

Written evidence submitted by Highlands and Islands Airports Limited (AIS0016)

Highlands and Islands Airports Limited (HIAL) is a private limited company wholly owned by Scottish Ministers and is responsible for the management and operation of 11 airports located at: Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick John O’Groats.

We receive subsidies from the Scottish Government in accordance with section 34 of the Civil Aviation Act 1982 and are sponsored by Transport Scotland – Aviation, Maritime, Freight and Canals Directorate.

Working with our stakeholders, we are committed to supporting the essential socio-economic role of aviation in Scotland by maintaining and developing our airports and the connections they provide for some of our country’s more remote communities.

Safety underpins every aspect of our operations. We have a robust safety and security programme that achieves regulatory compliance throughout our organisation. We continuously review our systems and procedures to ensure that our organisation and every one of our airports has the very highest standards of safety performance and resilience.

1. Pandemic Impact

The impact of the pandemic on aviation within the Highlands and Islands was profound for HIAL and for the communities we serve in terms of reduced connectivity, the comparison to pre-pandemic levels is best demonstrated as below.

TOTAL PASSENGER MOVEMENTS *

	MONTHLY TOTAL		VARIANCE		RUNNING TOTAL		VARIANCE		P/Y ANNUAL TOTAL
	2020 / 21	2019 / 20	NO.	%	2020 / 21	2019 / 20	NO.	%	2019 / 20
BARRA	221	695	-474	-68.2	4,471	13,920	-9,449	-67.9	13,920
BENBECULA	2,449	1,865	584	31.3	15,155	35,161	-20,006	-56.9	35,161
CAMPBELTOWN	121	374	-253	-67.6	2,232	7,873	-5,641	-71.6	7,873
DUNDEE	6	825	-819	-99.3	4,751	21,424	-16,673	-77.8	21,424
INVERNESS	858	33,655	-32,797	-97.5	110,406	916,669	-806,263	-88.0	916,669
ISLAY	312	1,316	-1,004	-76.3	5,239	34,685	-29,446	-84.9	34,685
KIRKWALL	5,871	8,679	-2,808	-32.4	53,526	184,011	-130,485	-70.9	184,011
STORNOWAY	2,004	7,067	-5,063	-71.7	26,181	132,156	-105,975	-80.2	132,156
SUMBURGH	17,069	13,215	3,854	29.2	162,553	307,906	-145,353	-47.2	307,906
TIREE	199	693	-494	-71.3	4,333	12,217	-7,884	-64.5	12,217
WICK	161	945	-784	-83.0	3,835	16,223	-12,388	-76.4	16,223
	29,271	69,349	-40,078	-57.8	392,682	1,682,245	-1,289,563	-76.7	1,682,245

AIRCRAFT MOVEMENTS

	MONTHLY TOTAL		VARIANCE		RUNNING TOTAL		VARIANCE		P/Y ANNUAL TOTAL
	2020 / 21	2019 / 20	NO.	%	2020 / 21	2019 / 20	NO.	%	2019 / 20
BARRA	54	94	-40	-42.6	816	1,364	-548	-40.2	1,364
BENBECULA	200	214	-14	-6.5	2,312	3,310	-998	-30.2	3,310
CAMPBELTOWN	74	114	-40	-35.1	916	1,940	-1,024	-52.8	1,940
DUNDEE	1,512	1,912	-400	-20.9	14,067	40,938	-26,871	-65.6	40,938
INVERNESS	671	1,973	-1,302	-66.0	15,740	31,870	-16,130	-50.6	31,870
ISLAY	78	164	-86	-52.4	1,586	3,177	-1,591	-50.1	3,177
KIRKWALL	774	995	-221	-22.2	8,736	14,212	-5,476	-38.5	14,212
STORNOWAY	364	622	-258	-41.5	4,877	9,274	-4,397	-47.4	9,274
SUMBURGH	1,295	1,073	222	20.7	12,755	18,580	-5,825	-31.4	18,580
TIREE	77	108	-31	-28.7	1,074	1,730	-656	-37.9	1,730
WICK	184	260	-76	-29.2	2,806	3,993	-1,187	-29.7	3,993
	5,283	7,529	-2,246	-29.8	65,685	130,388	-64,703	-49.6	130,388

Thus far, and looking at the performance year to date compared with pre-pandemic levels our situation is as follows:

