THE POLITICS OF ISLAND TRANSPORT

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Although Scotland does not ranks among the larger European nations journeying to and from its outer islands is still nowadays a fairly lengthy affair. Trying to reach the Scottish central belt from any of the three Islands Regions keeps implying a fairly considerable journey for those who can only travel by land and by sea. Using the quickest routes and the best possible connections, an inhabitant of the Western Isles will thus take around 10 hours to reach Glasgow, an inhabitant of Orkney between 11 and 12 to get to Edinburgh, and a Shetlander up to 17 hours. This, of course, if he lives in one of the main harbours from his archipelago; for a resident in a remote rural area or small outlying island may easily take between one and two days.

Travelling by air – a necessity more than a luxury in the islands – saves a lot of time, but is financially crippling, as fares are converse to the distance. In 1984, the average fare per km on a major UK line (Glasgow/London) was around 09p. By comparison, fares on the main routes linking the islands to the Scottish mainland ranged between 15p and 20p per kilometre. On the inter-island routes the air fares reached between 20p and 36p per kilometre, albeit some of those are already subsidised quite substantially by the local authorities.[1] Obviously passengers travelling on very short routes (like some inter-island flights in Orkney, which last only a few minutes) have to face the static costs of the service (the plane, its maintenance, the pilot's wages, etc.). Nevertheless, the vast difference (4 to 1) in price per km shows a clear disadvantage for the communities which are the most dependent upon this kind of amenity.

Ferries are not cheap either. To give but one example, if in 1979 a passenger travelling to the islands by boat had been charged a fare equivalent to the then British Rail average of 5p/mile, he would have had to pay £10.40 instead of around £16 to go to Shetland, £1.24 instead of around £5 to go to Orkney, and £2.11 instead of around £4 to go to Stornoway, in the Outer-Hebrides.[2] Internal ferries, when they are managed by the local islands authority, are very low-priced, but they have to be heavily subsidised by the ratepayers. In Shetland and in the Western Isles, over

90% of the internal ferries' income comes from the Council.

Unsurprisingly, consumers do tend to suffer from a higher cost of living in the outer islands, but substantial differences exist between the main towns and the rural areas, or especially the smaller islands. In 1984, for a retail price index using Aberdeen figures as a yardstick (Aberdeen =100), the average prices in the Highlands & Islands was 110. In the outer islands, the scale varied between 104.9 and 118.5, according to the location. The island towns which offer a sizeable market with a reasonable amount of competition, provided the cheapest cost of living: 104.9 for Stornoway, 109.4 for Lerwick, 110.7 for Kirkwall; which compares favourably with the Highlands & Islands average, or indeed with the figures of some remote rural areas of the mainland (111.8 in a small Sutherland village). But the island's rural areas, or even more the smaller islands provided the worst figures of Scotland: 118.5 in Shetland, 115.8 in Orkney, or 116.4 in the Western Isles.[3]

Since around two-thirds of the islanders live in sparsely populated rural areas, retail prices still remain a major concern in the Islands. Moreover, this kind of discrepancy strengthens an already worrying trend of imbalance in infra-regional development.

For the island industries too, the consequences of transport costs can be dire, but there are important variations. As a rough rule, it can be said that the impact of transport is converse to the volume/value ratio of the goods carried. In other words, High volume/Low value goods (such as hay, bricks, fertiliser, etc.) will be crippled by them, while Low volume/High value goods (such as most shellfish, tweed, knitwear, etc.) will be comparatively unaffected.

The farming and building industries do consequently bear the brunt of insularity. Crofters in the Western Isles and in Shetland wishing to import hay from the mainland are faced with transport costs so high that its price may easily double. Even in Orkney, where the fertility of the soil, the size of farms, and the apparent proximity of the mainland should imply a more limited vulnerability to the cost of imports and exports, the consequences are spectacular. It has been estimated that an Orcadian farmer's income is around 35% lower than the income of an Aberdeenshire farmer, and in the northern isles of Orkney, the figure would be an extra 10% lower.[4] It must be noted that in all the archipelagoes, farming imports and exports already benefit from a variety of concessionary fares[5] without which some agricultural activities could perhaps not take place.

