Scottish Government

Road Equivalent Tariff Study
First Monitoring Report – Summary
July 2009

Halcrow Group Limited

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1 Introduction

The Scottish Government's Road Equivalent Tariff (RET) ferry fares Pilot scheme commenced on the 19th October 2008 and will operate until spring 2011. The Pilot scheme operates on the route between Oban and Coll/Tiree and all the existing routes sailing between the Western Isles and the mainland comprising the ferry services between:

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

The Pilot will be monitored on an ongoing basis and will include the gathering of ferry traffic data; economic data and undertaking of surveys with residents; businesses and ferry passengers.

The purpose of this paper is to provide a summary on progress with the monitoring of the RET Pilot scheme and emerging findings.

The intention is to produce these papers at intervals during the Pilot scheme. Depending on the type and nature of information available to report on, it is expected the balance of material will vary between papers, this first paper majors on baseline data and includes some data from the first two survey periods following the start of the Pilot in October 2008.

The paper is structured as follows:

- Ferry Traffic (Patronage).
- On-board Passengers.
- Residents.
- Business and Freight.
- Tourism.
- Economic data.
- Housing and Land Market.

A summary of the monitoring programme is attached at Annex A.

This paper is supported by an annex containing a separate database of tables which will inform the Evaluation, and enable the reader to explore in more detail an area of particular interest. In due course, Evaluation Reports will be produced providing an analysis of the impacts and significant outcomes of the Pilot.

Emerging Findings

Carryings: During the first low period (defined as November 2008 to February 2009 inclusive) carryings show an increase in passenger and car numbers on RET routes compared to previous years. There has also been growth on other routes as well over the same period, with the exception of the Inner Hebrides where there was a decline in passenger numbers.

On-board and Resident surveys: The on-board surveys illustrate the majority of passengers travel with a vehicle on-board the ferry with costs being considered the greatest constraint on frequency of trips by both residents and visitors. The resident survey completed in late 2008 illustrated similar findings. The resident survey also highlighted the predominance of visiting friends and family; shopping and holiday as key trip drivers.

Accommodation Surveys: Surveys with Accommodation providers also identified cost of transport as being a key measure to address in terms of increasing tourism to the islands. The surveys illustrated a fall in occupancy between October 2008 and February 2009 which is to be expected given the seasonal nature of tourism.

Business Surveys: The business surveys completed in October 2008 and February 2009 received a low level of response and failed to provide a statistically robust sample. As a result the approach to engagement with the business community is under review. In early 2009 a series of public meetings were held in the Western Isles; Coll and Tiree to discuss the RET Pilot scheme and potential economic opportunities for local communities. A number of recurring issues were identified at the meetings, including concerns over capacity especially in the peak season; difficult for companies to pass on savings especially when using small vans where savings are relatively small and the reduced flexibility in the ticketing structure with return journey tickets only valid for one month and the removal of six journey booklets.

Price Surveys: Price survey data for groceries and household items shows very little pattern of prices being higher on the Scottish islands as opposed to the Scottish mainland. In contrast, baseline fuel prices were substantially higher for the islands compared to the regional centres in the Scottish mainland. The price differential in the February 2009 survey period was less pronounced.

2 Ferry Traffic Data

Rationale

The rationale for measuring ferry traffic is that, as RET has significantly reduced the cost of ferry travel, it might be expected to see an increase in patronage on the RET affected routes relative to the rest of the network.

It is intended to look at carryings data to establish whether (a) there has been a change in patronage on the RET routes and (b) whether that change might be attributable to RET. For this purpose comparable data is being collated for the Pilot routes and a range of other ferry routes. Carryings can clearly be impacted by wider factors such as the weather; port/harbour infrastructure work and this information will also be sought from the operators where appropriate.

The Current Picture – Setting the Scene

Table 2.1 summarises carryings (passengers; vehicles and commercial vehicles) for each of the four RET routes during the period 2003 - 2007. The purpose of this table is to summarise at a high level the carryings performance over a comparatively long period of time for the period leading up to the introduction of RET.

The picture is one of growth in passenger and vehicle numbers, both private and commercial, although 2005 shows that it is not always a consistent pattern of growth between years.

Table 2.1: Annual carryings – RET routes (2003 – 2008)

Route	Passengers	Cars	CVs
Ullapool – Stornoway			
2003	179,874	44,348	11,805
2004	188,945	48,524	11,951
2005	183,217	46,926	12,130
2006	172,008	44,140	11,966
2007	185,522	49,002	12,194
2008	182,833	48,830	12,436
% Change 2003-2008	*2%*	*10%*	*5%*
Uig – Tarbert/Lochmaddy			
2003	146,020	47,076	5,678
2004	152,047	49,513	5,797
2005	159,389	53,009	7,190
2006	155,819	51,706	7,004
2007	160,306	55,354	6,559
2008	161,737	57,013	6,897
% Change 2003-2008	*11%*	*21%*	*21%*
Oban – Castlebay/Lochboisdale			
2003	44,665	12,268	1,323
2004	45,939	13,099	1,057
2005	43,319	12,607	981
2006	43,603	12,632	1,008
2007	46,562	13,761	1,009
2008	46,153	13,597	980
% Change 2003-2008	*3%*	*11%*	*-26%*
Oban – Coll/Tiree			
2003	49,206	12,807	1,689
2004	51,810	14,243	1,708
2005	53,366	14,646	2,016
2006	52,168	14,164	1,908
2007	55,830	15,213	2,158
2008	56,611	15,346	1,963
% Change 2003-2008	*15%*	*20%*	*16%*

Table 2.2 compares patronage across the four RET routes (taken together) and some of the other key routes on the network. The routes have been grouped as follows:

- *RET routes*
    - Ullapool – Stornoway.
    - Uig – Tarbert/Lochmaddy.
    - Oban – Castlebay/Lochboisdale.
    - Oban – Coll/Tiree.

- *Firth of Clyde*
    - Wemyss Bay – Rothesay.
    - Ardrossan – Brodick.
    - Largs – Cumbrae Slip.
    - Colintraive – Rhubodach.
    - Tarbert – Portavadie.
    - Claonaig – Lochranza.

- *Inner Hebrides*
    - Oban – Craignure.
    - Lochaline – Fishnish.
    - Fionnphort – Iona.
    - Tobermory – Kilchoan.
    - Oban – Lismore.

- *Outer Hebrides*
    - Barra – Eriskay.
    - Berneray – Leverburgh.

- *Skye; Raasay and the Small Isles*
    - Mallaig – Armadale.
    - Sconser – Raasay.
    - Mallaig – Eigg – Muck – Rum – Canna.

- *Southern Hebrides*
    - Kennacraig – Islay.
    - Tayinloan – Gigha.
    - Oban – Colonsay.

- *Northern Isles*
    - Aberdeen – Lerwick.
    - Aberdeen – Kirkwall.
    - Lerwick – Kirkwall.
    - Scrabster – Stromness.

The purpose of this table is to summarise at a high level the carryings performance over a comparatively long period of time for a selection of routes leading up to the introduction of RET. The table also illustrates the percentage change from 2003 to 2008.

The picture is generally one of growth in passenger and vehicle numbers (private and commercial) with the exception of the Inner Hebrides routes where there was an 8% drop in passenger numbers from 2003 – 2008.

Table 2.2: Annual carryings - RET and other ferry routes (2003 – 2008)

Route	Passengers	Cars	CVs
RET			
2003	419,765	116,499	20,495
2004	438,741	125,379	20,513
2005	439,291	127,188	22,317
2006	423,598	122,642	20,527
2007	464,495	138,039	22,208
2008	447,334	134,804	22,276
% Change 2003-2008	*7%*	*16%*	*9%*
Firth of Clyde			
2003	2,558,730	529,647	36,573
2004	2,538,935	538,465	35,996
2005	2,583,028	549,295	37,783
2006	2,483,843	524,328	40,679
2007	2,642,296	582,153	47,156
2008	3,076,076	631,672	48,926
% Change 2003-2008	*20%*	*19%*	*34%*

Route	Passengers	Cars	CVs
Inner Hebrides			
2003	1,034,268	164,968	9,565
2004	1,089,662	174,289	10,690
2005	1,071,619	176,792	10,543
2006	1,057,359	172,135	10,694
2007	1,027,628	175,555	12,106
2008	948,377	167,827	14,108
% Change 2003-2008	*-8%*	*2%*	*47%*
Outer Hebrides			
2003	75,280	26,515	2,099
2004	90,457	32,774	2,208
2005	89,338	32,899	2,501
2006	85,903	32,549	2,483
2007	92,556	35,992	3,323
2008	93,662	35,453	3,140
% Change 2003-2008	*24%*	*34%*	*50%*
Skye, Raasay and Small Isles			
2003	238,575	55,090	897
2004	259,391	60,907	783
2005	266,008	61,645	1,189
2006	262,142	60,193	1,302
2007	276,698	68,012	1,587
2008	275,953	70,381	2,264
% Change 2003-2008	*16%*	*28%*	*152%*
Southern Hebrides			
2003	217,972	63,420	10,009
2004	227,335	66,371	10,038
2005	234,814	68,201	10,964
2006	233,644	66,629	10,509
2007	244,833	72,691	12,132
2008	242,688	73,223	11,924
% Change 2003-2008	*11%*	*15%*	*19%*

Route	Passengers	Cars	CVs
Northern Isles [1]			
2003	262,194	62,351	264,647
2004	292,174	64,203	266,113
2005	301,137	67,525	255,910
2006	304,313	69,141	251,978
2007	307,624	70,680	323,420
2008	295,913	67,816	382,416
% Change 2003-2008	*13%*	*9%*	*45%*

The carrying data will be reviewed on a seasonal basis covering high (March – October) and low (November – February) seasons. This will enable identification of any immediate impact on patronage across the RET routes and also provide a control for any seasonal impact.

