

Report to Partnership Meeting 26 April 2019

RESEARCH AND STRATEGY DELIVERY

Aviation 2050 Consultation Response

Purpose of Report

To update Members of work to develop a coordinated response, in partnership with HIAL and Highlands and Islands Enterprise, to the Department for Transport's consultation on a new Aviation Strategy - Aviation 2050.

Background

Since the last Partnership Meeting in February 2019, HITRANS officers have been working in partnership with colleagues at Highlands and Islands Airports (HIAL) and Highlands and Islands Enterprise (HIE) to develop a coordinated response to the Department for Transport's Green Paper, Aviation 2050.

The UK Government commenced the development of a national aviation strategy in 2018. The Department for Transport has now developed its green paper which outlines proposals for the new aviation strategy. The consultation sets out the challenges and opportunities for aviation over the next 30 years and beyond and emphasises the significance of aviation to the UK economy and regional growth.

Following a procurement exercise through Public Contracts Scotland, HITRANS appointed a team of specialist consultants led by Northpoint Aviation to assist the client group in preparing a joint response to the extensive consultation on behalf the client group.

Aviation 2050 – Highlands and Islands Stakeholder Consultation Event.

In addition to preparing a response to the consultation, HITRANS invited senior members of the Department for Transport's Aviation team to a consultation event held in Inverness on 15th March. The successful event organised jointly with support from HIAL and HIE was the first one undertaken within the consultation period.

The event provided an opportunity for over 50 key public and private stakeholders to hear the DfT outline their proposals within the Green Paper but also for local business and organisations to highlight both the importance of air links to the wider economy of the Highlands and Islands and opportunities where the region is well placed to be at the forefront in developing and implementing future technologies that will help support the innovation within the aviation sector.

A note of the meeting together with all the presentations on the day will be circulated to the delegates who attended.

Aviation 2050 Consultation Response

Since being awarded the commission at the end of February, Northpoint Aviation have been undertaking a number of consultations with a range of key stakeholders across the Highlands and Islands and also assembling the evidence base in support of the key priorities which the region will advocate through its submission.

The deadline for submitting responses to the consultation has subsequently been extended to 20th June 2019. While this provides the opportunity to develop a more detailed response there will not be another HITRANS Partnership Meeting in advance of the deadline that would enable officers to seek Members approval of a final response. Instead, a brief summary of the emerging plan and priorities have been attached as an appendix to this report.

It is proposed that a final draft of the collaborative response will then be shared with Members in advance of the 20th June providing an opportunity for further comment at this stage.

In addition, the intention is to circulate the final draft of the response to all the delegates who attended the Stakeholder Consultation event on 15th March to help encourage them to submit their own responses to this important consultation.

Recommendation

Members are invited to;

1. note the report
2. consider the areas for the Highlands and Islands which the response to the Aviation 2050 consultation should prioritise.
3. approve proposal for a final version of the response to be circulated to Members for review ahead of 20th June in the absence of a Partnership meeting before the consultation deadline

RISK REGISTER

RTS Delivery

Impact - Positive

Comment – This work supports RTS Strategic priority enhance regional connectivity.

Policy

Impact - Positive

Comment – This work supports development of the Aviation policies set out in the RTS.

Financial

Impact – Neutral

Budget line and value – An allocation from HITRANS Research and Development Budget has been identified to support the development of a response to the Department for Transport's consultation. HIE have also confirmed funding of £7,000 towards the commission.

Equality

Impact –neutral

Report by: Neil MacRae

Designation: Partnership Manager

Date: 16th April 2019

Appendix 1

Aviation 2050 Consultation Emerging Outline Response

The aim of joint submission will be to note Highlands and Islands successes/achievements AND weaknesses/needs organised as:

- The Evidence
- Priorities
- Possible Solutions

The overall aim to address the general theme as to ensuring H&I priority outcomes within the strategy are addressed in terms of - funding, policy wording, structure for ongoing engagement going forward.