Similar observations can be made about the building industry. Take, for example, a ton of bricks sold for £34 a ton in Aberdeen. The transport costs to Stornoway, in the Western Isles, will add an extra £27 (80% of the original value). By comparison, transport costs to Wick will only fetch £11.4, not only because of the mainland location, but also because of the stronger competition amongst road hauliers.

The local authorities are also faced with a much higher level of expenditure per capita, since services, public buildings and other types of infrastructures will be more costly and the population more scattered. For example, in 1984/85, the housing expenditure reached £1.876 per head of population in Orkney, and £1.351 in the Western Isles, against £788 in Scotland as a whole. Education cost £390 in Shetland, £355 in the Western Isles, and £315 in Orkney, against £250 per head of population for the Scottish average.

Tourism is another industry strongly affected by transport costs. The archipelagic configuration of Western Isles, Orkney and Shetland restrict the movements of cars, and since the journey from the mainland has already proved very expensive (especially in comparison with the cost of an overseas holiday), tourists are often reluctant to come or when they do, tend to limit their visit to the bigger islands.

In other sectors, the impact of transport will nevertheless be felt differently. This is the case of the fishing industry, and in particular of the shellfish industry. The value of fish and shellfish may range from £220 per ton for winkles, to around £5,000 per ton for salmon, and even £6 or £7,000 for lobster[6] – this according to the size, the quality, the time of the year, etc. Consequently the impact of transport costs is in a number of cases, limited because the retail price of much island produce is very high anyway. Such exports have long been hindered by the communication difficulties, but the development of transport technologies, (special containers adapted to cooling or freezing the fish, etc.) has lifted a lot of the old difficulties. This is not to say that the fishing industry as a whole is indifferent to transport costs. Imports of salmon feed for the fishfarm, or of engines and spare parts for fishing vessels is still a heavy burden. Yet in many cases, the speed and punctuality of delivery of top quality produce is more important than a lowering of transport costs.

The case of fishing could well be extended to the various activities where the islands manufacture goods which bear a strong "island identity" and command high prices. The Harris Tweed industry in the Hebrides, the knitwear industry in Shetland, the distilleries in Orkney, export goods

which have achieved a world-wide fame. Once again, the plight of these industries in terms of transport lies more with the quality and speed of deliveries than with the consequences of costs – albeit no one would certainly object to cheaper fares.

There are also a number of activities where lower fares may have a damaging effect upon the island communities, by making them become more and more dependant upon the import of mainland goods which they could readily produce themselves. Milk, for example, is for a large part imported to the Western Isles daily from Inverness or Oban on the mainland. One may wonder if the subsidising of milk imports should not be more efficiently replaced by the development of a local milk industry (with higher hay or cattlefeed subsidies). Such a development would not only benefit the consumers, but also help to lower the 20% rate of unemployment which plagues the Outer Hebrides. Hasty and simplified as it may be, this brief survey of the relationships between transport and the island economy shows us an extensive range of diverse implications. At one end of the scale, certain industries are severely affected by transport costs. At the other end, the same transport costs may prove a useful incentive to foster some forms of local development.

The management and subsidising of island transport

The complexity of the transport issue may once again be observed in the way island services are managed and subsidised. Central government has indirect responsibility for the management of most island/mainland air routes since these are serviced by the national airline, British Airways. Inter-islands routes, and a small number of mainland routes, are serviced by Loganair, which is a private company owned by British Midland Airways.

Since 1982, British Airways operates its Highlands & Islands routes through its "Highlands Division". Due to strict reorganisation, this Division has become profitable; but the fares, which are unsubsidised, are high. This is very damaging for the island communities which are relying on air communciations more than any other part of Britain.

Central government could subsidise air transport through the *Highland & Islands Air Services (Scotland) Act 1980*, but it only does so very sparingly, for a small number of routes operated by Loganair.

Loganair also gets various forms of subsidies from the Islands Authorities. In the Western Isles, the Council pays a third of the internal

routes' running costs, and has a say over the number of weekly flights. Consequently, local authority spending cuts have had direct consequences over the quality of the internal air service, with flights being withdrawn for lack of subsidy. In Orkney, passengers from the northern isles travelling to Kirkwall are getting a direct rebate on their fares, paid by the local authority. In Shetland, the Council subsidises chartered planes to some of the outlying islands (Foula, Papa Stour ...) where there are no regular services. Last but not least, Loganair provides important services like the air ambulance, or in Shetland the watch over oil tankers to prevent pollution around the Sullom Voe area. Those services are financed either by central government funds or by the local authority.

