mary's at the far end of the island had a guide rental cost of £20,000 per annum.

[50] Data from www.ons.gov.uk – 2001 Census

6.6 Tourism

6.6.1 Comparison of Visitor Numbers

Over the last twenty years visitor numbers to Cornwall have steadily increased. This reflects a growing trend in 'staycations' – holidaying in the UK. This was heightened after the 9/11 tragedy which led to a down turn in people holidaying abroad for a short period.

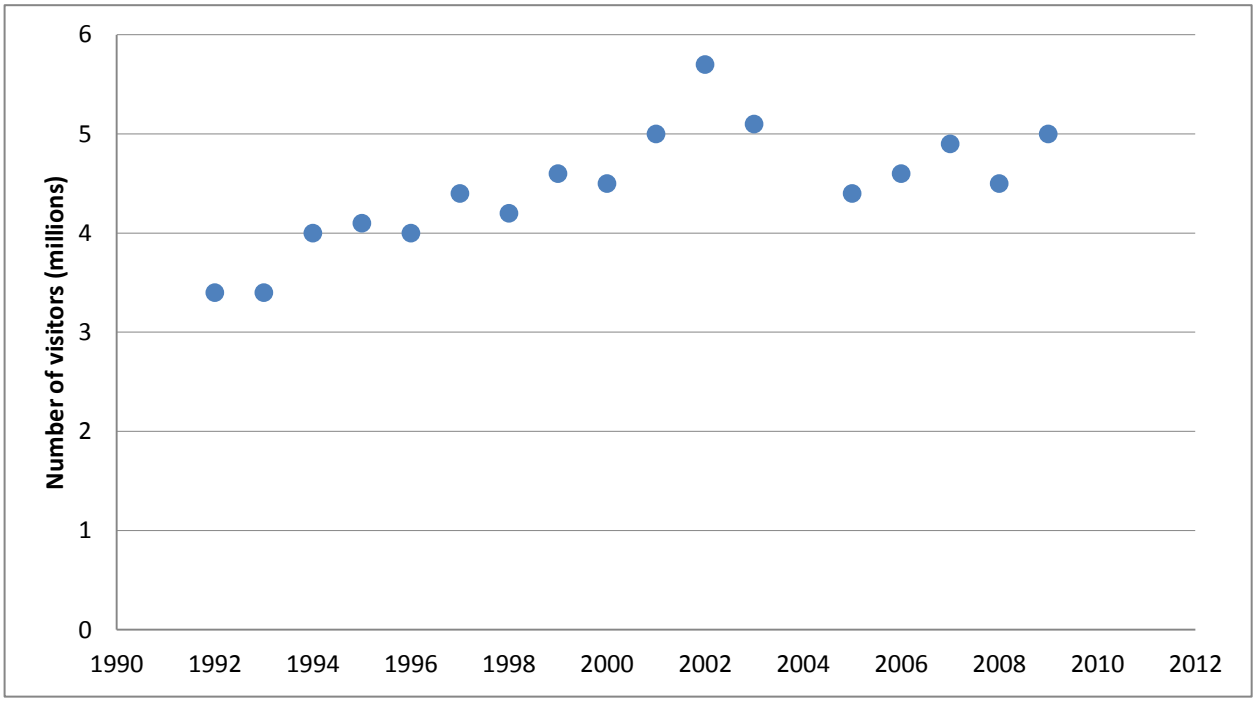

Figure 34. Number of visitors to Cornwall from 1992 to 2009.[51]

Similarly, the Highlands and Islands have generally seen an increase in the number of visitors. Figure 35 below details the sustained increase in the number of passengers travelling to, from and around the Orkney Isles between 1994 and 2011.

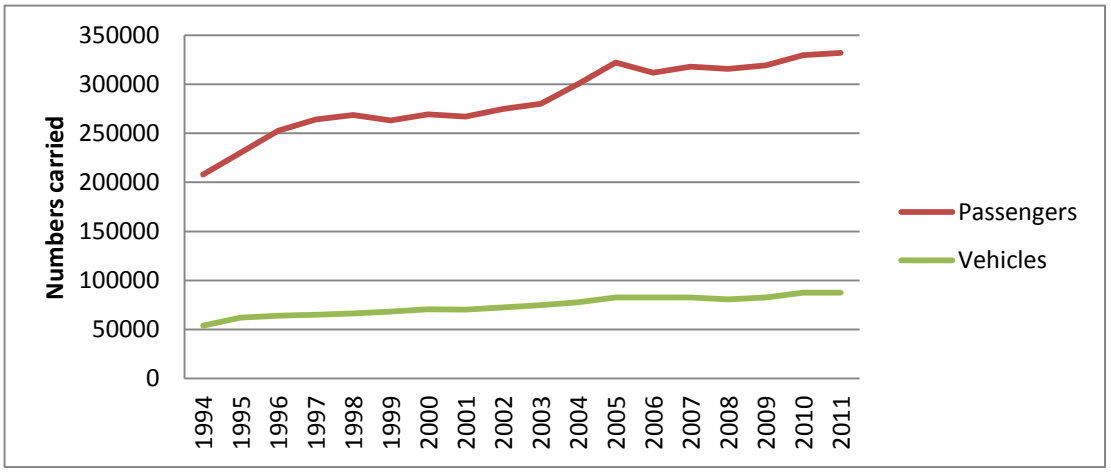

Figure 35. Carrying statistics for Orkney Ferries 1994 to 2010.[52]

[51] Data from www.visitcornwall.com

In addition, Visit Scotland data for 2010 reported an increase in visitor numbers at locations throughout the Western Isles of between 25% and 40% on the same time last year.[53] This trend is mirrored on Islay (see Fig. 36), although a recent decrease in numbers has been attributed to the introduction of the RET (Road Equivalent Tariff) pilot scheme across the Outer Hebrides, Coll and Tiree. The RET scheme has resulted in lower fares on all ferry routes to these islands, which has increased their ferry traffic significantly (see 5.3). Evaluation of the scheme found that RET gave rise to around 12% more passenger traffic in year one of the Pilot, and a further 5% in the second year - a cumulative increase of 17% over two years. Some 30,000 additional visits were made by ferry to the Pilot area during each year of the Pilot and one fifth of all visitors say they would have not travelled to the area without the lowering of fares. Again this is a clear example of the price sensitivity shown by visitors and residents alike when planning their travel.