TOTAL PASSENGER MOVEMENTS *

	QUARTERLY TOTAL				RUNNING TOTAL				PIY ANNUAL TOTAL
	2020 / 21	2019 / 20	NO.	%	2020 / 21	2019 / 20	NO.	%	
BARRA	552	2,265	-1,713	-75.6	4,471	13,920	-9,449	-67.9	13,920
BENBECULA	6,192	6,986	-794	-11.4	15,155	35,161	-20,006	-56.9	35,161
CAMPBELTOWN	269	1,135	-866	-76.3	2,232	7,873	-5,641	-71.6	7,873
DUNDEE	14	4,225	-4,211	-99.7	4,751	21,424	-16,673	-77.8	21,424
INVERNESS	2,829	138,899	-136,070	-98.0	110,406	916,669	-806,263	-88.0	916,669
ISLAY	657	4,824	-4,167	-86.4	5,239	34,685	-29,446	-84.9	34,685
KIRKWALL	13,755	32,330	-18,575	-57.5	53,526	184,011	-130,485	-70.9	184,011
STORNOWAY	5,221	26,092	-20,871	-80.0	26,181	132,156	-105,975	-80.2	132,156
SUMBURGH	44,611	50,493	-5,882	-11.6	162,553	307,906	-145,353	-47.2	307,906
TREE	506	1,938	-1,432	-73.9	4,333	12,217	-7,884	-64.5	12,217
WICK	329	3,143	-2,814	-89.5	3,835	16,223	-12,388	-76.4	16,223
	74,935	272,330	-197,395	-72.5	392,682	1,682,245	-1,289,563	-76.7	1,682,245

AIRCRAFT MOVEMENTS

	QUARTERLY TOTAL				RUNNING TOTAL				PIY ANNUAL TOTAL
	2020 / 21	2019 / 20	NO.	%	2020 / 21	2019 / 20	NO.	%	
BARRA	154	262	-108	-41.2	816	1,364	-548	-40.2	1,364
BENBECULA	600	656	-56	-8.5	2,312	3,310	-998	-30.2	3,310
CAMPBELTOWN	182	340	-158	-46.5	916	1,940	-1,024	-52.8	1,940
DUNDEE	2,057	7,014	-4,957	-70.7	14,067	40,938	-26,871	-65.6	40,938
INVERNESS	1,891	6,028	-4,137	-68.6	15,740	31,870	-16,130	-50.6	31,870
ISLAY	233	486	-253	-52.1	1,586	3,177	-1,591	-50.1	3,177
KIRKWALL	2,143	2,996	-853	-28.5	8,736	14,212	-5,476	-38.5	14,212
STORNOWAY	1,081	1,936	-855	-44.2	4,877	9,274	-4,397	-47.4	9,274
SUMBURGH	3,553	3,476	77	2.2	12,755	18,580	-5,825	-31.4	18,580
TREE	224	322	-98	-30.4	1,074	1,730	-656	-37.9	1,730
WICK	458	786	-328	-41.7	2,806	3,993	-1,187	-29.7	3,993
	12,576	24,302	-11,726	-48.3	65,685	130,388	-64,703	-49.6	130,388

At the height of the pandemic, air services operating to, from, and within the Highlands and Islands were those identified as lifeline or for essential purposes, other air services were unable to operate due to Covid restrictions.

These lifeline and essential services operated throughout the pandemic under an arrangement between the Scottish Government and Loganair for the provision of a “skeleton schedule”. This provided limited connectivity between island communities and the mainland, typically one service per day which facilitated lifeline links for health and essential business only. A close working relationship between HIAL, the various local authorities, the Scottish Government and Loganair meant that flight timings were adjusted to ensure health needs were met in addition to requirements from other areas.

Ultimately, with the relaxation of Covid restrictions and the need for continued operation, the skeleton services gradually diminished. As communities came back online, commercial services re commenced.

Of course, and as expected, some communities came back online quicker than others and this reflected the nature of the business for the community and for the airline. By way of example, Shetland recovered relatively quickly whilst Islay did not.

As of October 2021, except for those services operating under the auspices of a PSO, all other services are operating commercially. Arrangements put in place to help airlines increase their levels of activity have thus far been successful in that all routes operating pre-pandemic have resumed. However, some are at very much reduced frequencies and unlikely to pick up as we enter Winter and the threat of future Covid restrictions ever present.