Sea services between the islands and the mainland are operated privately, except in the case of Caledonian MacBrayne (a subsidiary of the Scottish Transport Group) which provides the services for all the West of Scotland.

With some exceptions (like the oil related traffic, the summer service between Shetland and the Nordic countries, or some bulk shipping companies), most of these services are subsidised. Subsidies are granted by the Scottish Development Department of the Scottish Office, through the powers of the *Highlands & Islands Shipping Services Act 1960*. The Scottish Office also subsidises a number of inter-island routes: in the Western Isles, because MacBrayne operate "triangular" routes linking the mainland with two islands at a time; in Orkney with the Orkney Islands Shipping Co.

The way these subsidies are granted differ very much from one case to another. In the Western Isles, Caledonian MacBrayne gets a lump sum which covers presently around one-third of its budget. With this assistance, it must plan its fare policy, but also all its infrastructural expenditure, as it does not get specific grants for ship replacements. In Orkney and Shetland, P&O fares are subsidised separately. The operator works out its standard fares, and then deducts from them a subsidy which is refunded by the Scottish Office. The rate of that subsidy differs according to the type of traffic : mainland/islands traffic gets a 15% rate, the islands/mainland one a rate which varies between 30 and 60% between the different categories (passengers, vehicles, freight, invalids, OAP's, etc.).

P&O also gets a Scottish Office subsidy for the replacement or overhaul of its vessels. This is negotiated case by case, as the company argues that the cost of purchasing new ferries out of its own resources would be unacceptable to the users or to the shareholders. A 40% subsidy was

thus granted for the refurbishing of the "St Clair" which operates between Aberdeen and Shetland.

Bulk shipping to the islands is operated by private companies. The rate of subsidy differs again: in the Western Isles, it is 30% whatever the direction of traffic, in Orkney and Shetland it is 15% for mainland/island traffic, and 50% for the other way. The subsidy is not granted systematically, and some operators and some types of goods are excluded.

Internal ferry services are operated in most cases by the local authority in the Western Isles and in Shetland. The prices are kept very low by deliberate policy, and quality has improved dramatically during the last decade, but the heavy deficit (over 90%) is supported by the ratepayers. Small private operators also get local authority subsidy, or occasionally the assistance of the HIDB for purchasing vessel. The two main exceptions are the MacBrayne "triangular routes" in the Western Isles, and the OISC in Orkney as already stated. Nevertheless the responsibility for the OISC is presently being transferred to the Orkney Islands Council. Predictably, the Council is reluctant to take over the burden of a deficit running close to £1m, presently supported directly by the Scottish Office.

As for all the transport related infrastructures (piers, airports, airfields, jetties, etc...), we shall simply note that their management and subsidising is equally complex. Roughly, central government covers the heavy deficit of the Highlands and Islands airports, but the local authorities have responsibility over the smaller airfields. Piers and jetties are generally managed by the Islands or Regional Councils, but exceptions are numerous, such as the Stornoway Pier & Harbour Commission, the Lerwick Harbour Trust, or Caledonian MacBrayne, which owns a number of piers.

Trends and changes in island transport

If the present system of subsidy is complex in its functioning and limited in its efficiency, it remains to be seen how it could be changed. In that respect, the answers focus around three main points: who should be responsible for transport policies, how much money should be put into them, and to whom that money should be granted.

Who frames transport policies?

The passing of the 1973 Local Government (Scotland) Act has undoubtedly been a decisive step in the history of island transport, since in

creating the three present Islands Regions it gave Western Isles, Orkney and Shetland the possibility to get more involved in the framing of transport policies.

The setting up of single tier islands authorities was a special boon to the Outer Hebrides. That archipelago had been administered by the two mainland counties of Ross & Cromarty (for Lewis), and Inverness-shire (for all the other islands). Transport-wise, the Western Isles were disunited, with the main axis of communication running from West to East, and not from North to South. Attending council meetings involved considerable journeys, and moreover the mainland authorities were in no way interested in developing a proper network of internal transport to service the smaller, outlying islands.