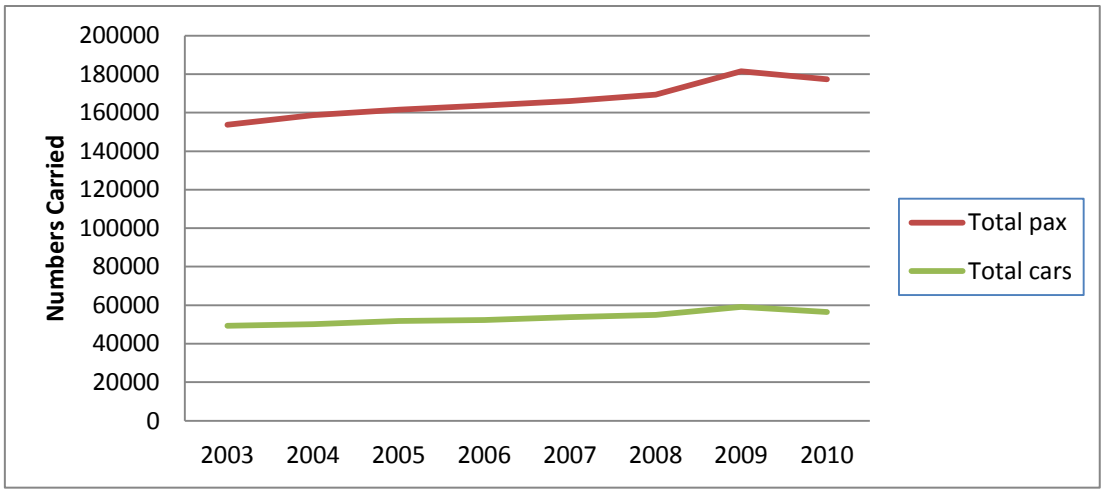

Figure 36. Combined carrying statistics for all Islay ferry routes 2003 to 2010.[54]

[52] Data from Orkney Islands Council
[53] Data from www.visitscotland.com
[54] Data from Caledonian MacBrayne

6.6.2 Visitor Numbers to the Isles of Scilly and the Cost of Travel

In contrast to figures for Cornwall and Scotland, visitor numbers in the Isles of Scilly have steadily dropped despite the apparent fashionability of 'staycations' elsewhere in the UK.

Figure 38 below compares the trend in visitor numbers to Scilly with the costs of travel. This demonstrates a correlation between the decline in visitor numbers to the Isles of Scilly with the increase in transport costs. Whether this is entirely a reflection of the increased cost of fuel and the associated price rises during this period is unknown but the current economic downturn is likely to result in a continuation of this trend as visitors become more mindful of their financial situations.

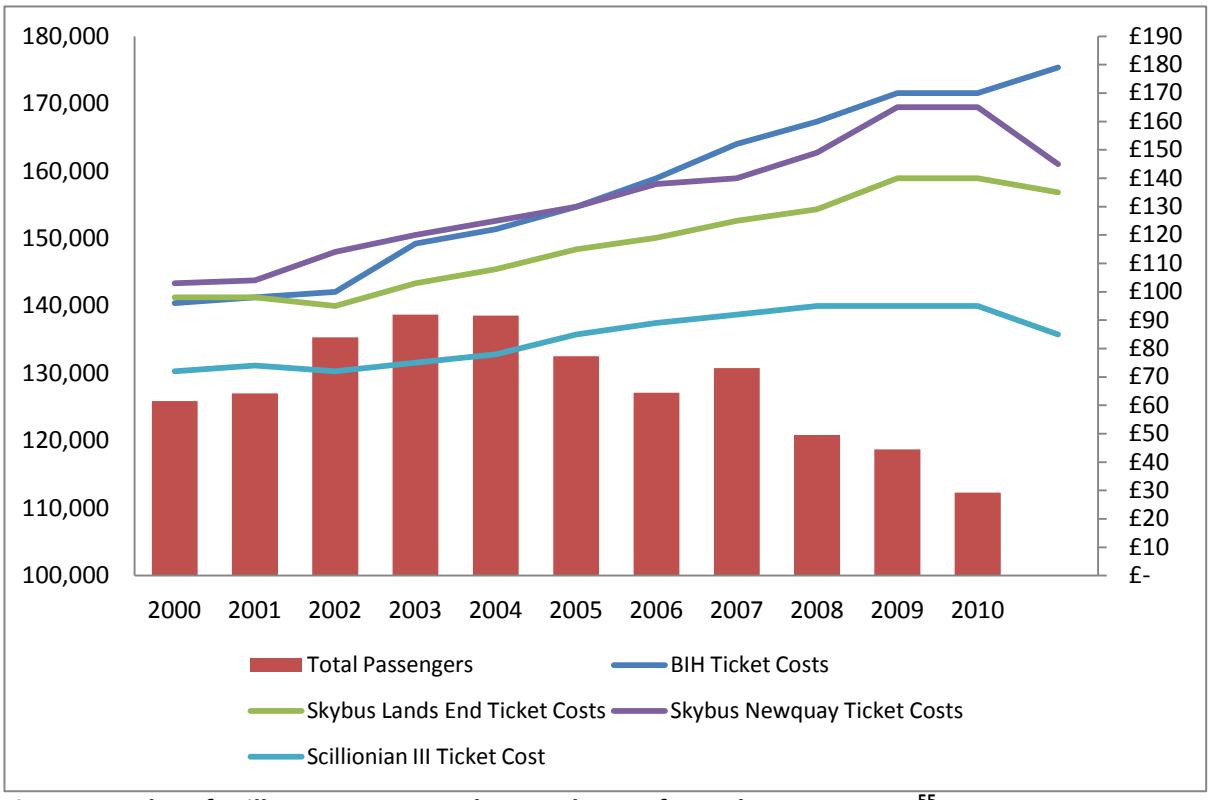

Figure 37. Isles of Scilly passenger numbers and cost of travel 2000 to 2010.[55]

