

Scottish Aviation Strategy: Consultation response

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1 What more, if anything, should the Scottish Government and industry do to accelerate the transition to low/ zero emission aviation?

SCDI has done a considerable amount of work in this area in through our Manifesto for Clean Growth, Making a Good Living - a 2030 Blueprint for Scotland and the Rural Commission - economic vision documents. These have been pulled together with extensive consultation across Scotland, including with industry, academia and government. We have drawn on these and member responses to this consultation to inform our responses.

The UK aviation sector is the first in the world to commit to Net Zero by 2050 in its roadmap for 'flying without carbon'. Scottish Government has committed that all new flights in the Highlands and Islands will be low carbon by 2040.

We believe the UK and Scottish governments should support the development of 'green' air travel and the accelerated production of sustainable aviation fuels.

The Scottish Government also has a role to play in driving innovation in this sector, sharing risk with the private sector at the early stages of innovation. This is particularly the case for electric or hybrid planes which are particularly relevant to Scotland more so than any other part of the UK.

We should seek to ensure this is a remains a priority workstream of the Future of Flight UKRI/Civil Aviation Authority (CAA) programme and that Scottish pilot projects are part of this work. In addition, the Scottish Government should engage with the CAA around their innovation sandbox to ensure that electric or hybrid flight is a key area of exploration as a UK priority.

The operational aspects will also be important to contributing to Scotland's net zero target. The sector is working towards a sustainable aviation roadmap and individual targets have been set to get to net zero. For example, AGS group have set a target to get to net zero by 2030. As with other industries encouraging good practice around net zero buildings and construction, re-use and recycling, waste minimisation and the use of renewable energy should be encouraged and supported as part of the sector's transition.

2. What can the Scottish Government do to help increase the use of sustainable aviation fuels (SAF)?

Whilst the UK Government is taking the lead on Sustainable Aviation Fuel (SAF), we would encourage the Scottish Government to proactively work with the industry and key stakeholders, including for example INEOS, to develop investment-ready plans for two SAF industrial sites at Grangemouth and St Fergus. If a mandate comes as early as 2025 as suggested in the UK Government's 10-point plan, there is an opportunity here for Scotland to take a lead in becoming a key supplier to the UK aviation sector.

A sustainable fuel mandate is under consideration in the UK Government's Green Industrial Revolution Plan. The Scottish Government should work with the UK Government and the aviation sector to ensure this is brought in but that the rate is at a level (or progressive level) that encourages investment and behaviour change amongst airlines. This has the potential to become a competitive advantage to the UK and there is merit in setting an accelerated pace to achieve this. However, there is also a risk if that this is not supported by suitable investment in infrastructure it acts as a competitive disadvantage.

3. What do you think the Scottish Government can do to help ensure a just transition to net-zero for the Scottish aviation sector?

The aviation strategy needs to contain sustained multi-year investment for innovation in areas such as SAF and battery technology/electric flight. This investment should also develop an upskilling plan, building on the work commenced under the National Training Transition Fund, of those working in the aviation sector in new technologies, fuels and aircraft. The Scottish Government should proactively identify and develop business opportunities related to the 'greening' of aviation e.g., SAF supply to the UK's aviation sector.

The Scottish Government should also review with Scotland's airports the infrastructure investment required to support the move to sustainable fuels, or indeed other technology required to support the aircraft of the future – battery-driven or hydrogen. This should inform future iterations of the capital investment plan.

4. Considering future challenges and opportunities, what changes, if any, should we make to our approach to help achieve our aim for international connectivity?

Brexit and the pandemic have badly affected Scotland's international connectivity. This will make it more difficult for Scotland to increase trade, attract investment and support recovery in the tourism industry. The aviation sector is reporting that it will take many years to recover the routes, economic activity and jobs lost in recent years.

The Scottish Government should, therefore, develop a new Air Route Development Fund to enable Scottish airports to compete effectively in what has become an even more competitive market for new route slots.

