

## **Report to Partnership Meeting 14 September 2018**

### **RESEARCH AND STRATEGY DELIVERY**

#### **Skye Air Service Short Life Working Group – Preferred Option for Re-introducing Air Services on a Trial Basis**

##### **Purpose of Report**

To provide Members with an update on work to develop how an air service linking Skye with Glasgow or Edinburgh could be established on a trial basis with the most cost effective capital investment.

##### **Background**

The 2016 Skye Air Service Business Case identified a positive BCR for the re-introduction of scheduled air services between Skye and the Central Belt from a licensed airfield at Ashaig, Skye.

The Business Case recommended that the preferred option would involve capital investment to enable the operation of a 19-seat aircraft (Twin Otter) from the existing airstrip which requires a short take-off and landing capability to service the 771 m x 23m paved runway.

Traffic Forecasts estimated the unconstrained passenger demand for a service to Glasgow at 23,800. A 12 x weekly Twin Otter service would have a theoretical capacity of 23,750 but sensitivity modelling of a realistic load factor reduced the estimate for base demand at 15,100 passengers per annum.

A local working group was established with representatives from HITRANS, The Highland Council and Highlands and Islands Enterprise tasked with advancing the project.

##### **Skye Airport Working Group**

Following HITRANS Partnership meeting in April 2018, Officers from the Working Group sought Ministerial support to extend the group representation to include Transport Scotland and Highlands and Islands Airports (HIAL) with a Short Life Working Group engaged with the following remit;

- To identify and implement the necessary investment required to support the establishment of a pilot scheduled air service between Skye Airport and the Central Belt.
- To ensure that all necessary technical, operational and licensing requirements for establishing scheduled air services from Skye airport are addressed and advanced with a view to achieving this proportionately with the pilot nature of the air service establishment.
- To establish the CAPEX and OPEX required to support any trial and consider opportunities for funding.

The cost of any design work associated with the Short Life Working Group would be met by HITRANS, HIE and Highland Council who have each allocated budget for this work. An initial meeting of the Working Group took place on 4<sup>th</sup> July 2018.

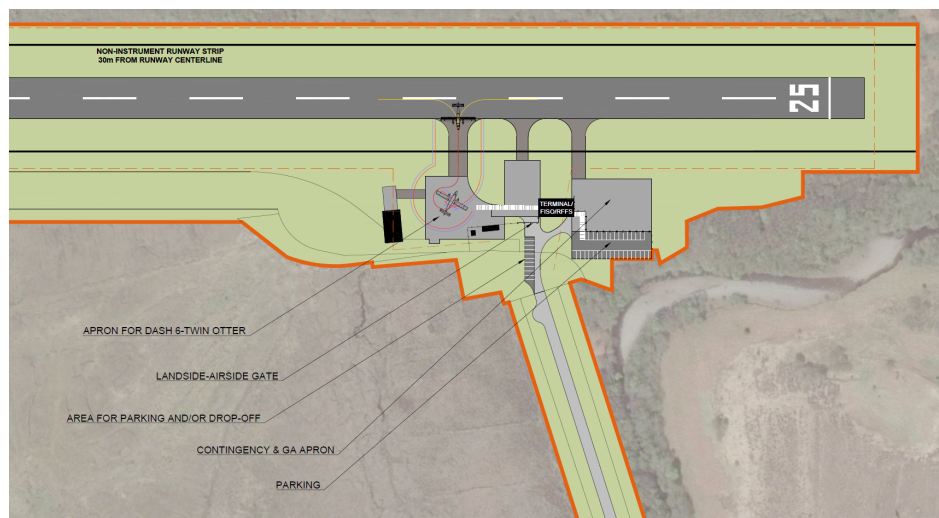
Utilising funding from the SPARA 2020 (EU Northern Periphery InterReg Programme) Project, for which HITRANS is the lead partner, Aviation consultants were commissioned to identify the infrastructure and operational costs required to establish a trial air service operating from a licensed airfield at Ashaig, Skye to the Central Belt based on the 12x weekly Twin Otter service into the existing airstrip.