It is clear that there is a trend for increasing tourism in mainland England and the Scottish isles generally but that the Isles of Scilly are losing market share and numbers of visitors in a reversal of the overall trend. On average the cost of transport to the Isles of Scilly compared to Scottish Islands is about 4 times as expensive for the equivalent distance, with the Scottish Islands being strongly subsidised.

6.7 Comparison of Travel Costs to Similar Island Communities

It can be seen from the following two figures that the costs per mile for both air (based on the cheaper Skybus to Land's End link) and sea transport is more expensive for the Isles of Scilly mainland link than for any of the other comparable island communities. This is particularly so for the ferry route. It is also worth recognising that most Scottish ferries are RORO meaning that transport includes the cost of the car. This is not an option for the Isles of Scilly with very few kilometres of road.

[55] Data from '*Future of Tourism on Scilly*' Blue Sail Report

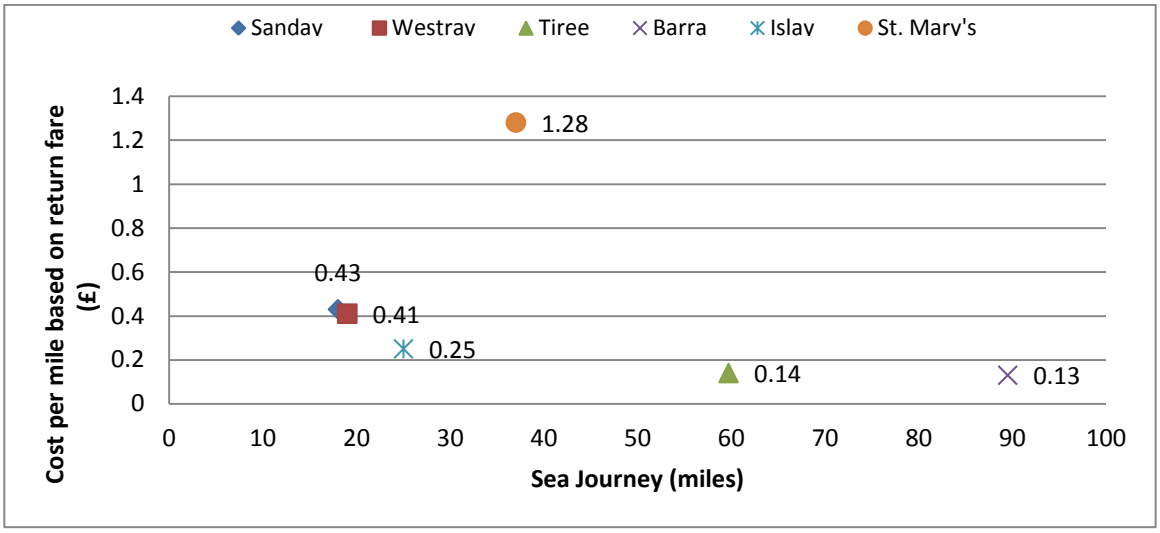

Figure 38. Cost comparison for island communities' mainland sea link.

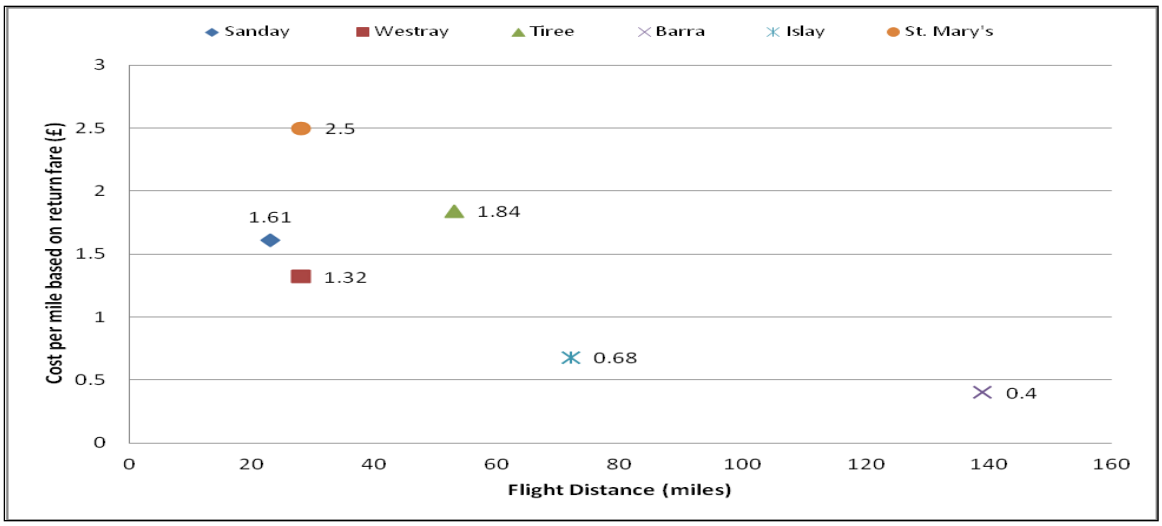

Figure 39. Cost comparison for island communities' mainland air link.