The link between aviation activity and Covid restrictions is demonstrable. Restrictions, or the threat of future restrictions, flow through to market uncertainty and consequent loss of trade. The Highlands and Islands is a relatively small area of business activity, and consequently we were able to make that link with reasonable certainty.

In terms of our operations, our teams recognise the lifeline nature of the links they support and continue to ensure that all workplaces are Covid secure environments. The Company operated throughout the pandemic without any airport closures which were Covid related.

2. Air Services in the Highlands and Islands

2.1 Inverness Airport

Business Base and Catalytic Impacts

There are several economic specialisms/strengths in the catchment area. Many of these sectors are heavily reliant on customers, suppliers, advisers, and funders from outside the Highlands and Islands, Scotland, and internationally. This reflects the small local population and business base (just 6% of Scotland's jobs are in the catchment area).

Therefore, the key sectors that tend to be intensive users of air services include tourism, life sciences, manufacturing (notably food and drink), primary production/processing, and the nuclear industry. In particular, life sciences, tourism and energy are generally recognised as sectors whose staff have a relatively high propensity to fly.

Some of these sectors are major employers in the catchment area. For example, food and drink has 18,000 direct jobs - one in six of the Scottish total. Sustainable tourism has 19,000 direct jobs - 9% of the Scottish total.

Many catchment area companies are operating in global markets. A recent survey of businesses that use Inverness Airport showed that more than one third are exporters. Their main markets are mainland Europe (of which Germany and France were most common) and the United States. A number of these companies are inward investors to the Highlands and Islands.

The most important trading markets for HIE's Account Managed businesses include both the EU and the rest of the world as follows:

- United States
- France
- Germany
- China & Hong Kong
- Australia & New Zealand
- Canada
- Japan & South East Asia.

Around one third of local businesses using Inverness Airport to fly internationally go to a country outside the EU. Research with businesses and stakeholders identified the importance of connections at Heathrow and Amsterdam in facilitating, for example:

- Life sciences businesses' travel to the US west coast
- Oil and gas companies/workers travel across the globe, e.g. Central Asia, South America.

Approximately one third of overseas business passengers are from outside the EU. Finally, more than half the overseas leisure visitors using Inverness are from non-EU countries.

Inverness Airport is cited in every inward investment proposition by HIE. It is considered that being able to refer to Inverness' international routes provides the right image and messaging to potential investors.

The main economic challenges the Airport catchment area face are, first, an over-representation of lower value-added sectors. This results in relatively low GVA/productivity and wages.

Second, and in the rural parts in particular, a higher cost of living than in urban areas.

Third, the low population density produces a settlement pattern of small communities, often distant from each other, key markets, and services. This results in additional costs in the provision of goods and services due to a lack of economies of scale and a corresponding enterprise base.

Companies in low density areas have few chances to do business with, and communicate with, local firms due to the small number spread across relatively large geographical areas. This constrains business development and economic growth. Around half of HIE's designated Fragile Areas (which cover the whole of the Highlands and Islands) are within the Airport catchment area.

Survey evidence shows that the main business benefits from the presence of the Airport and its route network are increased:

- Productivity through reduced travel time and cost savings.
- Ability to attract and retain staff.
- Ability to sell to the rest of the UK and global markets.
- Access to external expertise.

Increasing productivity is a key aim for UK Government, as part of rebalancing the economy through, as the Green Paper notes, "economic growth of the regions".

It is also an essential part of Scottish Government's Scotland's *Economic Strategy* which notes that improving productivity "is the principal long-term driver of economic growth".

Research with businesses and stakeholders has also shown that Inverness Airport is viewed as being:

- Critical for regional economic development and growth.
- A contributor to growing confidence in the local economy and supporting attraction of inward investment.
- Increasingly important in attracting international students and generally supporting the growth of the University of the Highlands and Islands, an anchor institution in the region.
- A positive influence on retaining population and thus addressing the ongoing issue out-migration of young people.

Route Profile

There was significant growth (30%) in the number of terminal passengers at Inverness between 2008 and 2017. This amounted to an increase of over 200,000 passengers: from around 670,000 to 875,000. The level of growth was above that seen at both Glasgow and Aberdeen airports in the same period.

Inverness' passenger growth since 2009 has been aided by the introduction of the Amsterdam service plus the reinstatement of flights to Heathrow and Dublin. There has been also good growth in carryings on the Gatwick, Luton and Manchester routes.

