



Highlands and Islands
Airports Limited
Puirtheadair na Gàidhealtachd
is nan Eilean Earranta

Strategic Plan 2023-28



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Introduction

We published our Strategy and Covid-19 Recovery Plan for 2021-26 in February 2021. This was built on an extensive programme of consultation with our people, partners and stakeholders, and a subsequent review of our priorities and objectives in 2020 in the wake of the Covid-19 pandemic.

Early in 2022, the financial aftermath of the pandemic became keenly felt and the combination of global energy and supply challenges has presented a fiscal situation the like of which we have not seen in our lifetime.

In that context the Scottish Government published its resource spending review on 31 May 2022. This sets out the high-level parameters for resource spend for future Scottish budgets up to 2026-27. These indicative budgets show a decrease in available funding for HIAL over the next three to four years and present a significant future funding challenge for the company. The pressure this creates for the company is further compounded by increasing inflation and rising cost challenges.

In September 2022, the Board and the Senior Management Team undertook the first review of our Strategy and Covid-19 Recovery Plan against the background of the unprecedented external financial pressures we will continue to face for the foreseeable future.

As the owner and operator of eleven airports located across a large geographical area covering the Scottish Highlands and Islands and Tayside, HIAL's purpose is to operate a safe and sustainable network of regional airports to enable air connectivity, and support lifeline services for the communities it serves. As we navigate through this difficult financial period, it is essential that we re-calibrate our goals and strategic priorities to focus on our core function – to enable and maintain essential air connection now and into the future.

We remain committed to a strategic programme of sustainable low-carbon development, aligned with the Scottish Government's strategic objectives. Our long-term aim is to meet the needs of the present without compromising those of future generations, and at the same time protecting the uniqueness of our natural environment, culture, and heritage.

This revised Strategic Plan covers the period from 2023 to 2028 and replaces the plan published in February 2021. It details our revised goals and strategic priorities to help us maintain safe and sustainable airports for generations to come.

The Plan includes areas of focus under each of our strategic priorities rather than detailed targets. We will agree targets with our colleagues and detail the actions we will take to achieve our priorities in our annual Corporate Operating Plan. These actions will be prioritised each year to ensure they can be delivered within the total funding we have available and will be regularly reviewed to meet existing budgets.



Sumburgh Airport

Foreword

The foundations for maintaining a sustainable regional airport network for the future are set out in this strategic plan. It outlines the goals and priorities that will guide us as we seek to deliver our commitments in relation to our obligations set by Transport Scotland and enable critical air connectivity for our more remote communities.

The considerable economic and financial pressures the country, and indeed the world, is facing in the wake of the Covid-19 pandemic have been intensified by global events, increasing inflation, and rising cost challenges.

With limited surface travel alternatives, we are committed to enabling the air connectivity that is so vital for the wellbeing and economic recovery of our communities.

As with every other organisation in the country, HIAL must reappraise priorities and spending options, and make challenging decisions based on the extraordinary circumstances we are all facing, as global economic pressures impact our day-to-day activities and future plans. We have therefore re-examined our strategic priorities in that context.

We recognise that we must explore new ways of working and different operating models to help us respond better to financial fluctuations and the long-term needs of all the communities we serve. It is essential that we deliver a safe and sustainable airport operating model that meets the requirements of our communities, but will also be fit for purpose in a low carbon future.

HIAL is recognised for the uniquely professional, but personal experience provided at each of our airports. This is in no small part due to the dedication and flexibility of our colleagues across the Company. Customer service will remain at the heart of everything we do, and we have no doubt our colleagues will continue to do all they can to ensure this high level of service continues for our customers, including passengers, airlines and partner agencies, local communities, businesses, and visitors.

It is important that we continue to maintain strong relationships with our partners and all our stakeholders. It will be these relationships that will steer us through this difficult financial period and help us build a resilient and sustainable airport service for the communities we serve.



A handwritten signature in black ink that reads "Lorna Jack".

Lorna Jack
Chair



A handwritten signature in black ink that reads "Inglis Lyon".

Inglis Lyon
Managing Director

About Us

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

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 standard of safety performance and resilience.