6.8 Comparison of Frequency of Island Community Sea Links

The average time for a single journey on Scillonian III is approximately 2hrs and 40mins. The ferry operates from the end of March to the end of October. During this period the ferry is timetabled to run 180 return trips, with one sailing per day Monday to Saturday in mid-summer and 4 per week in the shoulder periods (April and October). From November through to late March therefore, there is no passenger sea link to the islands (save a very limited availability on the Gry Maritha) and when the air links are disrupted by fog or high winds, it is possible for access to and from the islands to be all but cut-off for a number of days (see section.3.4.3 on flight disruption).

This is in stark contrast to Scottish islands of a comparable size and distance from the mainland as shown in figure 21; among these the Isles of Scilly is the only island community without a year-round boat. The Isles of Scilly also have the lowest number of return sailings per month when the ferry is running; with the other islands having between 1 and 4 return crossings per day, including Sundays.

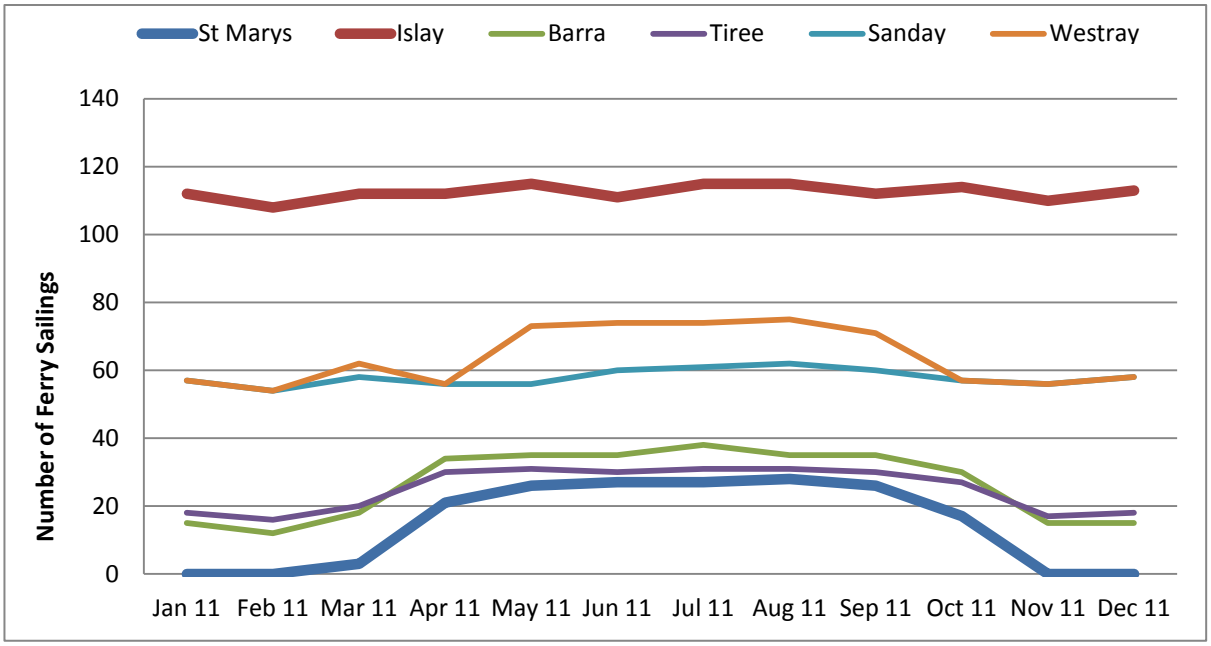

Figure 40. Comparison of the number of Return ferry sailings for selected island communities.

6.9 Freight Cost Analysis

As has already been stated, the Isles of Scilly relies upon the importation of almost everything in order to sustain its community and economy. This increases the cost to residents of any item that might be purchased from the mainland. Coupled with the low wages (Median Workplace Earning £13,660) that are the norm on the islands this can lead to significant quality of life issues. The issue also impacts businesses and the additional cost shows itself either as an inflated retail price or low profit margins for the business. This ultimately means that either the businesses are not being as profitable as they could be, or the customer is paying more for something than they should be.

6.9.1 Comparison of Food Retail Prices

The price of food is an important component of general living costs for any community. Below is a review of the impact that freight charges have on retail prices. Prices for the Coop on Islay in Scotland and the Coop in Penzance on the Cornish mainland are included for comparison with prices at St. Mary's Co-op.

Table 17. Comparison of food retail prices in the Isles of Scilly and Penzance, November 2011.

Basket of Goods	Scilly St. Mary's Coop	Mainland Penzance Coop	Scotland Islay Co op
Flora Original 500g *	£2.10	£1.90	£2.00
Bananas Loose	£1.60	£0.99	£1.65
Braeburn Apples Loose	£2.05	£2.10	£1.90
Orange	£0.50	£0.40	£0.40
Pepper	£0.84	£0.70	£0.85
Cucumber *	£0.97	£0.80	£0.95
Carrots	£0.70	£0.80	£0.90
Uncle Bens Sweet and Sour	£2.17	£1.93	£2.05
Bisto Gravy Granules 170g	£1.08	£0.98	£1.10
Cathedral Mature Cheese 350g	£4.39	£4.50	£4.39
Jacobs Creek Shiraz Rose (75cl)	£8.74	£7.79	£7.79
Pedigree Original 400g can	£0.83	£0.66	£0.75
Coca Cola 1.25Ltr *	£1.88	£1.59	£1.73
Andrex toilet tissue pure white 4 rolls	£2.92	£2.34	£2.86
Ariel 20 bio liqui tablets	£8.14	£3.43	£7.99
Kellogg's Crunchy Nut 500g	£3.27	£2.39	£3.29
Alpen Original 750g	£3.07	£2.79	£2.99
Tetley Teabags 250g	£2.48	£2.29	£2.48
McVities Hobnobs 300g	£1.57	£1.37	£2.15
Cravendale 2ltr semi skimmed milk	£2.21	£1.89	£2.09
Heinz Baked Beans 415g	£0.90	£0.69	£0.82
Heinz Tomato Ketchup top down 570g	£2.47	£1.90	£2.39
Heinz Mums own recipe 200g	£0.82	£0.70	£0.82
Total	**£47.64**	**£38.04**	**£46.59**