The market segments that have seen the strongest growth are outbound business travel and inbound leisure-both UK and overseas

However, Inverness' route network continues to face challenges/limitations, including:

- The inability of business travellers to do day trips on some routes - notably inbound from London - is a recognised gap in service provision.
- Many routes operate at no more than a single flight per day all year round. That includes significant business destinations such as Bristol and Birmingham, to which day trips are not possible and flight times are not business oriented.
- There are services to only two non-UK airports.
- Overall passenger volumes are highly dependent on a small number of routes and airlines.

The services to the hubs at Heathrow and Amsterdam are vital given the very limited direct international flights from Inverness. However, leakage of trips from the catchment area is still significant. In a recent survey the vast majority of the businesses (84%) use other Scottish airports as well as Inverness for their own travel, while those other airports are also used by their business visitors.

Inverness Airport very clearly serves the north west mainland of Scotland as a whole. More than one third (300,000) of its passengers have a surface origin in either Moray, Caithness and Sutherland or Lochaber, Skye and Wester Ross.

Inverness is distinct in that most (around 55%) passengers are inbound to the area rather than being local residents. Some 14% of all passengers through the airport are from overseas.

Another feature is the significance of London routes in passenger carryings, as the 2018 profile shows:

- London: 507,000 (57% of scheduled passengers).
- UK regional: 232,000 (26%).
- International: 97,000 (11%).
- Islands: 50,000 (6%).

Another distinctive feature of Inverness' services are the flights to the islands. The services to Orkney, Shetland and the Outer Hebrides operate on a commercial basis (i.e., they are not PSOs).

Business travel accounts for a significant proportion (around half) of passengers on these services. As well as the private sector this includes organisations that require staff to travel between the regional centre of Inverness and the islands. For example, Scottish Fire and Rescue Service, Police Scotland, NHS, local authorities and HIE.

Travel by island residents to Inverness is to access health and education facilities and visit friends and relatives. They are also used by island residents who work away from home for periods, e.g., offshore, merchant navy.

The effectiveness of the Inverness to Orkney and Shetland routes is reduced as there is only a single rotation per day in the winter, thus a day trip is not possible in either direction at that time of year. These social aspects are also reflected in the Inverness passenger profile across all of its routes, with more than 25% travelling to visit friends and relatives. However, these and other leisure trips by catchment area residents also support economic development by making the area a more attractive place to live and helping employers to attract and retain staff.

Quantified Economic Impacts

On-Site Impacts

Inverness Airport is a very significant employment site within the Highlands and Islands. Businesses located at the airport site or immediately adjacent to it employ over 550 Full-Time Equivalent (FTE) jobs. Around one quarter of these employees live outside the local (Inverness & Nairn) area.

These jobs are very well paid-with an average wage of over £34,000 per FTE. That is higher than the average gross annual pay for full-time employees in both Scotland and the Highlands and Islands.

Notable aviation-related employers include:

- PDG Helicopters.
- Bristow's regional search and rescue base.
- Scottish Air Ambulance staff base.
- Marine Scotland-reconnaissance aircraft.

When indirect and induced impacts are included, the Airport site generates:

- Catchment area: 748 FTEs and £23 million of employee income.
- Scotland: 916 FTEs and £27 million of employee income.

(We do not hold these figures for the rest of the network)

Off-Site Impacts

Off-site impacts are generated by the spend of inbound visitors to the catchment area who arrive and/or depart via Inverness Airport. Their total annual spend is estimated as £89 million. Around 30% of this is from visitors using the regional UK and islands routes, while over one quarter comes from visitors on the two hub routes (Heathrow and Amsterdam).

Approaching 40% of the total visitor spend is with businesses outside the Inner Moray Firth area. Some 25% of it is in either Caithness and Sutherland or Lochaber, Skye and Wester Ross. This again highlights the airport's impact in the more remote and fragile parts of the catchment area.

The total visitor spend supports around 1,775 FTE jobs (direct, indirect and induced) in the catchment area.