Our core activities include:

- Operating airports which meet regulatory standards and support essential transport connectivity
- Maintaining and developing airport infrastructure and services
- Working with airlines and others to maintain and develop scheduled, charter and freight air services
- Developing our commercial revenue streams to build business resilience



* HIAL was incorporated in Edinburgh on 4 March 1986 as a private limited company. On April 1995, the ownership of the company transferred from the UK Civil Aviation Authority to the Secretary of State for Scotland and subsequently to the Scottish Ministers. HIAL receives subsidies from the Scottish Government in accordance with section 34 of the Civil Aviation Act 1982 and is sponsored by Transport Scotland – Aviation, Maritime, Freight and Canals Directorate.

Our Mission, Ambition and Values

Our mission is to enable air connectivity and support lifeline services for the communities we serve through a network of safe and sustainable airports.

This is reinforced by our ambition to become a **net zero regional airport group**.

Our Values

Our values underpin everything we do and how we do it. They define who we are; our expectations of each other and ourselves; how we interact with each other and how we interact with our customers, communities, and other stakeholders. A strong values-driven culture that supports the delivery of our strategic priorities is key to our long-term success.



We work collaboratively to build trust in our expertise; we do not work in silos of self-interest.



We always listen and respond to customers and colleagues; we do not ignore the needs of others.



We always look to make things better in the future; we do not accept the status quo.



We always take responsibility for our actions; we do not expect others to cover for us.



We always try to deliver the very best we can; we do not and will not accept anything less.

Our Challenges

Even before the current financial challenges following the Covid-19 pandemic, we faced a wide range of internal and external challenges as we sought to develop a successful and sustainable regional airport group across a very large and diverse geographical area.

It is safe to say, that at this time, we are operating against a backdrop characterised by uncertainty. We are facing severe financial pressures and a cost-of-living crisis as a consequence of the impact of the pandemic and the current global energy and supply challenges. Any measures to address these challenges must also take account of the global rise in environmental concerns.

Within HIAL's operating area, we serve a wide diversity of communities from growing cities to our most remote islands. The social, economic, and geographic challenges facing many of Scotland's most remote communities were set out in The National Plan for Scotland's Islands published by the Scottish Government in December 2019. For HIAL, the overarching challenge is to meet the long-term need to connect the more remote communities across the Highlands and Islands, while simultaneously protecting one of Europe's most unique environments. This challenge is defined by several factors:

A low and sparsely distributed population across a vast area

HIAL's largest airport at Inverness, which exceeded 900,000 passengers in 2019, that reduced to just over 246,000 in 2020 due to travel restrictions, has a catchment area of some 28,000 km² (more than a third of the total area of Scotland) but only some 330,000 residents – just six per cent of the Scottish total. At the other end of the scale, flights from islands in the Outer Hebrides, Orkney and Shetland serve populations ranging from 5,000 to fewer than 600 residents.

Limited travel alternatives for residents and businesses

Many of the communities we serve are far from the main centres of population and surface transport alternatives are often limited. In most cases, they include infrequent ferry crossings that can often be disrupted by the weather. Reliable air services are therefore essential for many small businesses that are heavily reliant on external markets and need to interact with national and international customers. Likewise, residents in more remote communities rely on HIAL's smaller airports to access social and leisure opportunities – and many critical lifeline services.

The cost of air travel and the expectations of travellers

The UK aviation market predominately operates in the private sector, where low-cost carriers dominate services. HIAL is supported by public funding to help ensure communities remain connected. Passengers can have strong views on the expected cost and level of services provided, and these are welcomed. Currently, the Public Service Obligation (PSO) mechanism and the Air Discount Scheme aims to address some of these challenges. Public sector-funded schemes allow some residents of the Highlands and Islands to access lower fares for leisure travel, yet, despite these interventions, cost remains a significant issue for users of intra-Scotland flights. Currently there is no agreed minimum level of service provision which communities need to support economic development that has been identified.

Our Goals

The impact of the Covid-19 pandemic has had, and continues to have, a considerable effect on our business. The financial fall-out from Coronavirus has been considerably heightened by inflation, rising prices and fuel costs. These are most keenly felt within our operating area.