Low season

Figure 2.1 shows the percentage change in **passenger** numbers during the low period (November – February) relative to a base year of 2005/2006. The total carryings are presented in Figure 2.2.

Figure *2.3* shows the percentage change in **car** numbers during the low period (November – February) relative to a base year of 2005/2006. The total carryings are presented in Figure 2.4.

A fall in demand in the low season of 2006/ 2007 relative to the 2005 /2006 base is evident, but carryings were higher than the base year in both subsequent years. Analysis of any special factors affecting seasonal variation will be attempted from operator sources before more general conclusions are drawn from the data to inform the interim and final evaluation in Phase 3.

During the first low period since the introduction of RET (November 2008 – February 2009) there has been a significant increase in both passenger and car numbers on the RET routes compared to previous years, but there has been growth on some other routes as well.

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[1] Northlink do not gather data for the total number of CV's shipped. CV meterage is collated instead.

Figure 2.1: % change in passenger carryings for RET and non-RET routes: Low Period (Nov – Feb) relative to 2005 –2006 base year

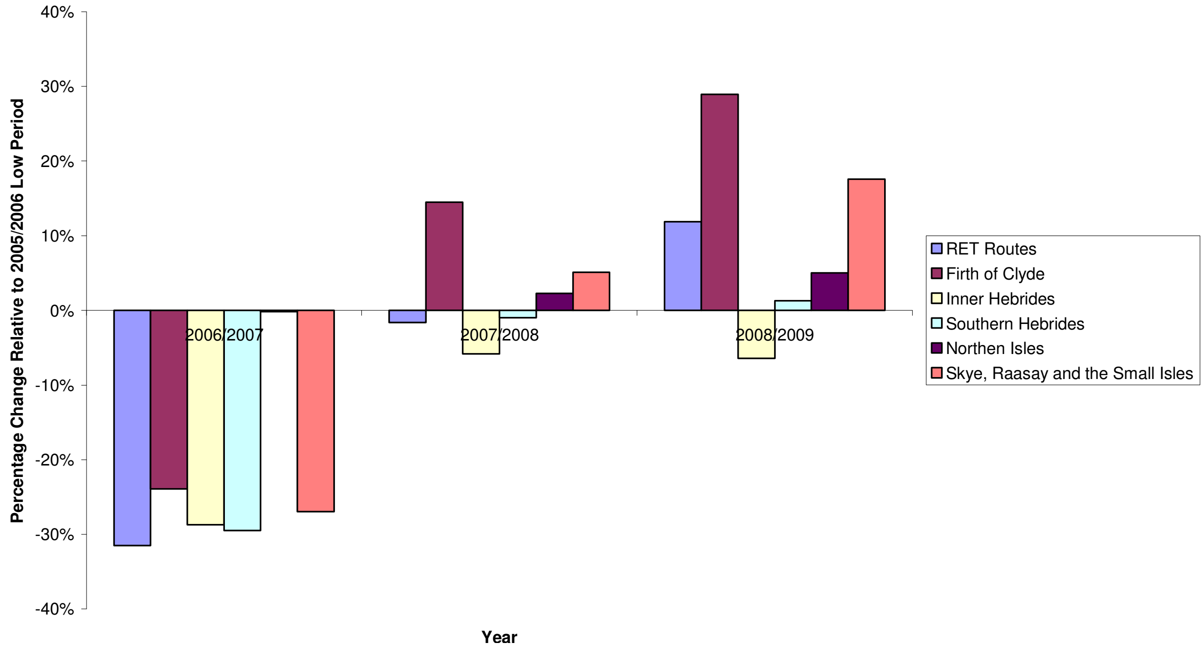


Figure 2.2: Total passenger carryings for RET and non-RET routes: Low Period (Nov – Feb)

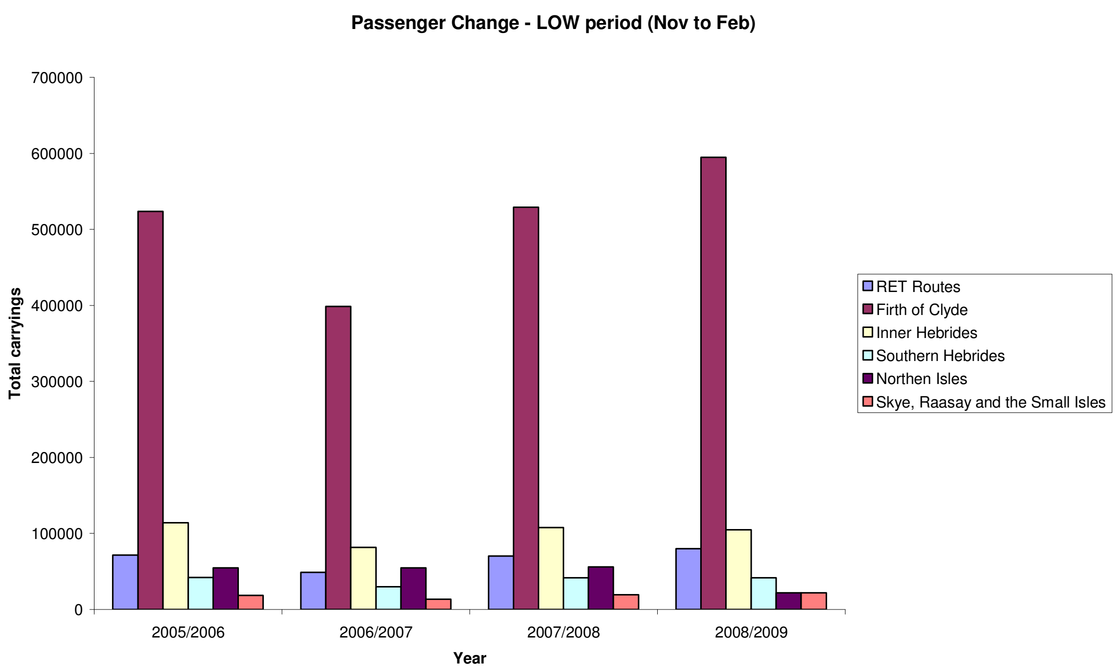


Figure 2.3: % change in car carryings for RET and non-RET routes: Low Period (Nov – Feb) relative to 2005 – 2006 base year