Growth in passenger numbers at Inverness Airport mean that it is now a major employment site, a generator of significant tourism impacts, and the means of business access to markets outside Scotland. The Heathrow and Amsterdam services are a crucial part of this as they allow ready access to global markets. The overall impacts of Inverness Airport reflect the *general* evidence for the economic contribution of regional air services as noted by Peak Economics¹:

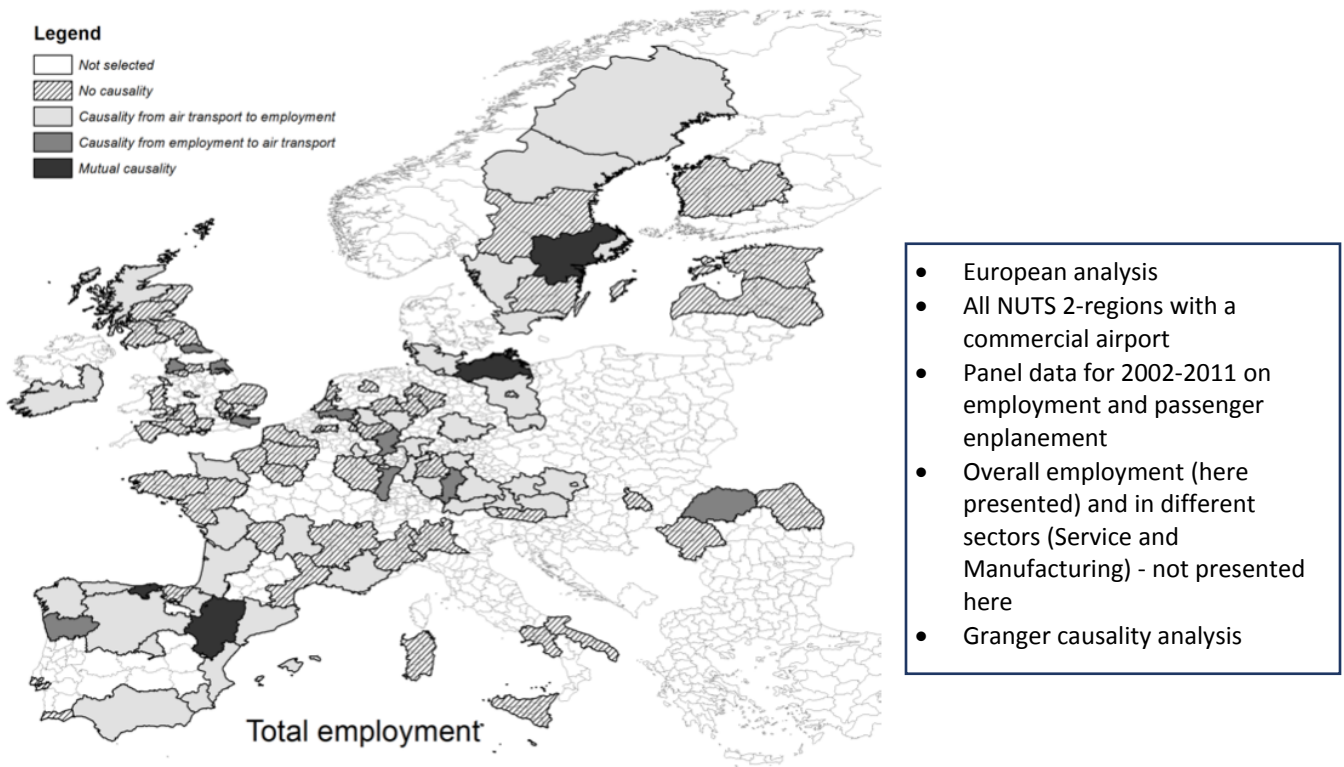
“There seems a consensus in the literature that airports in peripheral regions have some stimulating effect on employment and population growth ... there are positive economic impacts in the vicinity of airports from good quality regional air connectivity”.

Further, research by Baker, Merkert and Kanruzzman² has developed the case for catalytic effects, by providing the first empirical evidence of strong short and long run bi-directional causality between enhanced regional air transport and economic growth based on an examination of 88 regional airports in Australia over a period of 1985–86 to 2010–11.

¹ Wider Economic Impacts of Regional Air Connectivity (Peak Economics, for DfT, 2018)

² Journal of Transport Geography 43, 140-150

Using the same kind of analysis, Derudder has been able to point to evidence of positive causality where air links have been materially enhanced in remote and peripheral regions. In a study using employment as a proxy for economic development³, Derudder was able to demonstrate that improvements in connectivity, particularly in more peripheral and less well-developed economies have a positive and fast acting stimulative effect. The Highlands of Scotland was identified as one such region as shown below. This has implications for justifying state intervention to improve air connectivity.