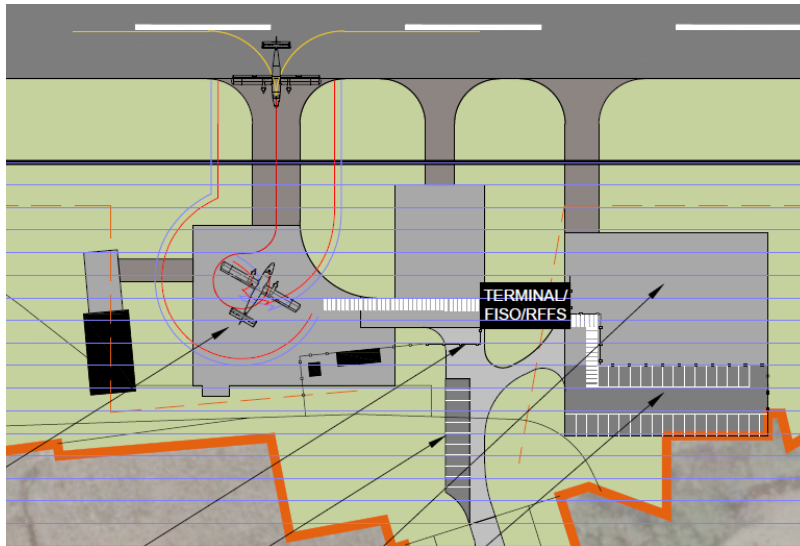
A copy of the Executive Summary of this report undertaken by Arcadis is attached as Appendix 1 to this report. A copy of the full report will be published on the HITRANS website.

### Capital Expenditure

Through consultation with key stakeholders the drawings below illustrate the preferred outline layout for the introduction of a trial service at the Airport. This includes the following;

- A 200sqm terminal situated in a central location with short walking distances to the car park and the apron.
- Provision of contingency and/or GA apron.
- A central hard-standing area that can be used for GA aircraft.
- The FISO is located within the terminal building.
- The RFFS equipment area is located within the terminal building.
- 30 public car parking spaces
- Provision for taxi / drop off





The table below summarises the estimated costs for the trial phase. It provides the previous total Option A2 Costs identified in the 2016 Business case set against the revised costs identified by Arcadis for a preferred terminal and airfield infrastructure requirements required for implementing a trial air service between Skye and the Central Belt. This highlights that the estimated CAPEX required to accommodate scheduled flights with a Twin Otter are in the range of £1,158K - £1,363K inclusive of contingencies and professional fees.

Item	Option A2 Costs	Arcadis Order of Magnitude Estimate
Earthworks, Drainage and Vegetation Removal	£5K - £6K	To be determined based on size of area (£3-£6 per m <sup>2</sup> )
Runway and Apron refurb	£580K - £700K	Subject to further inspections but this will be remedial work only
New Apron and Taxiway	£370K - £450K	-
Runway, Apron, Approach Lighting & Marking	£385K - £470K	£18K – mobile lighting tower £4K - £12K – Edge/ centre lines £5K signs & markings
Upgrade to radio, Signage, Metrological Equipment & Windsock	£30K - £35K	£100K – ATZ £25K – Comms Voice Recorder £27K – Wind Speed & Direction Indicators £500 – Laptop £5K – Crash Alarm £40K - IAP £120K - NDB £120K - £180K - DME £10K – 2 <sup>nd</sup> Windsock
New Terminal	£970K – £1,190K	£101K - £171K
Car Parking & Road upgrade	£155K – £470K	£2K – Markings £18K – mobile lighting tower
Rescue & Fire Fighting Service facilities	£110K – £135K	£90K - £100K
Boundary Fence upgrade	£30K - £35K	£39.5K
Hangar, fuel bowser	£30K - £35K	-
Transport and Operations	-	£103k

Equipment		
Environmental Compliance	-	£10K - £15K
Preliminaries @ 18%	£480-590K	-
Sub-Total	£3,160K - £3,870K	£838K - £991K
Training of RFFS personnel	-	£30k - £35k
Training of FISO personnel	-	£40k
Contingencies @ 20%	£630K - £770K	£167K - £198K
Professional Fees @10%	£320K - £390K	£83K - £99K
Total	£4,110 - £5,030K	£1,158K - £1,363K