Other countries, including Ireland and Denmark are mobilising with route development support and it is imperative that a new fund, within the revised EU state aid rules, is brought forward quickly to support the sector and allow it to compete for routes.

SCDI is aware of the challenges that there have been with the devolution of Air Passenger Duty to the Scottish Parliament. Nevertheless, following the UK leaving the EU and in these challenging circumstances for the sector, we would ask the Scottish Government to revisit the introduction the Air Departure Tax at a reduced level and ring-fence the revenues raised to reinvest in innovation in new technologies and fuels and in developing our approach to SAF.

5. Do you agree with the priority countries for short haul and long haul set out in the table?

| Priority | Short haul | Long haul |
|-----------------|--------------------|------------------|
| 1 | Germany | USA |
| 2 | France | China |
| 3 | Netherlands | Canada |

| Priority | Short haul | Long haul |
|----------|-------------|-----------|
| 4 | Italy | Australia |
| 5 | Norway | Japan |
| 6 | Spain | |
| 7 | Switzerland | |
| 8 | Belgium | |
| 9 | Sweden | |
| 10 | Ireland | |

We welcome the plan to align to Scotland's trade, inward investment and tourism strategies to develop this priority list. We would encourage Scottish Government to revisit and revise this list on a regular basis and to remain open to opportunities not identified at the outset of the strategy. These might include opportunities presented by new Free Trade Agreements struck by the UK, for example with India and the Gulf Cooperation Council. It will also be important to consider priorities for connectivity with regional markets within countries.

6. Which other countries should we focus on in the: a. Short term (next 2 years) b. Medium term (2-5 years) c. Long term? (5 years plus)

Cyprus and Turkey have been highlighted as a short haul destination opportunity for airfreight, for fresh Scottish produce including seafood, if the appropriate refrigeration infrastructure exists.

We would expect the medium terms to include India, the Middle East and North Africa as well as Taiwan, Singapore and South Korea.

7. How do we incentivise the use of more efficient aircraft, whilst still ensuring that we secure the routes Scotland needs?

There is considerable resource being put into the sector. The Scottish Government needs to ensure that it has an effective seat at the table in how any UK industry strategy develops, and that UK innovation funding and activity is reflective of Scottish green aviation priorities. As an outcome of the Aviation Strategy, we suggest the Scottish Government develop a sector-specific innovation engagement plan to be taken forward by a new industry working group led from Scotland, working closely with the Aerospace and Defence Industry Group.

This should include a plan to work more closely with the CAA to develop training for pilots and ground staff for electric/hybrid planes. The Scottish Government also needs to identify how it can ensure it is working as closely as possible with the CAA and UKRI on the Future of Flight challenge which includes investment in innovation in sub-regional electric or hybrid passenger aircraft.

8. What do you think about the idea of the Scottish Government purchasing new zero emission aircraft and leasing them to any airline operating routes in the Highlands and Islands?

We are supportive of risk sharing between the private and public sectors so are supportive of this idea provided there is the right due diligence to ensure best value for the public purse.

9. What else can the Scottish Government do to achieve its aim of decarbonising scheduled flights within Scotland by 2040?

As set out in the Infrastructure Investment Plan - to deliver the world's first zero emission aviation region. We welcome the publication of the Strategic Transport Projects Review in January 2022 but do not see any reference to sustainable aviation and sustainable surface transport to airports. This should be included in the final version of the Review and aligned to the aviation strategy.

10. What air services do you think are needed to meet the needs of people living in and visiting the Highland and Islands in the scenarios set out above: a. less demand for air services b. same level of demand for air services c. more demand for air services?

It is hard to know in a post-pandemic world exactly which of these scenarios is most likely. However, intelligence from our members suggests that the trend towards hybrid or remote working are here to stay.

The OECD's latest rural development framework recognises the rural context as a 'geography of opportunities'. This suggests a potentially substantial opportunity for repopulation of remote communities, for new business creation in these communities and to attract new investment to them.