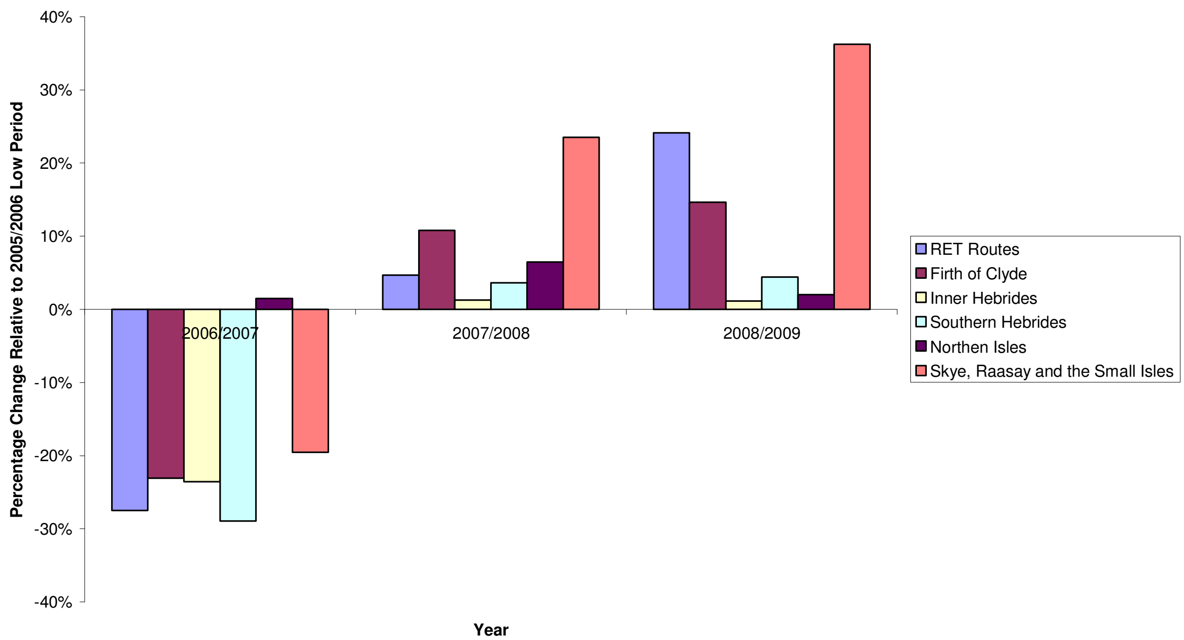
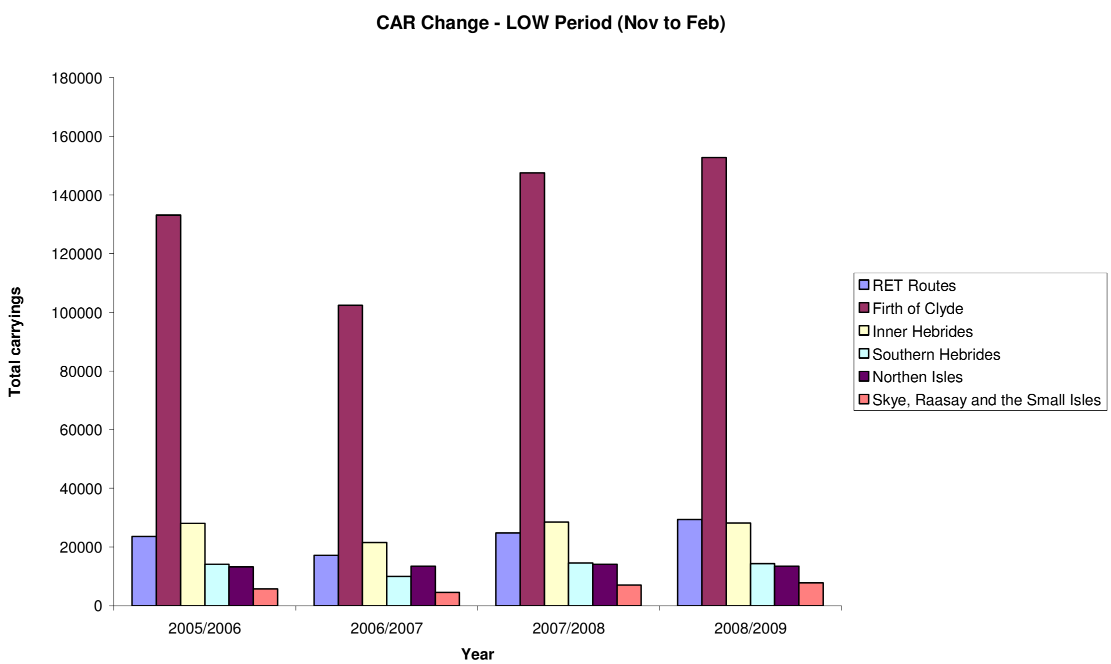


Figure 2.4: Total car carryings for RET and non-RET routes: Low Period (Nov – Feb)



High Season

Figure 2.5 shows the percentage change in **passenger** numbers during the high season period (March – October) relative to a base year of 2005/2006. The total carryings are presented in Figure 2.6. Figure 2.7 shows the percentage change in **car** numbers during the high period (March – October) relative to a base year of 2005/2006. The total carryings are presented in Figure 2.8.

Figure 2.5: % change in passenger carryings for RET and non-RET routes: High Period (Mar to Oct) relative to 2005 base year

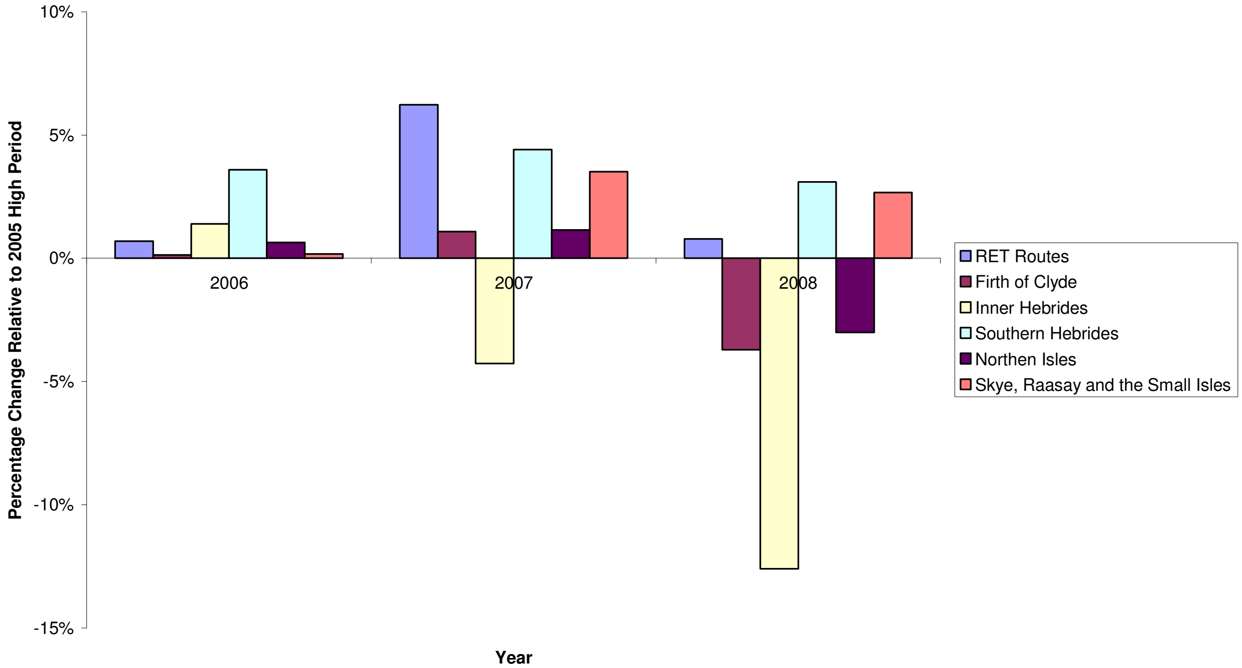


Figure 2.6: Total passenger carryings for RET and non-RET routes: High Period (Mar to Oct)

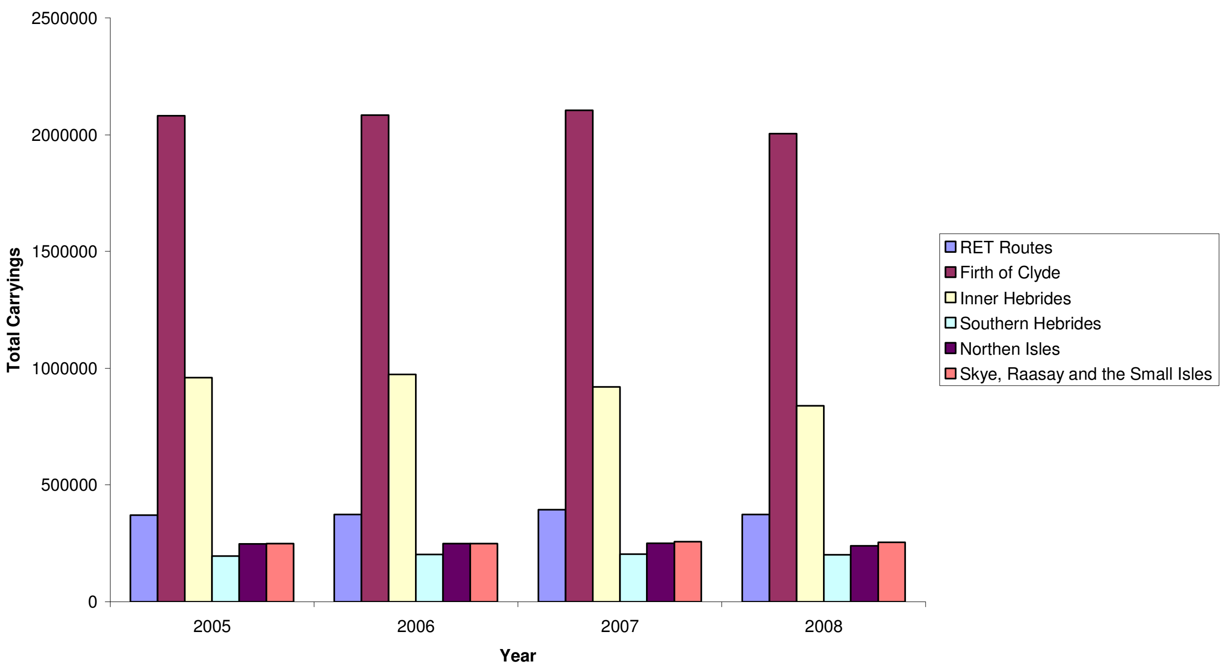


Figure 2.7: % change in car carryings for RET and non-RET routes: High Period (Mar to Oct) relative to 2005 base year