When the Wheatley Commission published its report in 1969, it advocated the setting-up of a single Highland region encompassing the whole of the Highlands and Islands. This meant that Orkney and Shetland which had their own County Councils, were on the verge of finding themselves in a situation similar to the Western Isles, with great communication difficulties to a relatively distant seat of local government.

Happily, through energetic campaigning on the islands' behalf, and a supportive "Minority Report" by Mrs Bettie Harvie Anderson and Mr Russell Johnston[7], the case for single-tier Islands Councils, blending the powers of the mainland Districts and Regions, prevailed. The Local Government Act, enforced in 1975, gave the three outer-islands regions a number of important powers. It allowed them to make all kinds of grants "to public passenger transport services (whether by land, water or air)", and "to maintain, improve and operate any ferry situated wholly or partly within their area...". In doing so, an islands council could incur capital expenditure, borrow money, lease or hire, enter into arrangements and fix fares and charges, etc.[8]

Financial constraints of course restrict considerably the field of application of the Act. If the islands councils have been able to improve dramatically the condition of their internal shipping and sometimes air services, central government remains firmly in control of all the other forms of communication by holding the strings of the purse.

As a result, the amount of control which the island communities may have over the functioning of the services, and the adaptation of fares policies is rather limited, although a number of bodies have been set up to ensure proper communications between the users and the operators. For

example British Airways Highlands Division has a Consultative Committee, and Caledonian MacBrayne has created a number of Shipping Services Advisory Committees, but the role of these bodies is more to act as a forum than anything else; and they do not allow the islanders to influence the operator's fare policy.

It can thus be seen that there is little comparison between the powers of the Scottish Office, which not only pays for subsidies but also audits the operators' accounts (including P&O's), and those of the island communities. Except for the services which they run or subsidise directly themselves, the island authorities can only rely on the quality of relationships which they have established with the operators. As the operator's commercial interests are not always coincidental, with their own, this relationship often turns out to be of a "love-hate" nature.

Since 1975, the islands have pressed for a number of proposals seeking a stronger level of local control over transport. When recently, the Montgomery Committee of Inquiry investigated the condition of the islands authorities, it received a wide range of proposals.[9] The Western Isles Council asked for the possibility of taking over all the piers and harbours in the region, and for the right to set up its own air service if the need arose. Shetland asked for a right of say in the licensing of the air operators, and for an additional grant to run its internal ferry services. Orkney said they were ready to take over their internal ferries (managed by the Orkney Islands Shipping Co.), provided they got proper central government assistance. All the three authorities declared themselves ready to manage their own airports if granted proper financial support.

More radical proposals have even been advocated by the Shetland Movement and the Orkney Movement, whose aim is Home Rule status in the northern archipelagoes. Both Movements have declared themselves in favour of the setting-up of island based and island controlled shipping companies.[10]

So far, few of these demands have been successful, all being rejected by the Montgomery Committee, or when accepted, refused by the Scottish Office. Only the transfer of management of the state run Orkney Islands Shipping Company to the Orkney Islands Council is going through, but it remains to be seen whether the level of financial assistance that the OIC will get will prove satisfactory. If it is not, the transfer will only mean a shift of responsibility from the central government to the Orcadian ratepayers.

What kind of subsidy?

Central government commitment to financing the costs of island transport has been very slow and uneven. If Caledonian MacBrayne, or rather its predecessors, have managed to get a degree of financial assistance since the end of the 19th century, the northern archipelagoes did not get a proper level of subsidy till fairly recently.

Whatever their political creed, successive administrations have refused to pay heed to the islanders' case that their shipping routes, like the mainland trunk roads, had to be financed out of central government funds. In 1969, the then Labour Secretary of State for Scotland, Mr Willie Ross, declared for example

> "...The government are not convinced of the validity of the argument that shipping charges should be fixed on the basis of a comparison with mainland costs..."[11]

Surprisingly, a more enlightened attitude was eventually expressed by the Conservatives who, in 1979 and again in 1982, committed themselves to the progressive introduction of "Road Equivalent Tariff" in the Scottish islands. Inspired by the Norwegian experience, the "RET" proposal had been originally suggested by the Highlands & Islands Development Board as early as 1974. Albeit the idea had attracted interest from various quarters (including MP John Corrie), it was not supported by the Scottish Office which limited its involvement to subsidising Caledonian MacBrayne and the OISC. Moreover, the level of these subsidies went down year after year in real terms, and sometimes even in actual terms: £2.99m in 1975/76, £2.74m in 1976/77, £3.05m in 1977/78 and £3.46m in 1978/79: this with a fast rising inflation.