³ Presentation to the UK All Party Parliamentary Group on Regional Aviation – Autumn 2014

Other Developments

Inverness Airport Business Park (IABP) is adjacent to the Airport site. It is a joint venture between Moray Estates, HIAL and HIE, with the support of Highland Council.

IABP is a planning approved and master planned mixed-use commercial property development of 275 acres with 36 acres of serviced land available for occupation. It currently houses a Co-op distribution centre, with a 130-bedroom Courtyard by Marriott recently completed.

Moray Estates has also pioneered the development of a new town nearby called Tornagrain. It has started life as a village which aims to expand in planned phases over 50-60 years, ultimately becoming home to more than 10,000 people.

2.2 Air Services from other Highlands and Islands Airports

HIAL's other airports are located at Barra, Benbecula, Campbeltown, Dundee, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick.

Economy

The economic specialisms/advantages of the airports' catchment areas include manufacturing, nuclear industry, fishing and aquaculture, scientific research and development, and media. Tourism and energy (including renewables) are also particularly important to some of the areas.

These sectors are largely intensive users of air services and/or heavily reliant on external markets and investment. A 2016 survey found that over half of businesses that use the commercial air services generate more than 25% of their sales from external markets. Hence the importance of air transport to their future growth and development.

The airports' catchment areas face similar challenges to those in the Inverness catchment, but to a much more acute degree. They are:

- Remoteness from the main commercial and service centres of Scotland, and even more so from the rest of the UK.
- Very low population densities, constraining economic development.

- Small business bases, leading to a need to travel elsewhere to access personal services (e.g., health) and for companies to access markets/business partners.
- A relatively low proportion of residents aged 15-44. This reduces the pool of workers, businesses and families required for sustainable economic growth.
- An over-representation of economic sectors with relatively low GVA and wages, in a context of a relatively high cost of living.

Air Services

These challenges, and the vital importance of air transport, is evidenced by Scottish Government's Air Discount Scheme (ADS). This provides a reduction of 50% on core air fares for local residents making non-business flights on internal Scottish services.

ADS is also provided for:

- Non-resident students in the eligible areas.
- Business flights made by local residents who work for third sector organisations.

As noted above ADS provides reduced fares to some users of the commercially operated flights.

PSOs are funded by:

- Scottish Government: for services between Glasgow and Barra, Campbeltown and Tiree.
- Local authorities: for internal air services in Orkney, Outer Hebrides and Shetland.

However, fare levels are still generally seen as high-by both business and leisure passengers. Previous (2016) research showed business travellers facing return air fares of between £106 and £515 on the commercially operated services. It also found that while most companies use the cheapest available non-flexible tickets more than one third of them have to book some flights no more than two weeks in advance.

Most of the airports' commercially operated routes are thin or ultra-thin. Even at the main island capital airports (Sumburgh, Kirkwall and Stornoway) only three of their 10 routes have more than 50,000 passengers. Four have fewer than 30,000.

Six other HIAL airports have between them seven services to Scottish cities. Only two of the routes have more than 25,000 passengers per year, while three carry less than 10,000.

Each airport has a limited number of destinations and low frequencies on most routes. This includes some routes to main Scottish cities where only a single rotation operates, consequently a day trip is not possible, e.g., Stornoway-Edinburgh, Kirkwall-Glasgow. Timings on several routes are limited to middle of the day operations. Previously, and prior to the cessation of services, Wick John O’Groats had no scheduled services in either direction until after midday.

The overall fragility of provision is increased by the fact that currently nine of the current HIAL airports (excluding Wick John O’Groats) are served by a single airline (Loganair).

The air services are used to undertake trips for: health, education, and VFR; inbound tourism; less than daily commuting to work (e.g., offshore); general business travel; and outbound leisure.

Freight Services

These are limited to those operated by Loganair on behalf of the Royal Mail. The challenge in providing air freight services is twofold.

In the first instance finding sufficient time critical cargo to use a dedicated facility, whether that be a specialist aircraft or space on board a scheduled flight. Secondly, and linked with this, finding sufficient cargo to work both ways.

Much of the time critical cargo, particularly seafood, uses road and ferries and, of the limited amount that would suit air freight, much travels east by road to form part of a larger pallet load en-route to London Heathrow from Aberdeen despite the daily service between Inverness and London Heathrow.