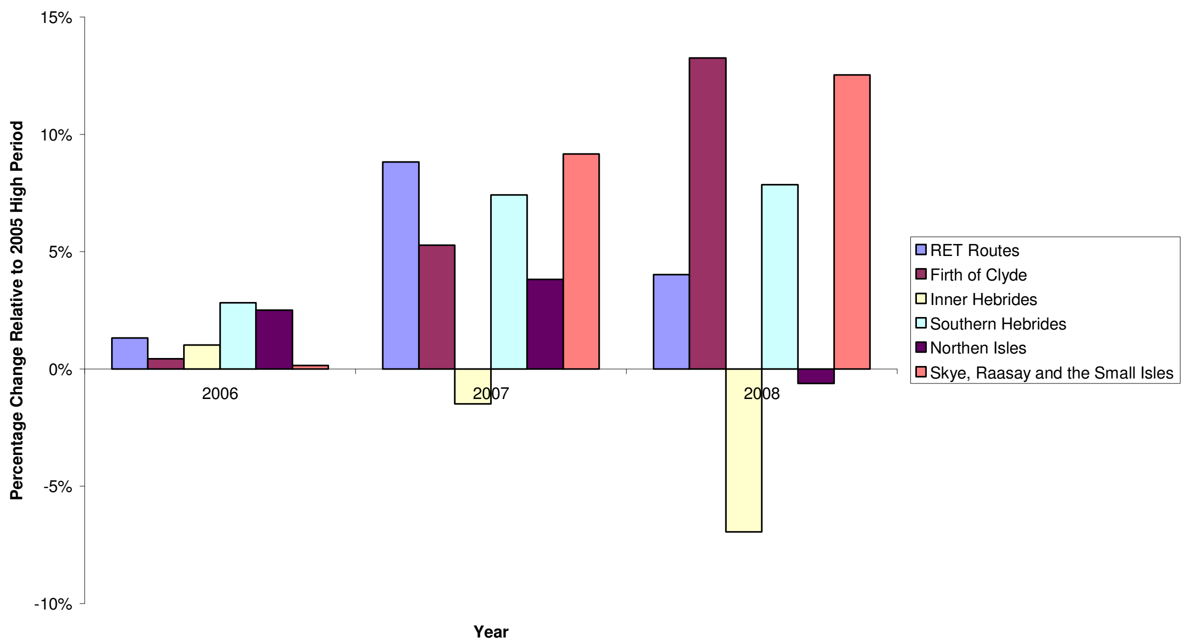
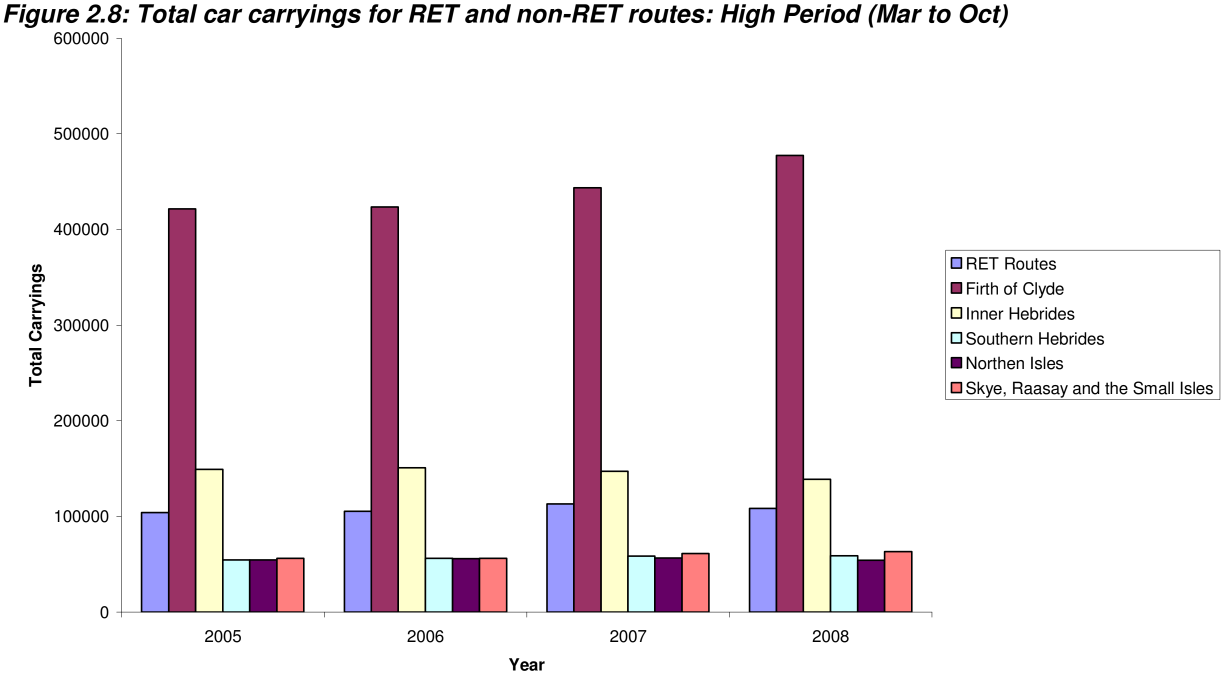


Figure 2.8: Total car carryings for RET and non-RET routes: High Period (Mar to Oct)



Next Steps

From the next Monitoring Report onwards the carryings data will progressively build a picture of the effect of RET on ferry traffic volume and composition. Carryings data will be collected on an ongoing basis which will allow an analysis of the following:

- *Immediate Effects.* There might be an immediate impact on patronage across the RET routes and data will be analysed to show this effect. It is intended to look at carrying data on a high (March – October) and low (November – February) season basis, and compare seasonal data with previous years before the introduction of RET. This will control for any seasonal impact. It will be important that all carrying data is viewed in the context of wider issues impacting on carrying numbers, including weather related cancellations, port/infrastructure works, vessel allocations and other relevant factors. This data will be provided by the operators where relevant and ensure any other factors impacting on carryings are identified to isolate any RET effect as far as possible.
- *Medium to Longer-Term Effects*. In the medium to longer term there will be the opportunity to look at patronage for the whole year, specifically 2009 and 2010.
- *Switching Effects*. It will be important to compare carryings for individual RET routes and in total to identify any switching between routes.

The short term increase in patronage on RET routes is not sufficient evidence that the policy is working in this respect. It could reflect increased patronage in the wider network and therefore RET routes are being benchmarked against other groups of routes before any changes are attributed to RET.

Data on carrying capacity is also being collected from the operators and will show the impact RET may have on capacity constraints on the routes serving the Pilot area.

Issues

The issue of unsatisfied demand has been raised at consultation meetings with local communities. Opportunities to collect this type of data as part of the monitoring programme has been investigated by Halcrow and discussed with both the Scottish Government and CalMac. At no point in the existing booking system (including online; telephone and bookings through travel agents) are customers asked if the journey they are booking is on their preferred choice of sailing. Those who cannot get the sailing they want on-line may choose another day or time, another route or another destination, or abandon their journey plans, without leaving any trail to show their choice. Therefore the constraints of the current system do not allow this type of data to be monitored.

The on-board questionnaire does include questions on whether the sailing was the respondents preferred choice which will provide some indication of whether unsatisfied demand was an issue. This issue is also explored further through the Tourist Business questionnaire and in Focus Group sessions with other businesses.

3 Patterns of Use - On-board Passenger Surveys

Rationale

As well as looking at changes in overall patronage it is also important to establish a picture of who is using the ferry service, in particular if RET does generate additional patronage, what is the purpose of these trips, and what impact RET has upon social and economic links with the mainland. One possible hypothesis is that cheaper fares will encourage more residents in the Pilot area to travel to the mainland for shopping trips, reducing the amount of money spent in the local economy. However the RET pilot could also increase the number of tourists to the Western Isles; Coll and Tiree, increasing spending from visitors.

Methodology

On-board surveys on all routes between the Scottish mainland and the Western Isles will be completed every three months for the first year of the Pilot and every six months thereafter. At the request of the Scottish Government the surveys from May 2009 onwards will also include the Oban – Coll/Tiree sailing. During each survey period, surveys are being completed on a representative mid-week and weekend day.