The Conservative's commitment to RET – considered as a suitable anti-inflationary policy – brought marked changes. Shipping subsidies jumped from £3.46m in 1978/79 to £5.08M in 1979/80, and upwards. By 1984/85, they were totalling £11.92m. This increase benefitted primarily a number of operators, hitherto unsubsidised: P&O started to get government assistance in 1979/80, followed by the bulk shippers in 1980/81.[12]

Road Equivalent Tariff also got considerable support from the Committee on Scottish Affairs, who declared that the government should have it fully enforced by the end of 1984/85.[13] Yet the promise did not materialise for by February 1984 the Secretary of State for Scotland decided

to withdraw from the government's pledge, and not to pursue RET anymore.[14]

This U-turn in government policy, which caused strong disappointment in the Scottish islands, put an end to the intricate debates which had taken place around the notion of Road Equivalent Tariff. In summary, the concept of RET is based upon the principle that travellers to the islands should be charged a fare similar to the cost of motoring a similar distance. Practically, complications quickly rise as the cost of motoring may be substantially different if considered as a "running cost" (e.g. fuel, tyres) or as an "operating cost" (that is, all the costs related to car ownership). Far from academic, the various understandings of RET mean that according to the method of calculation, cars or commercial vehicles – which have different running and operating costs per mile – may find themselves more or less advantaged. Moreover, RET could, under certain circumstances prove itself detrimental and not beneficial to the longer routes.[15]

Lengthy negotiations eventually brought the islands to support a "running cost" type of RET, with the proviso that the longer routes would be limited to a maximum of 80 kilometres to assist the remoter communities. The Scottish Office then withdrew its commitment, arguing officially that the system was too complex, ineffective in terms of assistance distribution, likely to generate increasing demands in terms of subsidies, that it would be unrelated to shipping costs etc. First and foremost, the government thought that, in times of public expenditure cuts, the whole affair was going to prove far too costly with an expected doubling of the existing subsidy.[16]

Another source of assistance has been the European Community. Sensitive to the fact that the islands were the most reluctant parts of Europe to European integration, and that they constituted a test case in terms of reducing the Community's economic discrepancies, the EEC has slowly become involved in the matter of island transport. Prodded by regional lobbies[17] and by the campaigning of Euro MPs like Winnie Ewing, (for the Highlands & Islands), the European Regional Development Fund has progressively extended its grants to various transport-related expenditures: piers, jetties, etc. and more recently ferries.[18]

Classically, part of the Community assistance has been diverted by central government. For example, when Caledonian MacBrayne bought its new ferry "Hebridean Isles" to the tune of £5.5m, it received a 40% grant by ERDEF. But CalMac does not get specific government grants for the purchase of its ships, and has to finance them through borrowing repaid

through its annual budget, two thirds of which comes from the users' fares, and a third from a government subsidy. Consequently, two-thirds of this 40% grant went to relieve the users' burden, but one-third of it was no more than a saving for central government.

This discrete waylaying of community funds must be witnessed with some irony, when one recalls that one of the Scottish Office arguments for dropping RET was precisely the size of its financial effort to renew the islands ferry fleet.

Who is to be subsidised?

Rather than subsidising heavy deficits, should not the market be allowed to weed out the less efficient operators by a healthy system of competition?

This line of thought has led the government to question the ways in which many transport amenities are provided in the Highlands & Islands, and to consider the remedy of privatisation.

To a large extent, this policy has proved inapplicable. A well publicised attempt has been the offer for sale of all the Highlands and Islands airports, hitherto run by the Civil Aviation Authority with a yearly deficit approaching 40%. The extent of that deficit made the proposal so unattractive that barely an offer was put forward by the private sector, and the project had to be dropped. Proposals by the islands authorities to take over their individual airports with government assistance was turned down. The government eventually decided to take these unprofitable airports from the CAA's by running them through a newly created subsidiary, 'Highlands and Islands Airports Ltd'.

Serious efforts were also made in the direction of shipping services. Caledonian MacBrayne went through extensive scrutiny by the Monopoly and Mergers Commission. The Commission did not recommend privatisation, but it stated, that CalMac routes should be priced according to a set scale of fares reflecting the different costs involved, (pier duty, distance, loading and unloading...).

