

Arran Community Council welcomes the prospect of the introduction of RET on the Clyde coast routes.

At present the Scottish government have not finalised the details of the scheme but they have indicated that there will be widespread consultation on the form it will take before its introduction.

We want to gather all views from the community to help arrive at an island consensus which we will pass to the Scottish Government to ensure that in the long term RET will be advantageous to the communities on Arran.

A full report on the current pilot scheme in the Western Isles has been prepared for the Scottish Government by Halcrow Group Ltd.

Titled:

Assessment of the Impacts of the Road Equivalent Tariff Pilot

Draft Final Report

Dated - March 2011.

which is available at: <http://www.scotland.gov.uk/Topics/Transport/ferries-ports-canal/14342/Road-Equivalent-Tariff>

Since this report is 145 pages in length we have extracted the **Summary and Conclusion** section for your information.

We would appreciate any views on this topic and will support an on line discussion page on the website.

Please submit any comments using the "Contact Us" form on the website.

12

Summary and Conclusions

12.1

The RET Pilot Project

12.1.1

The Road Equivalent Tariff (RET) is a theoretical means of setting ferry fares based on the cost of travelling an equivalent distance by road. As a matter of equity RET is designed to put island communities on an equal footing in terms of the cost of travel with similarly located mainland communities. The intention behind RET is that it reduces the economic disadvantage suffered by remote island communities, and that it will therefore enable the islands to make a bigger contribution to the economic prosperity of Scotland.

12.1.2

The location for the RET Pilot was determined by the Scottish Government after consideration of the evidence of economic problems arising within different island communities, but also bearing in mind the need for a self-contained area in which the concept could be piloted and monitored.

12.1.3

The Western Isles have been historically characterised by higher levels of declining population and poorer economic performance in comparison to other parts of Scotland and also Scotland as a whole. For these reasons the Western Isles are regarded as a particularly fragile economy and the routes serving the Western Isles were therefore identified as the Pilot routes.

12.1.4

The RET Pilot Project sets out to understand through a real-life project how a change in ferry pricing can influence transport decisions in remote island economies and, more importantly, the consequent impacts on the island economies. This study therefore examines both the change in travel demand following the price change and the impact that this has had on the economy of the islands. It also examines the impact of lower fares on the perceived quality of island life.

12.1.5

The RET Pilot commenced operation on 18th October 2008. The Pilot was initially due to operate until spring 2011, although the Scottish Government subsequently announced that RET fares would be extended by one year until spring 2012.

12.1.6

The Pilot is operating on all services between the Western Isles and the Scottish mainland, namely:

- Ullapool – Stornoway;
- Uig – Tarbert/Lochmaddy;
- Oban – Castlebay/Lochboisdale; and

- Oban – Coll/Tiree.

12.1.7 The fare reductions ranged from 14.3% for a single car fare on the Oban – Castlebay/Lochboisdale route to 53% for a CV fare on the Uig – Tarbert/Lochmaddy route. Passenger fares fell by on average 40%. In introducing the RET fares, all previous discounts were removed. These had included discounts for multi-trip tickets for frequent travellers and off-season discounts for island residents.

12.2 ***Increased demand***

12.2.1 There was an increase in passenger and vehicle traffic between 2007-2008 and 2008-2009 across the whole Scottish ferry network, but this has been most pronounced on the RET routes. 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.

12.2.2 Within the overall level of growth, car traffic increased proportionately by almost 50% more than passenger numbers, implying that car users were more responsive to the change in the fares regime than foot passengers.

12.2.3 Although increases in traffic were noted year round, a consequence of the change in travel patterns is that the peak has become more marked as a proportion of the annual traffic, with implications for coping with peak period demand, especially for car traffic.

12.2.4 The increase in commercial vehicles traffic was only 8% over two years, and has been a second order response to changes in business activity on the islands rather than a direct response to lower fares.