The surveys cover a number of detailed issues concerning journey purpose, frequency of travel and expenditure on the mainland for comparison with future surveys and to identify changes in travel behaviour.

Position Report

Two baseline surveys have been completed on all the ferry routes for the Western Isles in May and August 2008. Two surveys have also been completed since the introduction of the Pilot in November 2008 and February 2009.

In May 2008, 241 travellers were surveyed, including 57 residents of the Western Isles. The equivalent figures for August 2008 were 238 and 81 and for November 2008, 179 and 119 respectively. In February 2009, 181 travellers were surveyed, including 108 residents from the Western Isles. Seasonal impacts account for variations in the proportion of residents and visitors between each of the survey periods.

Data Gathered

The surveys completed to date illustrate:

- The majority of passengers travel to/from ferry terminals on routes to/from the Western Isles by private transport which they were taking on board with them. There was little seasonal variation.
- For 98% of travellers in the summer survey the ferry was their mode of choice, but this fell to 93% for both visitors and residents in the November and February surveys. The main reason given for not using air services for residents of the Isles was the need to take a car, though many visitors also chose ferry because they considered air fares too high.
- For both residents and visitors the cost of taking a car on the ferry is considered the greatest constraint upon the frequency of their trips, although for residents (but not visitors) travel times were also a significant deterrent.
- Expenditure on goods and household items varies across the different price ranges.

4 Resident Surveys

Rationale

In order to estimate the degree of additional leakage of economic activity (if any) the Resident surveys seek to gather information about travel patterns, employment and expenditure. The surveys also seek to assess the impact on resident's quality of life. The surveys seek to gather both behavioural data and, equally importantly, the views of residents'.

Methodology

A resident survey of households in the Western Isles, Coll and Tiree will be completed in the autumn of 2008 and will be repeated in the autumn of 2010.

The surveys cover a number of detailed issues concerning journey purpose, frequency of travel and expenditure on the mainland for comparison with future surveys and to identify changes in travel behaviour.

Position Report

A resident survey was completed in the autumn of 2008. A total of 2,965 Western Isles residents and 144 Coll/Tiree residents answered the survey, a response rate of 21% and 25% respectively.

Issues

Table 4.1shows the distribution by location and age of respondents for the resident survey compared with actual population.

Barra and Benbecula are under-represented but all other areas were over-represented, with Coll/Tiree producing the highest return rate.

Of the respondents to the questionnaire, 40.6% were over 60 years old, although they made up only 33.5% of the total population. All other age groups were under-represented in the response to the questionnaire, and especially those under 25.

Table 4.1: Distribution of respondents by location and age

Location	Survey	% of total Population		Age Group	Survey	% of population aged 16 and over
Barra	2.4%	4.3%		16-24	0.9%	10.6%
Benbecula	3.9%	4.5%		25-34	6.6%	11.5%
Harris	7.5%	7.0%		35-44	16.7%	17.4%
Lewis	70.1%	68.1%		45-54	20.7%	17.8%
North Uist	6.9%	5.7%		55-59	12.3%	9.1%
South Uist	7.0%	6.8%		60+	40.6%	33.5%
Coll/Tiree	4.6%	3.5%				

The disparities between the distribution of respondents in the sample and in the population as a whole are generally small, but may require to be factored into the evaluation, where it may be necessary to offset the under-representation of views from Barra and Benbecula, and from younger people where there are differences in response from these groups and other respondents.

Data Gathered

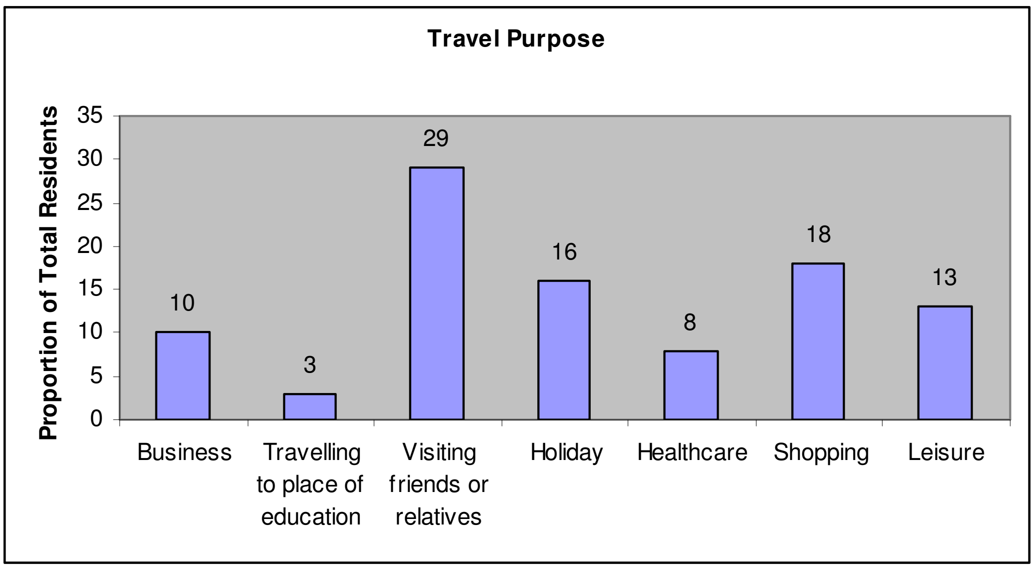
At the time of the residents' survey, over 90% of respondents in each of the locations were aware of the forthcoming fare changes.

Across all the locations, travel costs consistently scored the highest as a barrier to travel to the Scottish mainland, with 26% of people from Barra choosing this option and 32% for Harris. Journey time and distance also figured strongly at around 20% for each location.

Frequency of travel by ferry to the mainland shows a strong bias to less frequent travel. 83% of respondents do not travel more frequently than every three months or less. Another 5% do not travel at all. Only 1% of respondents travel weekly and 9% monthly.

The purpose for travelling to the Scottish mainland is summarised in Figure 4.1. Travel purpose typically reflects the infrequency of travel with the majority trips for visiting friends and relatives, shopping or going on holiday.

Figure 4.1: Purpose of travelling to the Scottish Mainland



5 Business and Freight

Rationale

The introduction of RET is likely to have a number of impacts on businesses. Reduced costs of travel are likely to mean additional visitors to the islands, particularly in the tourism sector. Reduced freight costs should also have a beneficial effect in reducing the operating costs of businesses.

Methodology

The Experian National Business Database was used to establish a target list of businesses across the Pilot and non-Pilot areas. In total 546 businesses and 230 freight operators were approached to participate in the surveys.

Issues

The response to both surveys for October 2008 was very poor. Only 25 business responded to the main business survey (a response rate of 4.6%) with a further 13 haulage firms (a response rate of 6.5%) providing information for the freight survey. Interest has fallen further for the February 2009 survey with the risk that it will cease altogether by the end of the first year of the Pilot.

Emerging Findings

Because of the poor response rate the survey data gathered is not statistically valid and therefore it has not been presented within this paper.

In January and February 2009 a series of public meetings were held in Coll; Tiree and the Western Isles to discuss the RET Pilot scheme and potential economic opportunities for local communities. The meetings were attended by local residents/businesses and representatives from Highlands and Islands Enterprise; Scottish Government; Visit Scotland; Comhairle nan Eilean Siar and Halcrow.

In summary, recurring issued at the meetings included:

- No apparent reduction in the cost of transporting goods to/from the Western Isles; Coll and Tiree.
- Low savings for small vans (<5m) presents difficulties for businesses to pass on savings to customers.
- Confusion over derogations available for agriculture and lack of equity for seafood/fisheries.
- Reduced flexibility – return tickets valid for one month only and removal of six journey booklets.
- Concerns about capacity of ferries, particularly in the peak season.
- Concerns about unmet demand (i.e. trips that cannot be made because the preferred sailings are fully booked) and how this will be monitored.
- Concerns about appropriate infrastructure to support potential increase in the number of visitors to the Western Isles; Coll and Tiree, in particular budget accommodation and suitable facilities for camping and motor-homes.

Next Steps

Following a poor response to the business surveys completed in November 2008 and February 2009 a review of the performance of the surveys was completed Taking into consideration a number of options, a revised questionnaire will be developed and focus on the behavioural change of businesses as a result of RET. The questionnaire will be distributed to businesses in the Pilot area in August 2009 and August 2010 with the support of Highlands and Islands Enterprise and Western Isles Council.

The surveys will be supported by more sensitive data concerning turnover etc obtained through the Inter-departmental Business Register (IDBR). IDBR data is available at the local authority level and also for individual datazones (e.g. Stornoway East; Barra and South Uist). The IDBR data will provide a source of comparative data for islands outside the Pilot area. Discussions are ongoing at present with the Office of National Statistics to obtain further detail on coverage across the Scottish islands at the datazone level.