The commission highlighted a number of key objectives that have been built on through the engagement at the Aviation Stakeholder Consultation event and multiple subsequent one to one consultations with key regional businesses and public bodies.

The Scottish Government have indicated that they will be undertaking their own Aviation strategy so the focus on this submission will be on those issues which are not currently devolved.

Consider taking advantage of DfT's offer to submit topic drafts ahead of deadline to stimulate dialogue.

Draft Skeleton Plan - Proposed Main Headings

- 1. Regional Context and Background**
- 2. Maximising the Economic Benefit of Aviation**
- 3. Regional State Interventions in Aviation - justifications and rationale**
- 4. The Oxygen of Connectivity**
- 5. The Highland and Islands: Aerospace and Innovation**
- 6. Skills, Training and Promotion of Diversity and Inclusion**
- 7. What H&I seek in Aviation Strategy Formulation**
- 8. Consultation Questions addressed as standalone.**
- 9. Referenced Studies; Documents and Stakeholder Contributions**

1. Regional Context and Background

Special challenges of region; low population density; unsatisfactory surface transport alternatives

2. Maximising the Economic Benefit of Aviation

Organised as:-

- **The Evidence**
- **Priorities**
- **Possible Solutions**

Option 1 - A coordinated feeder system links the extremities of Scotland with expanded Heathrow via Scottish 'hubs'

Option 2 – Summer season UK Long-haul Inbound Tourism turbo-charger linking expanded LHR with extremities of Scotland

Inbound Tourism Facilitation

Current and Prospective City / Region Growth Deals

The Connectivity Needs of the Economy

Airport-related business parks (consider Enterprise or Free Zones)

Strengthen strategy for aviation in City / Region Growth Deals - Inverness and Highland City-Region Deal; Our Islands Our Future; Rural Growth Deal - Argyll, the natural choice; Moray Growth Deal

SMEs and Aviation

Theme: H&I priorities – funding, policy, establish improved ongoing engagement in the future

3. Regional State Interventions in Aviation - justifications and rationale

Green Paper is keen to minimise intervention in the market. H&I would argue that there is already significant intervention but regions keen to ensure that role of state intervention is optimised for region to address existing market failures. Route Development; frequency; affordability; reliability; aircraft renewal; onward connectivity; timetable usability for business – ideally a day return trip possible in both directions

Key issues: Public Service Obligation (PSO) routes (current PSOs in H&I); also noting ADS, APD exemption; public ownership of HIAL; noting H&I successes/achievements + weaknesses/needs.

Organised as:

- **The Evidence**
- **Priorities**
- **Possible Solutions**

4. The Oxygen of Connectivity

- *Security of tenure at key hub airports.*
- *Other UK hub and UK 'National' Airports.*
- *Overseas Hubs*
- *Adequate Frequency*
- *Affordability*
- *Coordinated Hub Connectivity to Scottish Island and Peninsula Destinations*

- Airfreight

Theme: H&I priorities – funding, policy, establish improved ongoing engagement in the future

1. Guaranteed access to important International Hub airports – LHR and Others
2. Measuring Connectivity – Swedish example - We urge that appropriate indices to measure the quality/value of transport connectivity be incorporated into government policy.
3. UK PSO'S Guidelines ideally Retain Full Versatility to Deliver Varied Goals:
 - National Airports designation does not work for the Highlands and Islands.
 - Glasgow and Oban already receive PSOs on UK mainland
 - Aberdeen potentially could host PSO from Caithness (also EDI)
 - Skye / Oban potentially could have future links to Glasgow
 - Agree Regions should have 'skin in game' and contribute to PSO subsidy but Strategy should also recognise that PSOs are 2 way street and not a favour from the 'hub'.
 - Timetabling, frequency and affordability must be considered in any 'specification'. The market does not always deliver these adequately in peripheral UK.
 - PSOs are a convenient and legally accepted way to ring fence and protect slots. The Green Paper has not offered another mechanism. However we would stress that certainty and security are required to maximise investment and utility and deliver the slow-burn catalytic benefits of connectivity. The White Paper should not leave this issue 'hanging'.
 - With PSOs the region, rather than the airline, retains some control over its destiny. The Green Paper's apparent aversion to / reluctance with PSOs needs to be balanced with the positives that PSOs can deliver such as strategic certainty.
 - No-Subsidy Open and No-subsidy Closed PSOs should be considered in UK Aviation Policy. There is no mention of them in the Green Paper. This is a way that regional slots can be secured without subsidising PSO air services.
 - Freight, seasonal, tour operator and International PSOs should be entertained. Airfreight, Inclusive Travel and Air Charters, General Aviation (including seaplanes) and Business Aviation should not be overlooked.
 - Suggest DfT Define what is meant by market failure, as it is not just airline route economics.
 - Imminent Caithness CofC report on PSO contingency planning referenced and separately submitted.
 - Recommend DfT make strong representation to DG-COMP review of State Aid Guidelines to make RDFs more usable.