12.2.5 Due to the increase in motor vehicle traffic on the ferries, both residents and businesses have noted increasing difficulties in getting on the sailings on the routes and at the times they require. The overall increase in demand, and especially the requirement for deck space for large vehicles and some specific loads, has caused particular problems. On occasion this has resulted in journeys being cancelled; on other occasions additional costs have been incurred through the loss of perishable goods and the cost of feeding livestock, as well as staff and accommodation costs for drivers. Fuel supplies on Coll and Tiree were reported to be unavailable for several days because the fuel tanker could not be accommodated on the ferry. These problems are not therefore insignificant to the hauliers, to the businesses they support or the residents.

12.3

Impact on tourism

12.3.1

Some 30,000 additional visits were made by ferry to the Pilot area during each year of the Pilot. The greater part of the increased visitor numbers is made up of people who say they would have otherwise visited another destination in Scotland. One fifth of all visitors say they would have not travelled to the area without the lowering of fares. 5% of all visitors claim they would have visited another island and 9% would have made a visit to another mainland destination. Only 6% (10,200 people) say they would not have travelled at all and some of these may have been visiting friends or relatives resident on the islands.

12.3.2

Feedback from accommodation providers indicated that nearly three quarters had experienced increased levels of occupancy since the introduction of RET, which is confirmed by VisitScotland data. There is some evidence that the season has been extended and this outcome is consistent with the increased seasonal travel demand on the ferries. Nevertheless the greater part of the additional tourist demand occurred in the traditional peak months of July and August, putting additional strain on capacity. This was reflected in more difficulties for residents and businesses in getting the routes and times they required for their own travel.

12.3.3

Over the two year Pilot period the majority of existing tourist businesses had experienced higher demand and a longer season. Some of this can be attributed to wider economic events, such as the rise in domestic tourism which followed the onset of recession and the Homecoming Scotland events. Nevertheless the tourist expansion in the RET Pilot area outstripped performance elsewhere. Only a small part of the extra demand was abstracted from other island communities, and some also from the mainland, but much was newly generated trips, both from first time visitors and from an increased frequency of visits to the area.

12.3.4

The secondary data support the assertion that business performance has improved within the tourism sector with rates of occupancy higher than before the introduction of RET. The Western Isles experienced the highest proportional increase in the number of tourist sector businesses, and also increased employment in this sector, though greater growth in these factors were recorded in Orkney despite the benefit to the Western Isles of RET.

12.3.5

There is limited evidence that in the short-term low-value tourism, and especially camping and motorhome visitors, have been more responsive to RET than other sectors. The modest 4% increase in turnover of tourist related businesses supports this conclusion.

12.4 ***Impact on non-tourist businesses***

12.4.1 RET has made a positive impact on haulage businesses by lowering costs. Hauliers recorded savings amounting to an estimated 50% of ferry costs. However this represented a smaller proportion of total transport costs. Whilst these will have varied considerably depending upon the mainland origin/destination, the type of vehicle and the product carried, these were estimated at an average of 10% of haulier business costs.

12.4.2 A large proportion of the reduction in ferry costs have been absorbed by haulage businesses and not specifically passed on throughout the supply chain, although reduced ferry costs may have offset other cost increases and enabled prices to be pegged where they would otherwise have increased. In a few cases lower ferry fares have given island firms an opportunity to increase market share in mainland markets. There is some limited evidence of mainland businesses responding by competing on the islands as a specific consequence of RET. Hauliers have also seen an increase in businesses transporting their own goods instead of contracting haulage, which was attributed to the ending of multiple-trip discounts which had given a cost advantage to local hauliers making frequent use of the ferries.

12.4.3 A small number of firms were identified which had expanded into mainland markets. Examples included both transport and distribution and also fish processing. Conversely there was an example of a mainland business securing new business in the RET area. There had also been an increase in businesses undertaking the transport of their own goods rather than using haulage companies. These trends were attributed to the ending of multiple-trip discounts which had given a cost advantage to local hauliers making frequent use of the ferries. Both these changes were small in relation to the overall trade and traffic, but it is to be expected that competition may increase in the medium or longer term if RET becomes permanent.