All of that said, much work has been undertaken as part of our Sustainable Aviation Test Environment (SATE) on Orkney with Windracers and the Royal Mail (see link)

<https://www.windracers.org/blog/another-royal-mail-first-company-trials-delivering-100-of-remote-communitys-mail-by-lower-emission-drone>

Though small in scale, the next phase of SATE, if the bid is successful with UKRI, will see a coordinated approach to a deliver a network of similar operations. To be clear, the idea is not to

compete with traditional legacy carriers who undertake freight operations but to develop an alternative by linking remote communities to very specific needs with a more efficient, flexible and environmentally sustainable solution. For example, transferring blood samples, medicines, specialist tools, water, oil samples and similar.

The opportunities are significant and have the potential to be utterly transformational in terms of moving into a near 'just in time' philosophy for essential cargo as opposed to a more conventional approach using air or ferries.

Key to the success will be user acceptance which will be integral to SATE Phase 2 if successful.

2.3 Sustainability

SATE, which forms a significant element of our net zero aspirations, began in November 2020. In less than 12 months and operating within the Covid-19 restrictions and BREXIT impacts on materials supply, this part-UKRI funded project has delivered airport infrastructure at Kirkwall airport (KOI) which includes a secure hangar (future proofed to be capable of housing two Dornier 228 aircraft) with access to the taxiway, offices, and parking for hangar occupants.

Wick John O'Groats Airport (WIC) and KOI now have sufficient energy capacity for electric charging of the developing aviation technology demonstrations. At KOI a site has been identified and prepared for a Hydrogen electrolyser. HIAL does not have a strategy for the on-site production of Hydrogen, therefore the options and costs are still to be explored, but it can be used for mobile refuelling in the interim.

Two aircraft developers including Ampaire <https://www.flyer.co.uk/ampaire-flies-hybrid-electric-aircraft-in-scotland/> have successfully demonstrated their new technologies in the harsh weather environment at the new facility, both providing world-firsts. A third Consortium partner will be on site in November and Windracers will return to undertake even more ambitious technology flight demonstrations, from Kirkwall to Tingwall and Unst on Shetland in March 2022, potentially even as far as Norway.

HIAL are benefitting from SATE partner intellectual property as well as starting to build our own. Consortium partner Denchi Batteries have provided reports on the potential for battery storage at

the airports which will inform our future sustainable airport operations plan. UHI are tracking and assessing the socio-economic impact of the Project and the SATE business model. The potential for developing training courses with Orkney College for hydrogen and electric aircraft handling and firefighting operations are being explored.

The impact of the transition to sustainable aviation will be profound and it could fundamentally change how the HIAL mission and vision are delivered. Participating in the 'Future Flight Challenge' gives direct contact with the aerospace community, including the relevant academic institutions & investors who will help to inform our future Sustainability strategy and investment decision making.

2.4 Airport Infrastructure

Investment in airport infrastructure in Highlands and Islands Airports has been at reasonable levels and we expect that to continue for our routine business requirements at the eleven airports. Looking ahead, and as countries and businesses juggle with the net zero challenge, the investment requirements are only going to increase.

It's essential that this is recognised and businesses like Highlands and Islands Airports are adequately funded to meet the scale of the challenge.

Our requirements will be informed by two studies, one involving buildings and the other airfield infrastructure, which is of particular concern to HIAL given our large coastal frontage. The first study will identify the necessary works to ensure that all buildings, terminal buildings included, have plans in place to minimise emissions. The wider piece of work will try and better understand to what extent rising sea levels, higher winds, drier conditions will impact upon current sea defences, natural and manmade, and from that determine to what extent remedial works will be required to protect assets and ensure continued lifeline connectivity.

Airspace Modernisation

The UK AMS will define how UK airspace and surveillance should develop in the medium to long term. The strategy is in line with ICAO SARPS and EU 373 Phase 2, which will bring UK airspace into line with ICAO. More locally, the UK AMS has many aspirations but thus far lacks definition i.e., mandatory requirements, deadlines, and budget allocation. Getting to that point will of course take time and, whilst the UK AMS will provide ANSPs with information and guidance on how they should

be thinking and developing, we would encourage the CAA to facilitate the process by clearly setting out the mandatory elements with associated timelines.

There are many other elements of the UK AMS that we feel warrant further discussion, including the role of AFIS, CAS, and the use of FIDS, and we will address these through our regular interface with the Regulator. It is important that as the plans develop and firm up that the regular interface continues to ensure that any resultant policy is proportionate and reflects the needs of the communities for sustainable aviation.

October 2021