### Operating Expenditure

The 2016 Business Case indicated that staff related costs cover the following areas:

- Airport Management
- Security
- Fire Fighting

Baggage Handling and aircraft ground servicing were not included as these were assumed to be an airline cost. Cleaning and estate maintenance staff costs were assumed to be included in the maintenance costs. Air Traffic Control staffing was not included in the report. The staffing was assumed to provide cover only during morning and afternoon operating periods. Staff requirements equated to:

- 3 Full-time Equivalent (FTE) airport management staff
- 5 FTE fire fighting staff
- 2 FTE security staff

Option A.2 indicated that annual staff costs based on this level of staffing is likely to be in the region of £320-380k.

Discussions with HIAL indicate that dual role staff members are likely to be possible, similar to other airports of this size and nature. Therefore, indicative total numbers of airport based staff have been identified as:

- 2 RFFS Supervisors & 5 Fire Fighters.
- 3 FISO's

Fire Fighters would have a dual role as Operations staff providing support across other airport functions. The 2016 Business Case identified a requirement for 3 airport management staff. For the trial phase combining the management roles with operational staff would achieve efficiency savings and therefore the RFFS Supervisors could perform a dual role with airport management duties. It is also anticipated that the FISO staff could perform dual roles where operational requirements permit.

Back office and administrative functions are assumed to be covered by HIAL and not based directly at the airport.

On the basis of most staff performing dual role functions staffing level requirements at the airport may be smaller than those of the 2016 Business Case for the trial but in order to afford a level of contingency the staffing levels would likely be similar to those previously identified, albeit with further dual role responsibilities.

Training of RFFS personnel would be in the region of £30K - £35K.

Training for FISO personnel would be in the region of £40K.

The 2016 Business Case estimated that Airline operating costs (with modest profit margin assumed) are estimated to represent a deficit funding requirement of £400k per annum if a PSO was applied to the route. Engagement with potential airline operators have confirmed that operating the trial service under a PSO would be the preferred model given that it is a new service.

The estimated total operating costs for the Airport and Air Service are presented in the table below:

<b>Total Annual Airport Operating Costs (Inc. Maintenance, Power &amp; Utilities)</b>	<b>PSO Route Subsidy</b>	<b>Total Annual Operating Costs – PSO</b>
£480-580k	£400k	<b>£880-980k</b>

## **Development Strategy**

The 2016 Business Case set out a development strategy for establishing a permanent upgrade to the infrastructure and facilities at the Skye (Ashaig) Aerodrome that would allow it to achieve full licensed status and CAA approval in terms of Instrument Flight Procedures.

In developing this report, Arcadis have reviewed the original development strategy. This has concluded that a 2-year programme is still likely to be the shortest timescale that could be reasonably achieved to gain licences and approvals, construct new facilities, set up an aerodrome operating team, sign agreements with airline operators and commence scheduled air services. It recommends that the following activities are prioritised.

- Engagement with CAA Regarding Airspace Changes
- Engagement with CAA regarding airport ground infrastructure
- Engagement with CAA regarding regulatory, compliance and licencing issues
- Early stages of public consultation and awareness
- Discussions with THC regarding the planning procedure
- Negotiations with airlines

## **Recommendation**

Members are invited to;

1. Note the report and the contents of the Executive Summary attached as Appendix 1.
2. Approve further engagement of Officers with the Working Group and other stakeholders to establish how the capital and revenue costs of a trial air services may be funded
3. Seek agreement through the Working Group of those cost effective regulatory elements of the development Strategy that require advancement at an early stage to ensure that the re-introduction of Scheduled services on a trial basis is not further delayed.

## **RISK REGISTER**

### RTS Delivery

Impact - Positive

Comment – This work supports RTS Strategic priority S11a to reintroduce scheduled air services between Skye and the Central Belt

#### Policy

Impact – Positive

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

#### Financial

Impact – Positive

Budget line and value – This item and any associated costs will be supported through the Northern Periphery and Arctic Programme Area SPARA 2020 project.

#### Equality

Impact – Neutral

<b>Report by:</b>	Neil MacRae
<b>Designation:</b>	Partnership Manager
<b>Date:</b>	3 <sup>rd</sup> September 2018