12.4.4 The responses to the business survey indicate only a very limited impact on firms which use the ferry for exporting in terms of enhanced business performance relative to other firms. Nevertheless, there appears to be a number of examples of firms taking advantage of RET to compete more effectively in mainland markets and increase their level of exports from the Western Isles. The extent to which this occurs will depend on the level of entrepreneurialism and dynamism within the local business base. It is to be expected that competition may increase in the medium or longer term if RET becomes permanent. Business decisions, especially where investment is required, will tend to lag behind the growth in the market, and some will be deferred until there is certainty that lower fares will become permanent. The early indication of increased employment

and greater business confidence may be expected to increase over the medium term beyond the time horizon of the Pilot.

12.4.5 The overall number of personal business trips has increased for a large number of firms, and it is claimed that this was largely due to lower fares through RET. Lower ferry fares had also been a significant factor in shifting some business journeys from air to ferry, with the particular benefit to businesses of being able to take the car at a lower cost. The real benefit to businesses from being able to make more trips has not however been assessed.

12.4.6 Despite some businesses and residents saying that they have switched travel from air to ferry as a result of RET, primarily because they wish to take their car with them, it is not evident from the data on air traffic at the island airports that air services have lost a significant volume of traffic.

12.5 ***Impact on employment***

12.5.1 Until 2008, and into the first year of the Pilot, the Western Isles featured higher levels of unemployment than benchmark island communities and Scotland as a whole. Despite a modest increase in employment and a fall in unemployment, the Western Isles has fared less well than Scotland as a whole and than most comparator areas. The growth in hotels and restaurants and in transport may be related to RET sectors but has barely offset the fall in employment in manufacturing and agriculture. It is to be expected that, if RET has had any impact upon employment, this will lag behind other impacts as the initial response of businesses to an increase in trade will typically be to make better use of existing staff, and it will take time for businesses to gain the confidence that market conditions will support the costs of taking on more staff.

12.5.2 There was a perception that the employment situation has become more difficult over the past two years. Yet the largest change in attitudes to island life between 2008 and 2010 was in respondent's average satisfaction with their present job, which improved quite markedly between the two dates. Whilst it is difficult to attribute this to RET, it certainly may reflect the marginal improvement in employment levels in the Western Isles over the period which may have some connection with RET.

12.6 ***Cost of living***

12.6.1 The fuel price data provide some evidence to suggest that the differential between the price of fuel in the Western Isles and in the central belt has reduced subsequent to the introduction of RET. In August 2008, the Western Isle was the most expensive place in Scotland to purchase diesel, but this was no longer the case in 2010. Whether this relative reduction in the price can be attributed to RET is however unproven as the fuel distribution system does not use the ferries except to Coll and Tiree. No

evidence was found to suggest that RET had had any effect on house prices.

12.7

Impact on residents

12.7.1

Residents are making greater use of the ferry services since RET with 22% more trips to the mainland.

12.7.2

Overall RET has induced an increase in the frequency of visits by residents to the mainland by ferry to purchase goods and services. Although roundly half of all residents do not shop on the mainland, around one third claimed to make more trips to the mainland for shopping since RET than before. There was little difference between food and non-food shopping. This was also consistent across island groups, although a higher proportion of the residents of Coll and Tiree indicated that their travel was unchanged since the introduction of RET, perhaps because they had always made more trips per head for these purposes than the residents of the other islands.

12.7.3

Residents visit friends and family more now since the introduction of RET, especially younger people. There was also a significant increase in visits to the RET area by friends and family living on the mainland. This result was also observed on the individual islands and island groups.

12.7.4

However, whilst these observed increases in the frequency of trips were exhibited across all social groups, those with disabilities, older people and those on limited incomes were least likely to make additional trips.

12.7.5

There has been more of an impact in terms of leisure related trips since the introduction of RET. While the majority of residents indicated that they do not use the ferry services for leisure related trips, of those that do, a large proportion state that they travel more now due to RET. Young people took most advantage of the opportunity to travel more for leisure. Results are consistent across the island groups with the exception of Coll and Tiree, where residents were less likely to cite increased leisure trips by ferry as a result of RET.