5. The Highland and Islands: Aerospace and Innovation

- **The Evidence**

- **Priorities**

- **Possible Solutions**

- Autonomous aircraft (drones)
- Electric and hybrid propulsion of aircraft
- Online platforms and IT Innovation
- Spaceport(s)
- Greening Aviation and Sustainability – Marine sourced biofuels; electric aircraft; improve / electrify landside airport access

Theme: H&I priorities – funding, policy, establish improved ongoing engagement in the future

Example:- National Centres of Excellence? H&I offers advantages. Propose seeking one Centre of Excellence covering a theme and suggest 2-3 strongly promoted themes -examples :

- Remote ATC (HIAL & UHI)
- Drones/UAVs pilots/testing in Rural, Remote, Marine and Island settings
- Remote and online recurrent training and validation
- Remote Security Centres linked to passenger security line staff by broadband and ear pieces.
- Biofuel production and distribution
- Electrification of airside ground activities
- Airport Management
- A Regional Airport national apprenticeship scheme
- Gender and Diversity Workforce Study Group – with sub groups RFFS; Pilots; Engineers; Security; Ground Handling – Note that ‘inclusion’ also should encompass ‘geographic inclusion’ of career pathways
- Aviation and Aerospace R&D Nurseries

6. Skills, Training and Promotion of Diversity and Inclusion

Noting H&I successes/achievements + weaknesses/needs.

Organised as:

- **The Evidence**
 - **Priorities**
 - **Possible Solutions**
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- Pilot Training
 - Aero-engineering UHI - Perth / Lossiemouth / Boeing
 - Aerospace
 - STEM Subjects Promotion – Newton Centres
 - Fruitful Collaborations

Theme: H&I priorities – funding, policy, establish improved ongoing engagement in the future

Some Generic Suggestions

Highlands and Islands Involvement in Delivery Mechanisms for Aviation Strategy. What H&I needs is to remain engaged at National, Scottish, Regional level. Need to decide most effective way of doing so with (High, Medium, Low) prioritisation. Topics of high interest include:

Regional Connectivity

Heathrow Expansion (eg Options 1 &2) and security of tenure for Inverness service

Slot Committee(s) (again relating to security of tenure)

National Aerospace Strategy

Aviation and Aerospace Skills and Training

Industry-related and Policy-related Research

Possible Ancillary themes – Air Transport Sector Deal with H&I leading representation of remote and peripheral areas; Aerospace Sector Deal perhaps with Moray leading; Tourism Deal

7. What H&I seek in Aviation Strategy Formulation

- Avoid unhelpful phraseology and one size fits all approaches (eg in PSO UK guidelines);
- DfT make strong representation to DG-COMP review of State Aid Guidelines to make RDFs more usable;
- Highlands and Islands Involvement in Delivery Mechanisms for Aviation Strategy.
- What H&I needs is to remain engaged in at National, Scottish, Regional level. Need to decide most effective way of doing so with (High, Medium, Low) prioritisation.
- Topics of high interest include: - Regional Connectivity; Heathrow Expansion; Slot Committee(s); National Aerospace Strategy; Aviation and Aerospace Skills and Training; Industry-related and Policy-related Research; SMEs and Innovation