In addition, with the substantial investment in clean energy – for example, through the North Sea Transition Deal, and development of new renewable energy capacity and infrastructure (including wave and tidal, and the investment around the Highlands & Islands required to support the ScotWind related investment in offshore wind) - suggests substantial economic opportunity.

Global tourism will rebound following the pandemic, with an increasing number of tourists likely to be interested in health, wellness and ecotourism, all of which play to the Highlands and Islands' strengths.

Consequently, our view is we should plan for at least the same and most likely higher demand.

To meet this need, there is a need to secure:

- Direct routes to UK airports from the Highlands & Islands
- Guaranteed connections to international hubs e.g., Heathrow
- Investment to support reliable and expanded routes within the Highlands and Islands.

11. Most air services in the Highlands and Islands are delivered on a commercial basis. How can the Scottish Government best work with the private sector to deliver the air services you think are needed?

The Scottish Government needs to work with the UK Government, Highlands and Islands Airports Ltd (HIAL) and the aviation sector to guarantee connections between the Highlands and Islands and international hubs. This includes finding a way to ensure that Inverness Airport has access to London Heathrow with a minimum frequency of two services per day to be viable for domestic and business travel.

12. How effective do you think the Air Discount Scheme has been at addressing high airfares?

We are not in a position to comment on the specifics of the Air Discount Scheme but agree that a discount scheme is critical to helping to make air fares affordable for residents.

13. How can the Scottish Government improve the Air Discount Scheme?

Our members at HITRANS and HIAL have called for and we support a comprehensive review of funding for and governance of air services in the Highlands and Islands. They have highlighted the need to start with an objective assessment of need and opportunity and a review of how all support mechanisms are working including the Air Discount and Public Service Obligation schemes to ensure these support the connections required to meet future need.

14. What do you think about complementing the current operating model with an on-demand service, such as air taxi?

We agree that all options should be explored as part of the review proposed at question 13 above with the commercial options, costs and benefits considered. Much of the innovation work going on around the UK and elsewhere is looking at the concept of Mobility as a Service (MaaS).

Where it can be achieved affordably, this has the potential to expand the range of options on offer to the Highlands & Islands. However, a full options appraisal should be carried out to understand the likely impacts on existing operators and services and take-up of both at different price points. The fundamental principle needs to be what mix of options offer the most reliable, sustainable and affordable option for island communities and for existing operators.

15. What do you think about an open charter service?

We agree this idea has merit and is worthy of further exploration and modelling. Again, an option appraisal and engagement with major employers would establish the potential complementarity of this option alongside air taxis and scheduled flights in meeting the needs of the local population.

However, we do not advocate for this as a replacement for scheduled flights, which should remain a critical lifeline for many communities, but should be considered as a serious option in those areas where demand would merit it or indeed where scheduled operators are unable to meet demand.

16. Apart from on demand and open charter services are there any operational models you think could be used? If so, what

There are examples in the provision of other major services such as utilities or housing where partnerships between authorities, private airlines and major private sector employers have been developed to bridge the funding gap and we believe there is merit in exploring where these models could add to the range of options for delivery of sustainable aviation services in Scotland.

17. What are the strengths and weaknesses of the operational model set out below?

Airport services for scheduled passenger air services in the Highlands and Islands are currently provided by HIAL, Shetland Islands Council,

Orkney Islands Council and Argyll & Bute Council. The table below sets out which airports each manages.

None of the airports operated by these bodies can currently run on a purely commercial basis and all require subsidy to maintain operations. The current model provides each body with direct control over the facilities they manage, however, having four different airport operators in the region means that it is more difficult to achieve economies of scale, for example, through bulk buying of equipment.

| Operator | HIAL | Shetland Islands Council | Orkney Islands Council | Argyll & Bute Council |
|-----------------|---------------------|---------------------------------|-------------------------------|----------------------------------|
| Airports | Barra | Fair Isle | Eday | Coll |
| | Benbecula | Foula | North Ronaldsay | Colonsay |
| | Campbeltown | Out Skerries | Papa Westray | Oban |
| | Dundee | Papa Stour | Sanday | |
| | Inverness | Tingwall | Stronsay | |
| | Islay | Whalsay | Westray | |
| | Kirkwall | | | |
| | Stornoway | | | |
| | Sumburgh | | | |
| | Tiree | | | |
| | Wick John O' Groats | | | |

We are not in a position to comment on the specifics of the operational model as set out. However, as procurement is one area highlighted for potential savings to be made, there are models of joint procurement operating across many councils in Scotland which could provide a model for savings to be made across this network.