Table 18. Cost difference and percentage difference

Shop	Basket Cost	Cost Difference	% Difference
St Mary's Coop	£47.64	0	0
Penzance Coop	£38.04	£9.60 less	- 20%
Islay Coop	£46.59	£1.05 less	- 2.2%

Where possible, items have been compared on a like-for- like basis and from the same retailer (the Co op). There is over a 15% reduction in cost for a basket of food in Penzance compared to St. Mary's highlighting that the difference is a reflection of transport cost to the Isles of Scilly. . When the cost of food items from an alternative supplier is been included, representing the wider choice available on the mainland, the differential is even higher.e.g. A comparable basket of goods from Tesco Online costs just £41.15, a saving of over 25%. However, handling and delivery costs are not included in this price.

6.9.2 Comparison of Fuel Retail Prices

As can be seen from Table 10 all fuels in the Isles of Scilly are significantly more expensive than across on the mainland in Penzance and also in Islay.

Table 19. Differential in fuel costs in the Isles of Scilly, Penzance and Islay, November 2011

Fuel	Sibley's (Isles of Scilly)	Penzance	National Average Price	% Price Increase between Penzance and Scilly	% Price Increase between National average and Scilly	Price in Islay	% price increase between Islay and Scilly	% price increase between National average and Islay
Unleaded per litre	£1.70	£1.34	£1.36	**27%**	25%	£1.48	**15%**	9%
Diesel per litre	£1.68	£1.39	£1.40	**21%**	20%	£1.55	**8%**	11%
Heating oil	0.73	0.66	£0.59	**11%**	24%	£0.61	**20%**	3%

This is a particular important for fuel poverty where recent statistics issued by the Department for Energy and Climate Change (DECC) state that 40.9% of households on the Isles of Scilly are in fuel poverty (10% of the household income spent on heating and energy), the highest in England.

The 5p fuel discount recently announced by the Treasury for petrol and diesel for road vehicles[56] is welcome but unlikely to make a significant difference to households incomes as the islands have only 9km of road.

6.9.3 Cost of Freight to the Construction Sector

The additional costs of building in Scilly, due principally to costs associated with freight, have a significant impact on the cost of build projects in Scilly with the Homes and Communities Agency and others assessing the cost at 43% uplift for St. Mary's and at least 50% higher on the off-islands than for an identical project in Penzance. This is entirely due to the costs of importing materials and workers to the islands. Consequently the islands score very poorly on value for money and are significantly disadvantaged when applying for funds for development projects The average price for building materials purchased at Scillonia Building Supplies in Scilly is 99.2% more expensive thanfor identical building materials purchased at Bradford's Redruth

It is clear that building on Islay also has additional uplift factor as the costs are significantly higher than Penzance, but still on average 63.3% cheaper than the Isles of Scilly.

[56] The Hydrocarbon Oil and Biofuels (Road Fuel in Defined Areas) (Reliefs) Regulations 2011, UK Statutory Instruments, No.2935

Table 20. Differential in building freight costs in the Isles of Scilly, Penzance and Islay 2010.

Building Materials	Scillonia Building Supplies, St. Mary's	Bradford's, Redruth	Islay Prices
50mm x 38mm (2"x11/2") sawn timber per metre	£1.41	£1.06	£1.27
75mm x 15mm (3"x5/8") skirting (bullnose) per metre	£1.86	£1.00	unavailable
1ft 6" x 6ft 6" internal door 6 panel	£39.12	£38.39	unavailable
WBP exterior plywood 2440mmx1220mmx12mm	£38.09	£20.56	£28.74
Plasterboard 2.4mx1.2mx12.5mm	£12.04	£4.70	£6.54
Aggregate 25kg bag 20mm/0mm	£4.52	£1.94	£2.73
Sand bag 25kg	£4.52	£1.94	£2.58
4" Concrete blocks 100mmx225mmx450mm	£2.41	£0.81	£1.14
Natural Slate 500mmx250mm	£1.97	£1.18	unavailable
Floor tile grout grey 5kg	unavailable	£5.58	£5.97
Average % price difference per item to Scilly	**n/a**	**-99.2%**	**- 63.3%**