What local Agencies are prepared to contribute? – Project client group to decide - Suggestions

- H&I representation in appropriate working groups and sectoral bodies
- Explore ‘Sectoral Deals’ such as Air Transport Sector Deal and Tourism Deal;
- Ask DfT to recommend strengthening / aligning strategy for aviation in City Region/Rural Growth/ Island Deals, and other strategic plans.
- Offer HIAL/HITRANS/HIE resources to take things further via scoping or exploratory studies in concert with DfT strategy
- Offer DfT to provide H&I case studies for DfT UK wide research
- Offer to work with DfT to develop measure of regional connectivity

8. Consultation Questions

Prepare dedicated standalone responses to specific consultation questions

Potentially ‘invert’ document with Key ‘Asks’ up front and much detail placed in Appendices.

Referenced Studies; Documents and any specific Stakeholder Contributions

Shaded questions indicate those most exercising this response.

Generic Questions
How could the policy proposals be improved to maximise their impact and effectiveness in addressing the issues that have been identified?
How should the proposals described be prioritised, based on their importance and urgency?
Are you aware of any relevant additional evidence that should be taken into account?
What implementation issues need to be considered and how should these be approached?
What burdens, both financial and regulatory , are likely to need to be managed and how might those be addressed?
Are there any options or policy approaches that have not been included in this chapter that should be considered for inclusion in the Aviation Strategy?
Looking ahead to 2050, are there any other long-term challenges which need to be addressed?

Topic-specific Questions

Aviation can grow sustainably

To what extent does the proposed partnership for sustainable growth balance realising the benefits of aviation with addressing environmental and community impacts?

How regularly should reviews of progress in implementing the partnership for sustainable growth take place and are there any specific triggers (for example, new information or technological development) that should be taken into account?

Regional Employment, Training and Skills

To what extent do these proposals provide the right approach to support the complex and varied role that airports play in their regions?

To what extent are the proposals on skills the right approach to ensuring the aviation sector is able to train and retain the next generation of aviation professionals?

Enhance the Passenger Experience

To what extent does the proposed Passenger Charter adequately address the issues that are most important to passengers?

How should the operating model for border service be designed to improve the passenger experience?

Ensure a Safe and Secure Way to Travel

To what extent do these proposals sufficiently address existing and emerging safety and security risks in order to maintain business and passenger confidence in the UK aviation industry and in the UK as a destination?

General Aviation

To what extent do these proposals strike the right balance between the needs of General Aviation and the rest of the aviation sector?

Encourage Aviation and new Technology

To what extent are the government's proposals for supporting innovation in the aviation sector the right approach for capturing the potential benefits for the industry and consumers?

Do the proposals in this chapter sufficiently address the barriers to innovation?

Annex 4 Proposed PSO Assessment criteria

Are these the right criteria to judge PSO proposals against?

9. REFERENCED STUDIES AND DOCUMENTS AND STAKEHOLDER CONTRIBUTIONS

Stakeholder Engagement Responses to this document added as Addendum to submission or referenced

- Socio-Economic Case For Retention of Highlands and Islands APD Exemption, HITRANS (RefCon), 2018
- Inverness Airport Economic Impact Study, HIE (Ekosgen)
- Air Services Scoping Paper 2016, HITRANS
- Appraisal of Inclusion of All Business Travel Within the Air Discount Scheme, HITRANS 2016 (RefCon)
- Analysis of Best Value options to deliver Air Services to an Upgraded Skye Airport, HITRANS (ARCADIS) 2018
- Air Links to London from the North of Scotland: Updated Evidence Note, 2014
- Inverness City Region Deal, 2016
- Aviation Strategy – Initial Call for Evidence responses from local partners, 2018
- UHI Economic Impact of Wick John O'Groats Airport