Privatisation nevertheless took place in the case of MacBrayne Haulage (a distinct company from CalMac, also a subsidiary of the Scottish Transport group).

Another attempt at limiting government intervention led in 1985 to

proposals to "deregulate" the Highlands and Islands air routes. These met with strong opposition from the island authorities, which objected that the size of the market was too small to allow healthy competition. A fares war, they said, would be likely to mean a downgrading in the quality of services, or a short term improvement followed by an unchecked monopoly situation. The islands insisted that the CAA should continue to act as a safeguard through the licensing of the air operators.

In the near future the main concern lies with the sale of British Airways. Since British Airways Highland Division is unsubsidised, one could think that its takeover by a private undertaker should not mean any major change. Yet, this is not certain, as a private company may well think that its planes should achieve better profits on other routes servicing more frequented areas.

Central government has not been the only party interested in the introduction of more competition on the island routes. In the northern archipelagoes, attempts have been made to compete against P&O and the Orkney Islands Shipping Company, with limited assistance from the island authorities. New summer services have been started in the northern isles of Orkney and between Orkney and Shetland, but for a number of reasons, including lack of capital, absence of a regular subsidy and of course the fragility and limited size of the market, these ventures have floundered.

More decisive attempts have been considered with the proposed introduction of a new car ferry service between South Ronaldsay (in Orkney) and John O'Groats. This proposal has led to a delicately balanced situation. On one hand, the opening of a new shipping route to Orkney would allow a better circulation of tourism through the area, improve the communication facilities and compete with P&O's fares. On the other hand, P&O may claim that a new route "creaming off" its summer service would make its operations far less profitable, and thus would compel it to increase its fares to provide the non-profitable winter service. Since P&O provides so far the overwhelming part of the archipelago's links with the mainland and with Shetland, the threat would be far from negligible.

This would tend to demonstrate that in the field of island transport, the dividing line is not really between the private and public operators, but between those whose size allows them to control the market, and those who can't.

Towards a new system of transport subsidy?

A hypothetically ideal solution to the problems of island transport would presently have to face a large number of varying, and sometimes conflicting, conditions.

The way transport is now being operated as well as the way it is subsidised is characterised by total lack of homogeneity. What is public or private criss-crosses what is being subsidised or not.

The impact of transport costs also differs, not only geographically, but also in intensity according to the type of industry.

The conditions in which the services are operated result in most cases in confrontations between the wishes of the users (low fares and good quality), the desires of the operation (who follow their own management priorities) and the policy of the subsidy provider (who tends to wish for a limited involvement).

Except in a minority of cases (when local services are managed or controlled by the island authority) the antagonism is strong, and the user is far from always the winning party.

So far, the magic word uttered when references have been made to transport difficulties in the Scottish islands has been "RET".

But is Road Equivalent Tariff an appropriate solution?

Albeit for different purposes from the Scottish Office's, I would argue that it is not. First of all, RET is a blanket type of subsidy. That is, it is meant to assist all the users, irrespective of their needs. Such method does not take into account the fact that some industries would still be crippled by transport costs – even on a "road equivalent" basis, when others are relatively indifferent to the present fares because of the size/value ratio of the goods they ferry. Moreover, one must bear in mind that for an island industry, shipping costs are only a part of transport costs. One must also include the vehicles and the drivers, which are immobilised for long periods, and thus incur very heavy (and totally unsubsidised) extra costs. "RET" would consequently be not only indiscriminate, but also incomplete.

Another point is that lower fares are in a number of cases far less relevant than faster and more direct accessibility (for example with the provision of extra "unprofitable" sailings).

RET does not cover air fares, which are a most serious handicap for foot passengers to the islands.

RET also implies a direct handout to the operators, and as such does not contribute to strengthening the say of the island communities over the way services are run.

Summarily, it can be said that albeit there is undoubtedly a case for increased assistance to the Scottish islands, the concept of RET is stiff, centralised, and likely to be ill-adapted.

Strong words indeed, but what other option could outmatch RET to solve the islands' difficulties?