18. What changes, if any, do you think should be made to these governance arrangements to improve services?

We are not in a position to comment on the specifics of the operational model as set out.

19. What changes, if any, do you think should be made to these governance arrangements to reduce running costs?

We are not in a position to comment on the specifics of the operational model as set out.

20. Do you think the Scottish Government should encourage airlines to offer plane plus train tickets?

Yes. Modern through-ticketing is what travellers will expect now and in the future.

21. If yes, how do you think the Scottish Government could best do this?

The Scottish Government should carry out customer demand analysis and modelling to identify priority routes and opportunities for plane-plus-train tickets based on existing and future leisure and business demand. It should also bring together the major aviation and rail service operators in Scotland to develop and pilot this approach (supported by appropriate technology). We would encourage the strategy to think about how other transport modes could also play a part, as in many parts of rural Scotland bus rather than rail services is the norm.

22. What more, if anything, do you think the Scottish Government can do to help promote efficient and sustainable airfreight transport?

The Scottish Government should develop and build the business case for greater sustainable airfreight in Scotland, building on the success of air freight growth at Scotland's larger airports. This will require investment in

permanent infrastructure including refrigeration. This should align to the target export markets and sectors set out in the trade strategy.

The Scottish Government should invest in developing SAF supply and infrastructure in Scotland and at Scotland's airports to support and attract freight investment.

23. What else do you think the Aviation Strategy should try to achieve?

As has been identified throughout this response, the Scottish Government should ensure that the Aviation Strategy is aligned to other relevant strategies that have been developed. These include the strategies for tourism, net zero, strategic transport, national planning, trade, inward investment and capital investment.

Airports in Scotland still largely rely on private car use for access by employees and passengers. This is a major barrier to achieving a fully sustainable aviation sector. While Edinburgh Airport can now be accessed by trams and work has begun on a new station at Dalcross near Inverness Airport, there is a need to connect Scotland's airports with national and regional public transport links. Most countries around Europe have far better fixed link public transport connectivity with their major airports and continue to invest in these as priorities.

The draft Strategic Projects Review 2 includes the development of a Clyde Metro. However, the report lacks detail about projects. SCDI was a member of the Glasgow Connectivity Commission which proposed a metro and we supported the proposal on the basis that a South West Growth Corridor fixed linked would be delivered as the first priority as quickly as possible, with a target date of by 2025. The draft National Planning Framework 4 has also omitted Scotland's external connectivity and strategic airport enhancements as national developments.

The Scottish Government should support investment to reduce carbon footprints from airports' ground operations. The proposal in the draft National Planning Framework 4 that solar energy developments should not be supported in green belts unless located in an area of search will make it more difficult for airports to generate sustainable energy.

The Aviation Strategy should explicitly include the Scottish Government's plans to improve surface transport to ensure sustainable public transport options are included in future investment plans.

The future use of Scotland's airspace is set out in the UK's Airspace Modernisation Strategy. However, it's longer-term approach is still being developed in response to emerging technologies like drones, space travel, and air taxis. The strategy should set out and consult widely on this in Scotland to inform inputs to the evolution of this critical UK strategy.

The Aviation Strategy should highlight how the modernisation of Scottish airspace would contribute to reducing the emissions from the sector and suggest ways that this can be achieved with the support of local communities.

ⁱ <https://www.scdi.org.uk/cleangrowth/>

ⁱⁱ <https://www.scdi.org.uk/policy/blueprint2030/>

ⁱⁱⁱ <https://www.scdi.org.uk/ruralcommission/>