6 Tourism

Rationale

The tourism sector has been identified as a potential significant beneficiary of lower ferry fares. As well as the numbers of tourists travelling, the purpose of a separate survey of the tourist industry is to consider in detail occupancy rates, attendance at visitor attractions and tourist spend. It is also intended to benchmark this information against the tourist sector in non-RET areas and for Scotland as a whole.

Methodology

Accommodation providers will be surveyed throughout the Western Isles, Coll and Tiree. For benchmarking purposes, businesses from other island areas such as Shetland and Orkney will also be surveyed along with wider traditional tourist areas that are not in any way linked with ferries including the Highlands and the Scottish Borders.

The survey work commenced with the first survey in October 2008, with consecutive surveys every three months in the first year of the Pilot and every six months thereafter until the completion of the Pilot.

To supplement the surveys with accommodation providers, surveys with local tourist boards will also be undertaken to assess impacts on local attractions and visitor centres. The surveys commenced in October 2008.

Position Report

Over 2000 providers of accommodation were approached to participate in the first survey and 293 responses were received (a response rate of nearly 15%). Approximately 46% of the respondents were from the Scottish mainland, 17.5% from the Western Isles, Coll and Tiree, 9.2% from Shetland and Orkney with the remainder from other Scottish islands.

Of the 293 respondents to the first survey, 65 responded to the second survey in February 2009 (a response rate of 22%). 20% of the respondents were from the Western Isles, Coll and Tiree, 6% from Shetland and Orkney with a further 42% from other Scottish islands and the remaining 31% from the Scottish mainland.

Issues

Of the 293 respondents to the first survey, 65 responded to the second survey in February 2009 indicating a downward trend in levels of participation/interest with the risk this will continue. The level of responses will be monitored closely during future survey periods.

The surveys with Tourist Boards received a very poor response, only three responses were received to the October 2008 surveys (Stromness; Portree and Visit Shetland). No data is available for the second survey period in February 2009 because some local offices were closed during the winter period and others did not submit a response to the survey.

The future approach to the tourist board surveys is under review.

Data Gathered

For the purpose of this paper a number of observations that may prove to be of relevance in the evaluation are highlighted:

- *Occupancy rates*. Average occupancy rates for the last three months (to the time of the survey in October 2008) were approximately 70% in the RET Pilot area. This compares with 57% for the Northern Isles, 74% for other Scottish islands, and 70% for the Scottish mainland. In the second round of consultations, average occupancy rates (to the time of the survey, January 2009) were approximately 42% in the RET Pilot area. This compares with 11% for other Scottish islands, and 17% for the Scottish mainland.
- *Average stay*: Out of the businesses in the Pilot area who answered the question in the first survey, 67% reported two to three nights as the average length of stay over the last three months (to the time of the survey in October 2008). This compares to 83% in the Northern Isles; 63% for other Scottish islands and 45% for the Scottish mainland. In the second survey period, two to three nights again accounted for the most frequent duration of stay in both the Pilot area (63%); other Scottish Islands (61%) and Scottish mainland (40%).
- *Employment patterns*. Out of the businesses who answered the question in the first survey, 89% had not employed any new staff in the last three months, 84% had laid off staff in the last three months and 2% had current vacancies. In the second round consultation, out of the businesses who answered the question, 91% had not employed any new staff in the last three months, 97% had laid off staff in the last three months and 86% had current vacancies.
- *Origin of customers.* Of the businesses in the Pilot area which answered this question, 31% reported they received customers from the Western Isles/Coll/Tiree; 6% received visitors from the Northern Isles and nearly all (91% and 81%) received visitors from the Scottish mainland and the rest of the UK respectively. In the second survey period the figures were broadly similar.
- *Measures to increase tourism*. Approximately 97% of respondents from the Western Isles (and Coll/Tiree) commented that reduced cost of public transport (ferries and airlines) would be conducive to increasing tourism. This was the highest percentage, followed by reduced cost of car travel (85 %) and improved

marketing of tourist attractions (79%). Similar results were observed in the second round of consultations. 89% of respondents from the Western Isles (and Coll/Tiree) commented that reduced cost of public transport would be conductive to increasing tourism. This was the highest percentage, followed by reduced cost of car travel (78%) and improved marketing of tourist attractions (67%).

- *Impact of RET*. Of the 126 business that answered this question, 66% chose either ‘agree’ or ‘strongly agree’ to the proposition that more visitors will come to the Western Isles (and Coll/Tiree),and 74% selecting either ‘agree’ or ‘strongly agree’ that more islanders will visit the mainland. Of the 32 businesses that answered this question in the second consultation, 62% either chose to ‘agree’ or ‘strongly agree’ to the proposition that more visitors will come to the Western isles (and Coll/Tiree) with 78% businesses selecting ‘agree’ or ‘strongly agree’ to more islanders will visit the mainland. Views had not therefore changed materially since the start of the Pilot scheme.

Further data was gathered on staffing levels, and changes in staffing and on investment intentions, for comparison with future periods. This data will reflect issues such as the overall economic situation, but benchmarking between the areas involved in the survey may reveal differences within the RET area that are significant.

7 Economic Data

Rationale

A number of high level economic indicators will be monitored to see if there is any impact from RET and provide the appropriate context within which RET is operating. Some of these effects are longer term, so for the purpose of this paper discussion of the economic data focuses on baseline data only.

Reduced ferry fares over a sustained period of time could have a beneficial downward impact on the prices of goods and services (including fuel), reducing the differential with the mainland as higher transport costs are reduced and the cost savings are passed through to the consumer.

Methodology

A database is being created composed of the following:

- *Labour market data* - This will include working age population, employment and unemployment rates, median gross weekly earnings and those people of working age claiming social security benefits. The information is being collated for a number of rural/island and mainland Scotland regional labour markets to allow for benchmarking the RET area against trends elsewhere. This information will be updated in May 2009; at the end of year one (October 2009); May 2010 and the end of year two (October 2010) of the RET Pilot scheme.
- *Business performance* - This will include details on business start ups against a benchmark of other Local Authorities. This information will be collated at the end of year one (October 2009) and year two (October 2010) of the RET Pilot scheme.
- *Price data* - This will compare the prices for grocery and household items in the RET areas versus other islands and population centres in mainland Scotland. The analysis will also include fuel price data. The survey work commenced with the first survey in October 2008, with consecutive surveys every three months in the first year of the Pilot and every six months thereafter until the completion of the Pilot.

Data Gathered

Baseline labour market data collected in October 2008 is summarised in Table 7.1. Table 7.2 provides an update of data gathered in May 2009.

Table 7.1: Key Labour Market Statistics – October 2008

	Western Isles	Shetland	Orkney	Edinburgh	Glasgow	Moray	Scottish Borders	Highland	Scotland
Working Age Population, 2007 mid - year estimates	15,400	13,400	11,900	318,100	388,500	52,600	65,700	132,100	3227000
Employment Rate, July - June 2008 (% of adults of working age)	80.8	89.8	87.3	80.5	72.9	83.3	83.7	86.0	80
Claiment unemployment rate, December 2008 (%)	2.8	1.1	1.2	2.2	4.4	2.2	2.1	2.4	3.3
Median gross weekly earnings of full time workers of adult rates, April 2008	464.6	543.5	460.1	496.1	457.4	391	370.2	417.3	461.8
People of working age claiming key Social Security benefits, May 2008 (%)	14.8	9.3	9.6	12	24.1	12.0	11.7	13.4	16.1

Source: www.nomisweb.co.uk

Table 7.2: Key Labour Market Statistics – May 2009

	Shetland	Orkney	Edinburgh	Glasgow	Moray	Scottish Borders	Highland	Argyll and Bute	Western Isles	Scotland
Working Age Population, 2008 mid - year estimates	13,000	12,000	321,000	392,000	53,000	66,000	133,000	53,000	15,000	3,238,000
Employment Rate, October 2007 - September 2008 (% of adults of working age)	88.1	87.6	77.4	67.8	82	82.4	83.3	80	79	76.3
Claiment unemployment rate, April 2009 (%)	1.3	1.4	3.5	7.5	2.9	3.1	3.2	3.3	4.1	4.4
Median gross weekly earnings of full time workers of adult rates, April 2008	464.6	460.1	496.1	457.4	391	370.2	417.3	443.2	464.6	461.8
People of working age claiming key Social Security benefits, August 2008 (%)	9.4	9.5	12.1	24.3	12	11.9	13.5	13.2	14.4	16.3

Source: www.nomisweb.co.uk

Price data for groceries and household items shows very little consistent discerning pattern of prices being higher on the Scottish islands as opposed to mainland Scotland as illustrated in Table 7.3.