I shall argue that better solutions exist which, pound for pound, would outmatch RET. Yet, such solutions are unlikely to be found with the centralist approach to the problems. Of course, one could conceive a system where fares, retail prices, and trade would be set at a fixed level, ensuring that no discrimination besets the island communities. But such an approach is not feasible in Scotland for political, historical and institutional reasons. It would also remain to be proved that centralism is the appropriate way to deal with the problems of peripheral regions characterised by very specific conditions and identities.

The other option is a strong move towards the implementation of full direct control by the islands over their internal as well as external transport.

Such direct control could be achieved in two ways. One would consist in the islands' regions themselves operating all the sea and air services. This option is tempting, but not readily open to the Scottish archipelagoes, which are small in terms of population, and are already locked into an intricate frame of transport services. Skills and funds would also have to be readily available, and whether one likes them or not, the capacity, the means and the professional experience of Caledonian MacBrayne, P&O, or British Airways won't overnight be replaced.

This leaves the outer islands of Scotland with one possibility, namely the direct management of all transport subsidies. Such a scheme would have the merit of letting each island group operate in its own way, according to its own priorities; and to enforce the best adapted form of "territorial continuity" with the mainland. Such "territorial continuity" should not merely consist in lowering shipping fares, but seek to develop the island industries, and aim at achieving a degree of parity (social and economic)

between these communities and the rest of Scotland.

Such a system implies a very large degree of freedom in the application of transport subsidies. Some archipelagoes will favour a single operator, others will prefer competition. Some will assist exports more than imports, others not. Some will favour a straightforward handout to the users, others will prefer to run an individual service themselves. These disparities already exist but they should be acknowledged and intensified. Moreover, the island authorities should be able to assist directly the island industries which they will have selected for their vulnerability to transport costs, and for their impact in the local economy. This system would mean that local firms would get a direct refund on their overall transport costs (sea, road or air) to bring them in line with their mainland competitors. In some other cases, the subsidy could be used not to lower fares, but to finance a traffic increase which, albeit "unprofitable" in shipping terms, may be of a vital necessity for some island industries.

As a whole, the scope must be left as wide as possible for experimentations and imaginative solutions. To give but one example (inspired from a subsidy scheme existing in Sicily), one could consider a system which would boost tourism and benefit entirely the island community. Tourist cars would be handed a nominative voucher with their ticket. Provided a set number of nights is spent in the island hotels and B&Bs, an extra free night is granted by the voucher. The transport subsidy thus encourages longer stays, and benefits the directly catering trade.

Achieving such radical changes in the system of transport subsidy in the Scottish islands would require a complete overhaul of the present set-up, which may prove a lengthy and politically intricate affair. Perhaps some initiative could be expected from the European community to encourage such development and experience its efficiency.

Since the Community transport policy has been notoriously lagging, one could suggest that inroads be made in the field of island transport, especially in coordination with other policies like the Integrated Development Programmes. For example, the Community could grant each Island Authority a lump sum (a kind of "subsidised rebate" over transport costs) with a broad degree of freedom in its distribution amongst the operators and the local industries – this, of course, in addition to the present level of government subsidy.

What are the main hurdles to such a scheme?

The first one is a contradiction with the Treaty of Rome, which prohibits discrimination within the Community. Since a locally controlled subsidy would precisely be used as an instrument of positive discrimination, such a scheme could be refused. Nevertheless, the Treaty of Rome specifies in its Article 80 (point 2) that in the field of road, rail and inland waterways transport "...The Commission shall (...) take into account the requirements of an appropriate regional economic policy, the needs of under-developed areas..." and allow the relevant exceptions. There is thus a perfectly legal possibility for the Commission to allow an extensive range of use of transport subsidies by an island authority, by extending the provisions of Article 80 to sea and air transport.

The second hurdle would come from central government, which would claim its right to control directly communications on all the "trunk" routes. But since this very notion of "trunk route" has been systematically rejected when the islands used it to see their ferries subsidised properly, this argument would be weak. Moreover, central government would be in a delicate situation to reject openly an EEC subsidy.

The third hurdle, which would perhaps be the most serious, would be difficulties related to the administration of the subsidy. Hard battles would take place between island interests on how the subsidy should be used. Tourism may compete with crofting, air services with shipping routes, and so forth. The management of transport subsidy would become the islands' hottest political potato, since it would be instrumental for economic and social choices of these communities, and not just an indifferent way of lowering fares.