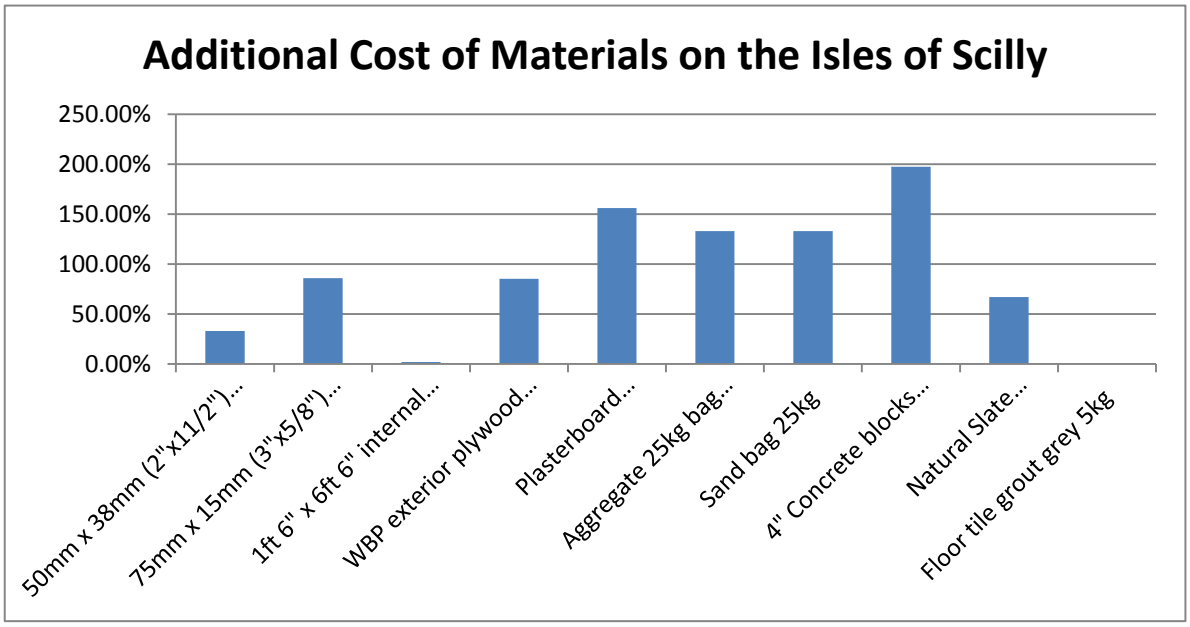

Figure 41. Impacts of freight charges on the cost of building materials in the Isles of Scilly.[57]

[57] Data for 2010.

6.9.4 Cost of Freight to the Farming Sector[58]

Scilly's remoteness means that farm businesses face higher capital and running costs when operating from an island locale. Operating from an off-island location only further exacerbates this issue, with off-island farmers typically paying an additional £63 freight charge on top of a (600kg) bag of fertilizer costing £200 from Cornwall Farmers - an uplift cost of 31.5%, and £2.60 on a (25kg) bag of animal feed costing £7.60 – an uplift cost of 34%. Hypochlorite required for cleaning sensitive areas such as dairies and milking parlours costs £9.50 per 20Ltr drum to purchase, the freight on shipping this item, classified as hazardous goods, is £9.80, an uplift cost of 103%. In addition, island-based farmers face significant operational difficulties, for example issues associated with moving livestock and goods from one locale to another via boat, crane and exposed quays (see Fig 19). These factors are further exacerbated by the extremely small size of farm holdings and field sizes, a shortage of natural resources (water), exposure to the full force of regular Atlantic gales and thin acidic soil conditions.

Table 21. Steamship Company Freight Charges from Penzance to the Isles of Scilly for farm goods.

Item	From Penzance to St. Mary's	From Penzance to the Off-islands
Livestock Trailer	£100 return	£120 return
Fertilizer/Feed/Chemicals	£86.55/ton	£103.86/ton
Building Materials	£160/ton	£192/ton
Agricultural Machinery	£90/ton	
Aggregates	£60.65/ton	£72.78/ton
Flower Bulbs	£49/ton	-
Flat pack flower box	£1.97 (£250/tonne)	-
Slaughtered & Butchered Beef per cow	-	£40

It is difficult to assess and compare the cost of farm materials as Islay has its own abattoir so livestock rarely travel live on the ferry, and it does not grow flowers. They also have their own farm supplies company therefore the cost of freight is absorbed.

[58] The Isles of Scilly Farm Initiative

6.10 Inter-island Transport Comparisons

In addition to looking at transport links between Scilly and the mainland, comparisons can be made between the off-islands (St. Agnes, Bryher, Tresco, and St. Martin's) and similar small islands in Scotland linked to a larger main island (or in the case of Gigha, the mainland). Four islands in Scotland are similar in a number of aspects to the Scillonian off-islands, as outlined in the following table, using St. Agnes as a representative Scillonian of-island.

Table 22. Details of UK island communities of a similar size and distance to the mainland or associated main island.

Island	Location	Population	Main island port (miles)	Total ferry passengers 2010	Economy notes
St. Agnes	Isles of Scilly	73	St. Mary's (3)	32,779[59]	Tourism, Flowers, perfumed oil products, dairy and chocolate
Iona	Inner Hebrides	125	Mull (1.04)	233,194	Tourism, Religious Centre
Gigha	Inner Hebrides	110	Kintyre (2.5)	66,539	Livestock farming, Tourism
Fetlar	Shetland	86	Yell (2.8)	163,994	Tourism
Papa Westray	Orkney	65	Westray (5)	387[60]	Tourism, shortest scheduled flight in the world, Birds

Of these islands, Fetlar in Shetland presents the most similarities and is dealt with in greater detail in comparison to St. Agnes in the following pages.

[59] Data from St. Agnes Boating.

[60] Data from Orkney Council Ferries – does not include data for passengers continuing on the ferry from Westray to Kirkwall, for which no charge is made.

6.10.1 Fetlar, Shetland

Fetlar, situated just under 3 miles from the island of Yell in Shetland, is similar in a number of aspects to the off-islands of Scilly. It is of a similar size and scale to St. Agnes (used here as an example Scillonian off-island), is linked to Yell, has a population of 957 people and like St. Agnes has an economy heavily dominated by tourism. Due to short distances, the transport link for both islands is wholly sea based. As with the links comparable to those from St. Mary's to the mainland, it can be seen from the table below that inter-island boat services are more frequent for Fetlar than St. Agnes and further moreno charge is made for the crossing in Shetland either for foot passengers or for vehicles with freight.