Table 7.3: Price Comparison of Grocery Goods – November 2008

Price variation, average price at each location compared with overall average price									
Location	**Carrots, per kg**	**Onions, per kg**	**Bananas, per kg**	**Bread, per 800g**	**Weetabix**	**Tuna chunks**	**Vegetable oil (1l)**	**Coffee (200g)**	**Tea bags (40s)**
Edinburgh	+0.01	+0.08	-0.01	+0.02	-0.2	+0.01	+0.17	+0.37	+0.03
Glasgow	+0.01	-0.23	+0.01	0	+0.15	-0.03	+0.26	+0.21	+0.01
Inverness	+0.03	+0.08	+0.14	-0.02	+0.15	+0.29	-0.21	-0.71	-0.21
Skye	+0.01	+0.05	+0.02	0	+0.05	0	+0.26	+0.15	+0.23
Oban	-0.03	+0.04	-0.08	0	+0.05	-0.06	+0.02	+0.27	-0.21
Orkney	+0.01	+0.01	-0.06	0	-0.2	-0.28	-0.36	+0.31	+0.08
Shetland						+0.07	+0.11	-0.61	-0.11
Stornoway	-0.03	+0.05	-0.03	-0.01	+0.05	-0.05	+0.07	+0.21	+0.06
Sample Average	**0.81**	**0.84**	**0.93**	**1.29**	**1.74**	**1.45**	**1.37**	**3.98**	**1.01**

Table 7.4: Price Comparison of Grocery Goods - February 2009[2]

Price variation, average price at each location compared with overall average price									
Location	**Carrots, per kg**	**Onions, per kg**	**Bananas, per kg**	**Bread, per 800g**	**Weetabix**	**Tuna chunks**	**Vegetable oil (1l)**	**Coffee (200g)**	**Tea bags (40s)**
Edinburgh	0.04	-0.03	0.23	-0.02	0.19	-0.53	0.1	-0.52	-0.03
Glasgow	0.03	0.01	0.09	-0.02	-0.51	-0.74	0.07	-0.1	-0.05
Oban	0.03	0.01	0.01	-0.02	0.08	-0.8	-0.06	0.06	-0.27
Shetland	0.03	0.01	-0.38	-0.07	0.08	-0.41		0.06	-0.28
Stornoway	-0.15	0.01	0.01	0.13	0.08	3.6	-0.06	0.61	0.88
Ullapool	0.03	0.01	0.01	-0.02	0.08	-1.1	-0.06	-0.14	-0.28
Sample Average	**0.84**	**0.87**	**0.77**	**1.31**	**1.70**	**1.79**	**1.44**	**4.39**	**1.07**

As further surveys are carried out through the duration of the Pilot, an index will be constructed to show the relative changes of a 'basket' of goods on the mainland, on the Northern Isles and in the RET area to indicate whether there is any convergence in prices between the areas surveyed.

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[2] Due to unforeseen circumstances no data was collected for Skye and Inverness in February 2009. Both locations will continue to be included in the price surveys undertaken during the remainder of the Monitoring Programme.

It will also be necessary to consider the price surveys within the context of wider issues, including the opening of a Tesco store in Stornoway in summer 2008 and the impact on competition as a result of the national pricing policy adopted by Tesco with goods being charged at the same price across the UK.

Furthermore, consideration will also need to be taken of the Retail Price Index (RPI) and potential impact on the price of goods over the monitoring programme.

Baseline fuel prices do however appear to be substantially higher for the islands compared to regional centres in the Scottish mainland as illustrated in Table 7.5. With the exception of Ullapool, fuel data was gathered from two petrol stations in each of the locations listed. The differences between islands and mainland had diminished in the February survey, in RET areas and in non-RET areas alike.

Table 7.5: Fuel price data – November 2008

Location	Petrol (pence difference)	Diesel (pence difference)
Edinburgh	-6.89	-4.16
Glasgow	-7.56	-8.16
Inverness	-6.89	-7.41
Skye	-0.39	1.84
Oban	-0.89	1.84
Orkney	1.11	1.84
Shetland	17.11	13.34
Stornoway	13.61	11.34
Ullapool	2.11	3.84
Sample Average	**95.8p/litre**	**108.1p/litre**

Table 7.6: Fuel price data - February 2009

Location	Petrol (pence difference)	Diesel (pence difference)
Edinburgh	-6.78	-4.3
Glasgow	-6.78	-5.3
Inverness	-6.78	-4.3
Skye	2.22	1.7
Oban	-0.78	-0.3
Orkney	6.22	3.7
Shetland	5.22	4.7
Stornoway	4.22	2.7
Ullapool	3.22	1.7
Sample Average	**95.7p/litre**	**105.2p/litre**

A study[3] completed by Experian for Highlands and Island Enterprise in 2008 sought to establish a better understanding of the current and future viability of fuel pumps serving rural communities and to gain a better understanding of fuel price differentials between urban and rural/ island areas. The research and findings of the study are of relevance within the context of this aspect of the RET Monitoring Programme.

The Experian study highlighted variance in fuel costs between mainland Scotland and the Scottish islands is related to turnover at local fuel stations rather than transport costs. This in turn reflects economies of scale with smaller sites having to sell fuel at a higher price to cover fixed and variable operating costs.

Furthermore, the study identified the price of fuel charged at the pump can be broken down into eight different component costs. The fuel duty, cost of goods sold and VAT account for over 90% of the cost for both petrol and diesel. The site retail margin accounts for around 6% of the cost for petrol and 5% for diesel. It should be remembered that the site operator still has to cover all operating costs from this margin. The remaining 3.7% of the cost is made up of delivery costs, terminal costs, oil company marketing cost margin and the dealer margin.

The results of the study are of relevance to the monitoring programme for they suggest lower ferry fares may not necessarily impact on the price of petrol within the RET Pilot area with economies of scale and wider external factors being of greater significance.

[3] www.hie.co.uk/HIE-Transport-related-documents/Future%20of%20road%20fuel%20supply%20in%20Highlands%20and%20Islands%20-%20Part%201%20-%20Current%20Situation%20-%20Final%20Report.pdf

8 Housing and Land Markets

Rationale

While RET may lead to a greater level of social inclusion by making ferry trips to and from the islands more affordable (and hence encourage residents to stay) it is possible it could also have negative social impacts. For example, house prices could rise as holiday homes become more financially attractive to non-islanders due to lower fares. Also, some islands could see an increase in the number of commuters as commuting costs fall. It will therefore be important to monitor house and land prices and compare these against non-RET areas to assess any emerging trends

Methodology

Surveys with estate agents in the Pilot and non-Pilot areas Surveys commenced in October 2008 and will be repeated every quarter thereafter throughout the first year of the Pilot and then every six months until spring 2011. This will be supported by the collation of housing and land market data published by the General Registers of Scotland.

Issues

It is of importance to note that the results of the surveys to date are heavily influenced by the current economic downturn and slowdown in the housing market. In view of the wider economic conditions and requirement to caveat any housing data gathered within this context it has been agreed with the Scottish Government it would be appropriate for the surveys to be completed in autumn 2009 and autumn 2010.

Data Gathered

In summary, the majority of respondents stated:

- In October 2008, the availability of land for housing developments had remained the same over the past three months and the most common reasons for this were planning restrictions imposed by the local authorities and also the current economic climate. In February/March 2009, the availability of land for housing developments had remained the same over the past three months and the most common reasons for this was lack of demand. Another commonly cited reason was planning restrictions imposed by the local authorities, as was the case in October 2008.
- In October 2008, housing enquiries from people currently not located in their area had decreased over the last three months. This was a general decrease

and also affected house purchases which had also decreased over the same period. In February/March 2009, housing enquiries from people currently not located in their area had stayed the same or increased slightly over the past three months. This was also generally the case for house purchases.

- In October 2008, consultees felt that house prices in their area would decrease over the next three months. In February/March 2009, consultees responses were more varied. Generally, they felt that house prices would remain the same.
- In October 2008, respondents felt that RET was a good thing but did not think it would have an impact on the housing market, but rather it would be good at encouraging tourism and for local businesses. Although it was also suggested by a number of respondents RET could have an impact on the housing market in the future when the current economic situation is resolved. These views were reiterated in February/March 2009.

The current economic climate and people's inability to sell were identified as the main contributing factors to the trends reported. In October 2008 agents active in the Western Isles seemed marginally less optimistic about trends in the market than elsewhere; in February 2009 there was less pessimism across the whole survey area, and Western Isles was no different from the other market areas. A summary of the data gathered for the first two survey periods is presented in Table 8.1 and Table 8.2 respectively.