12.7.6

Overall it was the young people amongst the resident population who claimed to have increased their travel most following RET, making increased trips for visiting friends and family, for shopping and for leisure, and to access health services.

12.8

Coll and Tiree

12.8.1

There were generally markedly different attitudes to the ferry service and RET from Coll and Tiree. These small islands reveal more dependence upon the ferry for basic services, including shopping, health and education related trips. Their ferry service may perhaps fairly be

described as a lifeline, with many more trips for what may be considered 'essential' purposes. This is likely to be a reflection of lower levels of provision of such services within the islands themselves. However, as a consequence perhaps, they have not reacted to RET by making the same increase in ferry travel as other parts of the Pilot area. The ferry between Oban and Coll/Tiree has experienced the lowest level of traffic growth, and the residents report the least increase in the frequency of their trips to the mainland.

12.8.2 By contrast the greater response to lower fares exhibited from the other islands demonstrates that more of their travel is 'optional' in the sense that they managed to meet their needs with fewer trips to the mainland before, but have taken advantage of lower fares to access mainland facilities and friends more frequently. Correspondingly the residents of Coll and Tiree showed the greatest improvement in satisfaction with their access to goods and services, implying that the lower cost of accessing the mainland was a real benefit. Coll and Tiree residents reported the greatest improvement in their satisfaction with life over the course of the study, though whether this is attributable to RET cannot be proven.

12.8.3 There was also a different attitude to RET expressed by residents of Coll and Tiree and the other islands. Whereas a majority of all respondents considered RET a good thing for their community, a large minority (42%) of those on Coll and Tiree identified that that increased tourism has side effects which damage the unique island culture or impact adversely upon the island environment.

12.8.4 Overall it is possible to summarise that the residents of Coll and Tiree benefitted very directly from RET through cheaper access to essential goods and services, even though this did not result in a great many additional trips. They benefitted less from increased economic activity, and indeed felt that additional tourism had harmful impacts on island life, not least when fuel supplies dried up because the fuel tanker could not be accommodated on fully booked sailings.

12.8.5 Across all groups there was a strong perception that RET had made the islanders more accessible to mainland services even amongst those who reported no change in travel behaviour as a consequence. This positive perception may contribute in a small way to satisfaction with the quality of life.

12.9 *Extension of RET to other routes*

12.9.1 The overarching finding of this report is that, apart from tourist travellers and leisure trips, demand for ferry services is relatively inelastic. Demand rose, but generally not enough to offset the reduction in value of each fare. As a consequence, to sustain the current price level on the Pilot

routes will require long-term increase to the subsidy provided to the ferry operator. Extension of RET to other routes will similarly result in less income and increase the subsidy requirement.

12.9.2

There are routes and categories of traffic where existing fares are at or below the RET structured fare. Excluding these, the extension of RET to additional routes will further increase the revenue deficit on the ferry services. The loss of fares revenue across the whole network might amount to some £14 million pa assuming that capacity is available to carry the additional trips that might arise. This notional figure would be lower if RET were to be applied even where the consequence would be an increase in the current fare.

12.9.3

However on some routes there would not be the capacity to cater for an increase in demand of this magnitude and, as a worst case if RET fares were introduced but no additional demand could be accommodated, then the loss of revenue is estimated at £21 million pa. Alternatively on some routes there could be additional costs incurred to resolve capacity issues so as to cater for the consequent levels of higher demand.

12.9.4

Potentially the greatest growth in demand from RET would arise on the Clyde routes, where an estimated 40% increase in traffic might be generated on the basis of the results observed in the Pilot Scheme. However this provisional conclusion must be tempered by consideration that the short and frequent Clyde services are in many ways dissimilar to the long and infrequent sailings in the study area. On the Clyde day trips are a feasible option, opening up those islands and peninsulas to a range of travel behaviour (commuting, shopping and short leisure trips) that simply are not feasible in the study area, regardless of the fare.