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Report to Partnership Meeting 6 February 2026

Research and Strategy Delivery

International Best Practice in the use of Air PSOs

PURPOSE OF REPORT

This report provides a covering note for the attached HITRANS evaluation report, *International Best Practice in the Use of Public Service Obligations (PSOs) to support air connectivity to remote, rural and island regions*.

The report has been developed following discussion at the HITRANS workshop held in Elgin on 6 November 2025, in advance of the November Partnership Board meeting. At that workshop, Board Members and Advisors were presented with a working draft of the research and invited to comment on its direction, emphasis and relevance to current and emerging policy discussions.

The final report reflects that discussion and provides a clear, evidence-based assessment of how international PSO models—particularly in Norway and Greece—can inform future thinking on air connectivity, affordability and regional equity in Scotland.

INTRODUCTION

HITRANS has a long-standing role in supporting strategic thinking on transport connectivity for the Highlands and Islands, including aviation where geography, distance and weather mean that market provision alone cannot deliver equitable access.

The attached report has been developed as part of the ongoing implementation and evolution of the HITRANS Regional Transport Strategy (RTS), and in response to recent discussions at Partnership Board level on the future of lifeline connectivity, affordability and regional equity. In particular, the work reflects issues raised during the Partnership Board meeting held in Orkney in September 2025, where Members highlighted the need for a clearer, evidence-led understanding of how air services are supported in comparable international contexts and how these approaches could inform future policy development in Scotland.

The purpose of the report is therefore to provide Members with a structured international evidence base to support informed discussion on the role of Public Service Obligations (PSOs) in sustaining essential air connectivity for remote, rural and island communities, and to assist HITRANS in its ongoing engagement with national policy-makers.

WORKSHOP ENGAGEMENT AND DEVELOPMENT

A working draft of the report was presented to Board Members and Advisors at a dedicated workshop in Elgin on 6 November 2025, held in advance of the November Partnership Board meeting.

That session focused on:

- The relevance of international PSO models to the Highlands and Islands context;
- The balance between national policy leadership and regional accountability;
- The relationship between PSOs, affordability, social inclusion and environmental transition; and
- How existing Scottish arrangements compare to more integrated international frameworks.

Feedback from Members and Advisors helped to strengthen the strategic framing of the work, clarify the role of PSOs as long-term infrastructure mechanisms rather than short-term subsidies, and sharpen the conclusions relating to Scotland's future policy options. The final report has been refined to reflect that discussion.

OVERVIEW OF THE ATTACHED REPORT AND KEY FINDINGS

The attached report prepared by HITRANS officers provides a detailed examination of how Public Service Obligations (PSOs) are used internationally to sustain essential air connectivity for remote, rural and island regions where commercial provision alone cannot deliver regular, affordable or reliable services.

The research focuses on two mature European PSO systems — Norway and Greece — selected because they operate at scale, address challenging geographies comparable to the Highlands and Islands, and have evolved into stable, long-term policy instruments embedded within wider national objectives.

In Norway, the report describes a centrally funded and nationally integrated PSO framework that treats regional aviation as a public utility and a core component of regional development and social cohesion policy. The Norwegian model ensures that no resident lives more than ninety minutes from scheduled air services and provides consistent fare regulation, high reliability and long-term funding certainty. The report highlights how this approach has delivered strong value for money over time while also creating a platform for innovation, particularly in relation to the early adoption of zero- and low-emission aircraft on short regional routes.

The Greek case study examines a large-scale archipelagic PSO system serving over two hundred inhabited islands. The report sets out how Greece combines national funding with cohesion-style support to maintain year-round connectivity between islands and the mainland. Key features include clearly defined service obligations, fare ceilings for residents, multi-year contracts and robust governance arrangements. Despite operating across a highly fragmented geography, the Greek system has achieved stable costs, transparent procurement and measurable social benefit.

Drawing on these examples, the report considers how the underlying principles of international best practice could translate to a Scottish context. It identifies strong parallels between the

challenges faced in Norway and Greece and those experienced in the Highlands and Islands, including dispersed populations, long travel distances, weather dependency and the essential role of aviation in accessing healthcare, education, employment and public services.

The report suggests that Scotland could benefit from moving towards a more unified and strategic PSO framework, integrating the current mix of Scottish Government PSOs, local authority-supported air services and the Air Discount Scheme. It outlines how such an approach could improve affordability through consistent fare regulation, enhance transparency and accountability, support environmental transition, and align aviation policy more closely with wider objectives on social inclusion and regional equity.

Importantly, the report does not advocate immediate structural change. Instead, it provides an evidence-based foundation to support informed discussion and future policy development, using international experience to frame choices rather than prescribe solutions.

STRATEGIC RELEVANCE FOR HITRANS

The attached report is strategically significant for HITRANS and aligns closely with the Partnership's statutory role, strategic priorities and long-standing advocacy on behalf of the Highlands and Islands.

First, it reinforces the principle that air connectivity should be treated as core public infrastructure, not discretionary transport provision. For much of the region, aviation is essential to everyday participation in economic and social life. International examples where this principle is embedded in national policy provide strong comparative evidence to support HITRANS' position that lifeline air services should be regarded on an equivalent footing to rail and trunk road networks elsewhere in Scotland.

Secondly, the report strengthens the evidence base underpinning HITRANS' work on inclusive growth and social equity. The international PSO models examined demonstrate how fare regulation, service guarantees and predictable funding can reduce geographic disadvantage and transport poverty, aligning directly with Regional Transport Strategy objectives around accessibility, fairness and community sustainability.

Thirdly, the report is highly relevant to ongoing discussions on regional leadership and subsidiarity. The Norwegian and Greek systems show how strong national policy frameworks can coexist with meaningful regional and local input into service design, scheduling and integration. This has clear resonance with current policy debates on regional empowerment and the future role of Regional Transport Partnerships, illustrating how regional bodies can play a substantive role within coherent national systems.

Fourthly, the report supports HITRANS' ambition to align connectivity policy with climate and environmental objectives. International PSO systems are increasingly being used to drive innovation, including the early deployment of low- and zero-emission aircraft and the embedding of environmental performance requirements within contracts. This aligns closely with HITRANS' work on net zero transport and the particular suitability of Highlands and Islands routes for early adoption of new aviation technologies.

Finally, the report provides HITRANS with a credible, evidence-led advocacy tool. It enables engagement with partner Councils, Transport Scotland, the Scottish Government, air operators

and, where appropriate, the UK Government on the basis of international best practice rather than isolated local comparisons. In doing so, it strengthens the Partnership's ability to influence future policy discussions around lifeline aviation, regional equity and national cohesion.

NEXT STEPS

The report is intended to inform future dialogue with government and stakeholders, support HITRANS' strategic advocacy role, and act as a reference document for Members in wider discussions on connectivity, regional policy and sustainable transport.

No immediate decisions are required at this stage.

RECOMMENDATION

Members are asked to:

1. Note the attached report on international best practice in the use of Public Service Obligations;
2. Acknowledge that the report has been developed following discussion at the workshop held in Elgin on 6 November 2025; and
3. Endorse its use as a strategic evidence base to inform future policy engagement and advocacy by HITRANS.

Report by:

Ranald Robertson

Designation:

Partnership Director

Date:

5 January 2026

Background papers: Appendix (attached) – International Best Practice in the use of PSOs