St. Agnes to St. Mary's

Population: 78

Distance: 3 miles

Frequency of travel: Scheduled boats once a day 10am out 4pm return; charter service available

Duration: 20 mins

Cost: £4.10 single (cost per mile £1.37); charter single £40

Vessel: MV Spirit of St. Agnes capacity 100 pax

Ownership: St. Agnes Boating

Freight: Separate freight service operated by IOS Steamship Co. on the Lyonesse Lady; £2.20 per parcel 1-10kg

Hamars Ness, Fetlar to Gutcher, Yell

Population: 86

Distance: 2.8 miles

Frequency of travel: 6-9 scheduled returns weekdays, 4 on Sundays; 0750 - 2335

Duration: 30 mins

Cost: No charge

Vessel: MV Bigga and MV Giera both capacity 125 cars and 86 pax

Ownership: CalMac

Freight: No charge for vehicles or plant up to and including 7.5m

6.10.2 Comparison of Inter-Island Travel Costs

From the graph below it can be seen that travel between the islands in Scilly is more expensive on a costs per mile basis than for all similar 'off-island' island communities.

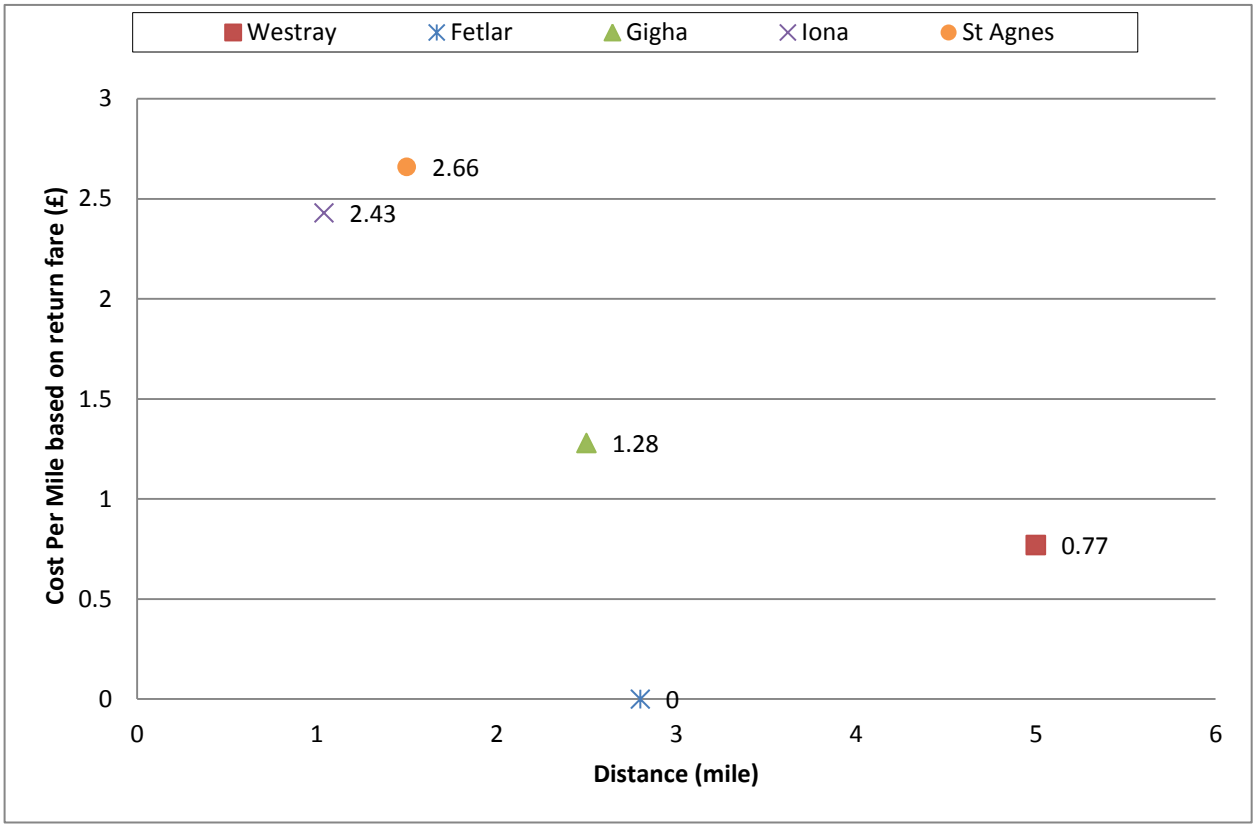

Figure 42. Cost comparison for island communities' sea link to the mainland or associated main island.

6.10.3 Comparison of Inter-Island Freight Costs

Freight to the off-islands is currently transferred from the Gry Maritha (and to a lesser extent the Scillonian III) to the Lyonesse Lady at St. Mary's Quay for onward shipment. There is a facility with the two current boats for off - loading directly to the Lyonesse Lady without handling onto the quayside. Current freight movements include the import of all supplies; household goods, groceries, vehicles, livestock, pallets of building materials, camping gear, etc , with the exports including refuse (to the incinerator site) and hotel laundry etc. This service is currently provided by the Steamship Company as an extension to the mainland service. This is costly to provide, but takes advantage of efficiencies, for example, employment of staff at St. Mary's Quay to handle freight both from the Gry Maritha and transfer to the Lyonesse Lady. Freight Services to the off islands currently operated run 6times a week with times depending on the tides.

The Steamship Company has a contract with the Post Office to deliver mail to the off-islands. This is currently operated twice daily with delivery in the morning and a pick up in the afternoon. This is on a separate boat which is smaller and faster and also used when the Lyonesse Lady is undergoing maintenance and when smaller loads of perishable items require transfer. The Post Office is seeking to reduce costs and are looking to reduce the service to once daily (with delivery and collection combined). The Steamship Company say this will have knock-on impacts in terms of the viability of the stand- alone service.