Table 8.1: Summary of October 2008 surveys[4]

ESTATE AGENT (and geographic coverage)	DEMAND		SUPPLY	PRICES	
	Housing demand and housing plots	**Housing enquiries and purchases**	**Availability of land for housing development**	**House prices over the past three months**	**House prices in the next three months**
Arran Estate Agents (Arran)	↔	↓	↔	↓	↓
Anderson Banks (Whole of the Western Isles and Highlands)	↓	↓	↓	↓	↓
Ken MacDonald and Co (Whole of the Western Isles)	↔	↓	↔	↔	↓
MacArthur Stewart (Mull, Oban)	↔	↔	↑/↔	↔	↓
Hebridean Estate Agency (Lewis, Harris, Uists, Barra)	↔	↑/↔	↔	↔	↓
Orkney Financial and Property Centre (Orkney)	↔	↑/↔	↔	↓	↓
The Skye Property Centre (Skye and the Uists)	↓	↓	↔	↔	↔
Estate Trust (North Uist)	↔	Could not answer.	↔	↓	↓
Dowle, Smith and Rutherford (Shetland)	↔	↓	↓	↓	↔
Tait and Peterson (Shetland)	↔	↓	↓	↓	↔

[4] **Key:** ↑ = Increase, ↓ = Decrease, ↔ = Stay the same. In the demand column where there are two symbols in the one box i.e. ↑/↔ this means an increase in housing enquiries coupled with actual house purchases remaining the same. In the supply column where there are two symbols i.e. ↑/↔ this means for a certain type of house (i.e. detached) land available has increased and for all other types of house the availability of land has remained the same.

***Table 8.2: Summary of February 2009 surveys*[5]**

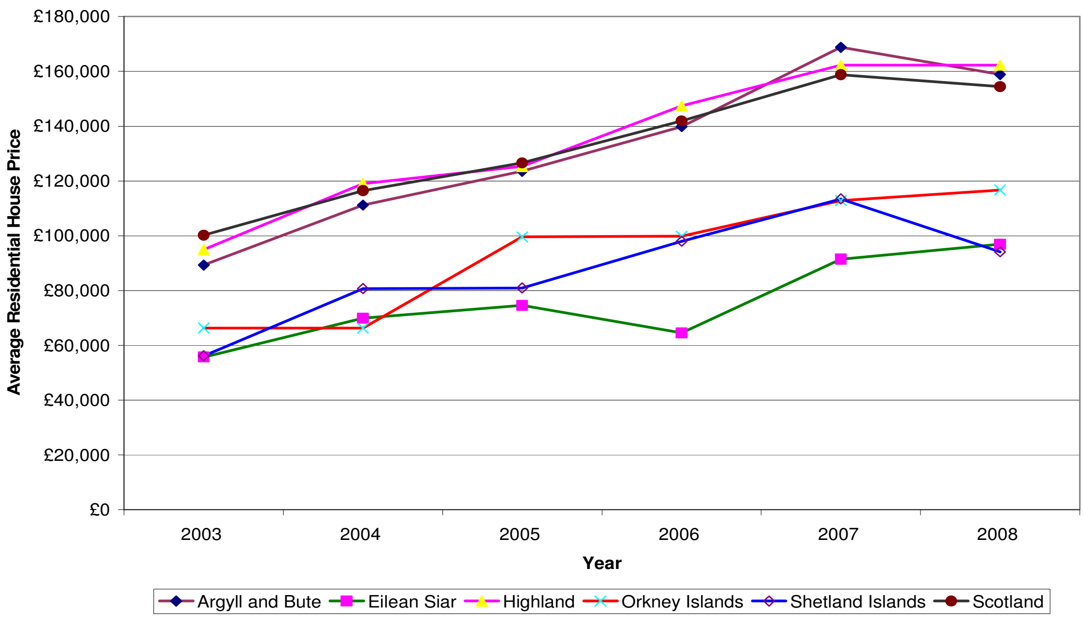
	DEMAND		SUPPLY	PRICES	
ESTATE AGENT (and geographic coverage)	**Housing demand and housing plots**	**Housing enquiries and purchases**	**Availability of land for housing development**	**House prices over the past three months**	**House prices in the next three months**
Arran Estate Agents (Arran)	**Declined to Participate**				
Anderson Banks (Whole of the Western Isles and Highlands)	↑(slightly)	↓/↓(slightly)	↔	↓	↓
Ken MacDonald and Co (Whole of the Western Isles)	↔	↔	↔	↔	↔
MacArthur Stewart (Mull, Oban)	↔	↓ (both)	↔	↓	↓
Hebridean Estate Agency (Lewis, Harris, Uists, Barra)	↑(slightly)	↑/↔	↔	↔	↑
Orkney Financial and Property Centre (Orkney)	↔	↑/↔	↑(slightly)	↔	↑
The Skye Property Centre (Skye and the Uists)	↔	↔	↔	↔	↔
Estate Trust (North Uist)	↔	↔	↔	↔	↑
Dowle, Smith and Rutherford (Shetland)	↑	↑	↔	↔	↔
Tait and Peterson (Shetland)	**No Answer**				

[5] **Key:** ↑ = Increase, ↓ = Decrease, ↔ = Stay the same. In the demand column where there are two symbols in the one box i.e. ↑/↔ this means an increase in housing enquiries coupled with actual house purchases remaining the same. In the supply column where there are two symbols i.e. ↑/↔ this means for a certain type of house (i.e. detached) land available has increased and for all other types of house the availability of land has remained the same.

The estate agent surveys are supplemented by quantitative data sourced from the Registers of Scotland providing a basis to monitor quantitative changes in the housing and land markets at a local authority and national level.

Figure 8.1 shows average residential house sale prices from 2003 to 2008. The graph illustrates the trends in Argyll and Bute, Eilean Siar, Highland, Shetland Islands, Orkney Islands and the whole of Scotland over the year. It should be noted that yearly figures correspond to average residential house prices in October in each of the years.

Figure 8.1: Average Residential House Price, 2003-2008



(http://www.ros.gov.uk/productsandservices/lpd_stats.html)

The graph illustrates that average residential house price trends for the Highlands and Argyll and Bute followed similar trends as Scotland as a whole over the period, steadily increasing to 2007, and then decreasing between 2007 and 2008.

Average residential house prices in Eilean Siar, and the Orkney and Shetland Islands have been less stable over the period. In Eilean Siar, average residential house prices have not kept pace with the growth in the other areas. In Shetland, average house prices were increasing more rapidly than on Eilean Siar from 2003 until 2007, but fell back in 2008 to the same level.

ANNEX A - The Monitoring Programme

Table A.1 summarises the data being gathered as part of the monitoring programme.

Table A.0.1: Monitoring Data sources

Data	Frequency	Source
Ferry Traffic Data ▪ Carryings: passengers; cars & commercial vehicle ▪ Revenue ▪ Capacity Utilisation	Quarterly until spring 2011.	CalMac Northlink
Ferry Passenger Surveys	Every quarter during the first year of the Pilot and then every six months thereafter until spring 2011.	On-board interview surveys
Resident's survey	Autumn 2008 and Autumn 2010.	Self-completion postal questionnaire.
Economic ▪ VAT Registrations ▪ Employment ▪ Unemployment ▪ Retail price Survey	Data updated May 2009; October 2009; May 2010 and October 2010.	NOMIS. Price survey.
Business ▪ Local Business Surveys ▪ Haulage and Distribution Surveys	August 2009 and August 2010.	Online survey with businesses in the Pilot area. Collation of IDBR data for Pilot and non-Pilot areas.
Tourism ▪ Accommodation Providers ▪ Local Tourist Boards	Accommodation surveys repeated in May 2009; August 2009; February 2009; August 2011 and February 2011. Tourist board surveys under review.	Surveys with accommodation providers.
Housing and Land Market ▪ Estate Agents	Surveys repeated in September 2009 and September 2010.	Surveys with local estate agents in the Pilot area and also other remote islands and the mainland.

Table A.2: Monitoring Schedule

RET MONITORING PROGRAMME

	2008			2009												2010												2011		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1. Ferry Traffic																														
Carryings	X			X			X			X			X			X			X			X			X			X		
Revenue	X			X			X			X			X			X			X			X			X			X		
Capacity Utilisation	X			X			X			X			X			X			X			X			X			X		
2. Patterns of Use																														
On-Board surveys		X			X			X			X						X						X						X	
Resident surveys	X																								X					
3. Business & Freight																														
Local Business surveys	X										X												X							
Haulage/Freight surveys	X										X												X							
4. Tourism																														
Accommodation providers	X				X			X			X						X						X						X	
Local Tourist Boards	X				X																									
5. Economic Data																														
Labour market data	X												X												X					
Housing market data	X												X												X					
Price data	X				X			X			X						X						X						X	
Business performance	X												X												X					

key:

Sampling Point	X
Completed Task	X
Further Action	X