Islands Transport Forum – 9 May 2019

HIAL Strategy Update

At the Islands Transport Forum (ITF) on 29 September 2016 the paper 'Preparations for an Intra-Scotland Air Services Review Scoping Exercise' was tabled. On 15 December 2016 the then Minister for Transport and the Islands wrote to ITF members confirming that, given their related work in this area, he had assigned HIAL the task of progressing this work. In addition, HIAL has been told that any proposals that are developed need to be legal (including State Aid compliant), affordable and deliverable. HIAL initiated a number of workstreams to look at a variety of issues.

1. The potential to use different aircraft types and different business models in the Highlands and Islands to provide affordable and reliable services

HIAL has undertaken an extensive amount of work on this issue which is leading to a stakeholder consultation event on 9 May 2019 in Inverness. HIAL recognises that this clashes with the ITF. For those unable to attend the event, HIAL will be offering one-to-one meetings. HIAL has produced two papers which will be discussed at the event and which will be sent out in advance. The first paper 'A network business risk and resilience study for Highlands and Islands Airports Ltd' includes input by Cranfield University. The second paper is a summary document entitled 'A Vibrant Scotland is a Connected Scotland'. It poses some questions and is designed to stimulate input. Both papers will also be published on the HIAL web site.

The Cranfield report provides:

- an evaluation of the existing model of commercial air services in the Highlands and Islands network focussing on traffic, capacity, load factor, frequency, aircraft fleet, timetabling and air fares;
- An open and objective critique of the current PSO mechanism as a method for ensuring connectivity within and to remote regions;
- An investigation into the potential for a virtual airline to operate in circumstances where commercial lifeline links have been withdrawn with little prospect that these services would be operated by other airlines;
- A comparison of whether PSO or Virtual Airline solution will work. This section consolidates the themes from the previous two sections while considering alternatives;
- A comparison of the economics of operating the current Saab 340 with both equivalently sized (e.g. ATR42) and smaller aircraft (e.g. Twin Otter); and
- A route hierarchy analysis showing which routes are strong, which are marginal and which are at significant risk of market failure.

2. The need to utilise new technology (e.g. satellite based navigation) to improve the resilience and efficiency of operations both from an airport and airline perspective

The most visible element of this workstream has been HIAL's Air Traffic Management 2030 Strategy. Much of the focus of this has been on the Remote Tower element of the proposal but the Strategy itself is much wider and picks up on the need to embrace new technology in order to improve services, in particular from a resilience perspective. It includes proposals

to introduce Surveillance at HIAL's Air Traffic Controlled Airports (currently only Inverness has this) as well as the introduction of Controlled Airspace. These initiatives have the potential to increase accessibility at some of HIAL's smaller aerodromes. A number of reports have been published by HIAL relating to this work and are available on their web site. These include 'Air Traffic Management 2030 Strategy Scoping Study' by Helios and 'ATM Strategy – Appraisal of Options for the Remote Tower Centre Location – Final Report October 2018' by ekos.

While not specifically mentioned in the strategy, for some of the more remote sites technological developments may involve the introduction of GNSS based technologies which have been proven to materially improve upon airfield accessibility in fog and low cloud. In essence they provide the same if not better benefit as an ILS, but at a fraction of the cost. When combined with the latest remote camera technology, surveillance, lighting technology and GNSS approaches, there is the potential to materially improve accessibility for remote airfields in adverse weather conditions, at a fraction of the cost of traditional systems, in a safe environment.

HIAL continues to introduce initiatives such as LED lighting at its airfields as part of its normal capital programme. LED lighting is both cheaper and easier to maintain than previous systems. In addition, by using less electricity carbon emissions are reduced.

3. The viability of different delivery models for the provision of air services e.g. PSOs or public ownership of an airline

The Cranfield Study explores different delivery models including PSOs, the establishment of a virtual airline and the establishment of an owned airline. A virtual airline is where a company essentially functions as a management entity that manages revenue, sells tickets and markets and promotes air services. This entity would have an ATOL license and would procure air services from an aircraft operator that holds an AOC. The airline owned model is where a publicly owned company would hold the AOC itself and operates the aircraft.

4. The infrastructure requirements of existing and potential future air services

HIAL's normal capital programme continues to invest in the overall airport estate in order to provide the necessary infrastructure for the continuation of air services across the Highlands and Islands. In recognition of the work required in this area, the HIAL capital budget for 2019-20 has been increased to £16.056 million. Key projects include the continuation of the Environmental Drainage Project at Inverness Airport which will reduce the impact of the airport's activities on the surrounding environment as well as rehabilitation and resurfacing of runways and aprons across the estate to support the continuation of air services to some of our remotest communities.

HIAL continues to engage with the airlines which use its facilities with the aim of ensuring that any changes in airlines' fleets are taken account of in HIAL's forward capital plan.