7 Next Steps

Over the next few months, the newly formed Transport Strategy Committee, of the Council of the Isles of Scilly, intends to survey the island community on its transport needs. (Community requirements as expressed in this report are based on the results of the survey undertaken in 2003 by Fisher Associates prior to the formulation of the Route Partnership project.)

Minimum Service Levels are identified as:

Ferry Services
All year round frequent passenger service
Fares equivalent to Scottish islands
Faster and better sea-keeping vessel
Improved passenger comfort and on board facilities
Improved accessibility
Better connections to mainland public transport services
Improved facilities at St. Mary's and Penzance Harbours
Ferry design to optimise tourist experience
Regular freight service with affordable charges

Air Services
All year round frequent passenger service
Fares equivalent to Scottish islands
Improved accessibility
Better connections to mainland public transport services
Measures to minimise weather delays
Improved passenger comfort at passenger terminals

The Council of the Isles of Scilly and partners are looking to address these issues, by use of resources available from government agencies and the EU. The current project to improve St Mary's Quay would help to resolve issues with better facilities at St Mary's Harbour. The lengthening of the quay will facilitate the IOSSCo in its search for replacement freight and passenger vessels.

The Isles of Scilly Council operates St Mary's Airport and is working with consultants Parsons Brinkerhoff to understand what could be improved at the Airport to facilitate less disruption and better facilities. The outcome of this has been identified by the Cornwall and Isles of Scilly Local Enterprise Partnership as a priority project for accessing their Regional Growth Fund (RGF) Programme matched with European Funds.

These infrastructure projects, however important, do not address the primary issue for island residents of high personal transport and freight costs and a lack of modal choice in the winter.

To address these issues would require a revenue subsidy similar to that received by other off shore UK islands in Scotland and Northern Ireland. At present, the IOSSCo and BIH have to charge residents enough for freight and transport so that they can continue to operate profitably. It is not profitable

for the IOSSCo to provide a winter boat service nor run the ferry more than once a day. Also, they need to be able to generate a healthy reserve for replacement vessels and aircraft.

The situation has become more challenging for all transport operators to and between the islands with declining numbers using their services.

For Scilly to compete more successfully with mainland destinations and other UK islands, and for improved access to services on the mainland for residents, a less expensive transport system for the customer is sought There is already a hidden subsidy on the transport routes via payment from public bodies which struggle to provide services on the islands and pay higher prices for goods and services. A revenue operating subsidy could save money in the long term as the subsidy would be transparent and open to audit, rather than an extra cost attached to every service on the islands.

The long term objective of this report, and the capital infrastructure works being proposed at present, is to avoid a situation of market failure, when the Government would be forced to step in at potentially great cost to avoid a potentially serious problem as the private sector could no longer afford to provide the current services.

The next logical step is to analyse the transport and freight cost charged to all public bodies serving the Isles of Scilly, such as the NHS (and all its services), the Council of the Isles of Scilly including the Five Islands school and other education services, government departments such as Defra, CLG, the Home Office, the Police and Justice systems. This would include not only freight and passengers but uplift costs on capital projects and IT projects etc. A similar analysis should be undertaken of a sample of families and businesses to understand the true cost as a percentage of income and profits, and to fully understand the barrier this presents to business growth.

In parallel, a study is needed to assess the full revenue implications to government of implementing a revenue operating deficit on the route providing an acceptable minimum level of service. At this point a cost benefit analysis could be undertaken to assess whether the cost of the revenue subsidy would be greater than the combined costs to all those public bodies that currently pay separately for freight transport services.

There is a need for a detailed analysis of State aid and review of all implications of the cost involved in a full and open tendering process. In certain cases a simplified tendering procedure has been proposed for small island routes. These are defined as routes carrying fewer than 300,000 passengers per year, especially where there is a strong seasonal bias in traffic, which is applicable to the Isles of Scilly route. Also Commission Decision[61] provides that if a ferry operator has an average turnover of less than €100million and receives an annual subsidy of less than €30million, or carries fewer than 300,000 passengers per year, the subsidy does not need to be notified to the Commission. This means that whether there is an obligation to notify the Commission depends on the scale of ferry operation and the level of subsidy provided. Again, this is applicable to the Isles of Scilly route and may make any application easier and less complex.

These studies would provide the information required to make a full business case for a revenue subsidy for the route and improvements to the service and apply for the state aid notifications potentially required for the subsidy to be implemented.

8 Background Reports for Reference

Route Partnership Proposal

The report gives detail of the Route Partnership proposal which was rejected by the Department for Transport in March 2011. The preferred proposal "Option A" was for the redevelopment of Penzance Harbour including the reclamation of land behind the current harbour wall, with new passenger and freight facilities built on South Pier and the reclaimed land. Improvements at St Mary's Harbour involved the lengthening of the Quay by approximately 20 metres and the widening of the Quay by around 12 metres. Further development works would provide a new wave wall, new access road, improved freight compound and pedestrian area. The provision of a new combined freight and passenger vessel was a key component of the overall scheme. Full report available from the Council of the Isles of Scilly.

Medical Travel from the Isles of Scilly

Report by Link4Scilly Feb 2012

Travel and transport restrictions fundamentally affect how islanders access and experience medical treatment and care. Ever since Link4Scilly started gathering feedback and learning about peoples' experience of health care it has been found that travel is a feature of nearly every issue taken up. It is necessary to increase awareness of the restrictions and difficulties of the journey when planning health services as an aid to 'joined up' planning. Because of the current concern and uncertainty about transport links, it is essential to ensure that the perspective of medical travel is included in the debate and in efforts to secure sustainable transport services in the future.

Report available from Link4Scilly, Thorofare, St. Mary's, Isles of Scilly TR21 0LN 01720 423037 contact@link4scilly.co.uk

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Scillonian III on departure from St Mary's