But would such confrontations be really detrimental? I would argue that they would be beneficial. Transport problems exist in the islands not only for geography's sake, but as a consequence of the progressive loss of control by these communities over their economy, their culture and their politics over the last two centuries. This "loss of control" has left a spectacular trail of failures and wrong doings: massive depopulation, linguistic and cultural alienation, heavy dependence on the mainland, etc. Moreover, it has meant that for decades, the islands have had to wait for the mainland based centre of government to provide the (supposedly) best adapted solutions.

In gaining control over the management of transport subsidies – that is over the crux of transport services – the islanders may well be able to turn that trend dramatically. There is little doubt that meeting full force with the weight of hitherto inaccessible decisions will cause friction. Such is the price

to pay, however, for the major advantage of a scheme of locally controlled subsidy: namely the reconquest of political responsibility by the most outlying periphery.

Since the late 1960's the outer islands of Scotland have begun a process of political awakening, and met with quite a few surprising successes. They have managed to achieve special recognition in the battle over the reshaping of Scottish local government. They have won, in the Northern archipelagoes more responsibilities and powers to confront oil development than any other local authority. They have, when in charge, acted effectively to provide cheap, modern and efficient transport services within their own territory. A further degree of control over transport, far from being an exorbitant privilege, would be simply a logical follow-up to the basic philosophy that only the islanders are well placed to solve the problems of insularity.

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References

1. The air fares figures have been calculated by working out an average between the different routes, as well as an average between the cheapest rates and the standard ones.

2. A more recent comparison with British Rail fares is not feasible since BR's method of pricing has changed. One must also keep in mind that the pattern of subsidising has changed since 1979, and that fares per km vary considerably from one shipping line to another, from one route to another, and also according to the nature of traffic. The figures I have here provided nevertheless give a rapid glance at the discrepancies between the costs of island and mainland transport. For more detailed explanations, see for example the RPT Economic Studies Group report on *Sea Transport to the Scottish Islands*, Comhairle Nan Eilean (Western Isles Islands Council), July 1980.

3. See G A MacKay and Ann Gillies *Rural Scotland. Price Survey – 1984 Report*, HIDB, Inverness, August 1984, Part 2.

4. The various examples quoted have been communicated by the Islands Councils, or by representatives of the different industries.

5. In the Western Isles, for example, Caledonian MacBrayne has concessionary fares for the import of hay. Trailers pay half-fare provided that they return empty.

6. 1985 prices, these are of course rough estimates, open to seasonal variations.

7. See *Royal Commission on Local Government in Scotland 1966-1969*, HMSO, Cmnd 4150, September 1969, pp.176-180, and pp.287-295.

8. *Local Government (Scotland) Act 1973*, s.150-154.

9. Sir David Montgomery (Chairman), *Committee of Inquiry into the Functions and Powers of the Islands Councils of Scotland*, HMSO, Cmnd 9216, April 1984, Chapter 10.

10. See Shetland Movement, *Are you interested in Shetland's future? Summary of Policy Discussion*, Shetland, 1985; and *The Orkney Movement, 'Policy Paper 1986'*, Orkney, Chapter 4. On the history of both Movements, see Allan Macartney, "The Scottish Islands debate" in *Islands of Europe*, USGS, University of Edinburgh, 1984, pp.7-24.

11. *Shetland Times*, 15/8/69, p.8

12. In 1984/85, out of a total subsidy of £11.92m, Caledonian MacBrayne got £6.98m, P&O £2.11m, the OISC £0.90m and the Bulk Shippers £0.91m.

13. See Committee on Scottish Affairs, *Rural Road Passenger Transport and Ferries*, House of Commons, 1981-82, pp.21-32.

14. Hansard, *Parliamentary Debates*, 21.2.84, p.697.

15. See RTP Economic Studies Group, *op.cit*, or HIDB, *The future of Ferry Services in the Highlands & Islands*, Transport Research Paper No.6, May 1980.

16. The 1982 Select Committee on Scottish Affairs had estimated the cost of implementing RET at around £19m or £20m, twice the ongoing subsidy.

17. For further details on the island lobby in Europe, see my paper on 'Island representation in the EEC', in *Islands of Europe*, *op.cit*, pp.161-181.

18. Between 1975 and 1985, ERDEF has spent £328m for all kinds of infrastructure in Scotland, 14% in the Islands Regions.