To meet the financial challenges the company will face for the foreseeable future, we will concentrate on delivering our core activities:

- Operating airports which meet regulatory and safety standards, and support essential transport connectivity.
- Maintaining and developing airport infrastructure and services.
- Working with airlines and others to maintain and develop sustainable scheduled, charter and freight air services built on customer needs.
- Developing our commercial revenue to build business resilience.

The following goals will underpin everything we do to ensure we continue to support lifeline services and connectivity for our communities:



Safe and Sustainable Operations

ensuring longevity of essential and lifeline air connectivity for our communities.



Safe and Sustainable Workforce

building capacity and resilience to meet the challenges of the future.



Sustainable Financial Model

delivering our operations in the most effective, resilient, and efficient manner.



Sustainable Community Engagement

maintaining a strong community, partner, and customer focus to inform priorities, lead innovation and service development.



Sustainable Airport Environment

helping to meet the Scottish Government's target for the Highlands and Islands to be the world's first net-zero aviation region by 2040.

Our Priorities

To achieve these goals, we have identified six strategic priorities that set the overall direction for HIAL for the next five years.

We will agree the actions we will take to achieve these priorities in our annual Corporate Operating Plan. These actions will be prioritised each year to ensure they can be delivered within the total funding we have available and will be regularly reviewed to meet existing budgets.

- Deliver a safe and sustainable airport operating model to meet the needs of our customers, communities, and colleagues.
- Realign our infrastructure investment to meet available resource.
- Increase our commercial revenue and develop new revenue streams.
- Reduce our environmental impact.
- Develop our workforce to deliver a flexible modern business model.
- Work in partnership for a sustainable future.



Benbecula Airport

Deliver a safe and sustainable airport operating model to meet the needs of our customers, communities, and colleagues

Robust and affordable air links are recognised as a vital component underpinning the future economies in our operating area. Our airports provide essential transport infrastructure as part of the wider Scottish transport network.

With limited surface travel alternatives, air links are recognised as essential connections for our remote and island communities, as well as for our regional hubs in Dundee and Inverness.

Robust and affordable air links are vital to support vibrant and economically sustainable communities in the Highlands and Islands.

In these challenging times we must protect air connectivity for our communities and play our part in ensuring that our more remote communities remain accessible and sustainable.

We will seek to retain, and where possible expand, our air service network to meet the future needs of our communities and support and encourage economic development for our region. To do so, we recognise we must explore safe, but also different operating models and innovative ways of delivering our services to ensure the longevity of our airports.

To help deliver this priority we will focus on:

- Reviewing core operating services at each airport to determine the best value delivery method.
- Defining an optimum operating model to enable air connectivity to meet the needs of the communities we serve.
- Using feedback from our colleagues, airline partners, customers, and community stakeholders to inform future operational and customer requirements.
- Delivering the appropriate infrastructure, equipment, technology, and staffing levels required to deliver a safe and sustainable operating model for all airports.
- Maintaining our focus on developing digital and cyber security to ensure that our operations are always safe and secure.



Realign our infrastructure investment to meet available resource

Most of our airports were built to service the air forces during World War II and consequently the base infrastructure is ageing and requires significant investment to modernise and maintain our operations.

Our plans for modernisation are impacted by the pandemic and resultant global economic pressures. Across commerce and industry, we continue to see prices spiralling with ever-increasing costs of supplies and materials.

This places significant pressure on our ability to maintain our infrastructure as the money available for public spending continues to tighten.

We will strive to improve our infrastructure to provide the best possible customer experience, however this must be balanced with our available funding. Therefore, we must plan and prioritise our capital programme based on maintaining safe airport operations, meeting regulatory and environmental requirements.

To achieve this priority, we will focus on:

- Setting and implementing criteria to identify core and non-core infrastructure to support investment prioritisation.
- Securing the infrastructure investment required to maintain regulatory compliance at all our airports.
- Preparing a five-year rolling capital plan to ensure economies of scale through fiscal and operational efficiencies.
- Undertaking a strategic review of our property portfolio to ensure it meets our future requirements and to help direct and prioritise our infrastructure investment.
- Harnessing digital technology to support effective and efficient management of our estate and provide accurate data to better inform decision making.



Increase our commercial revenue and develop new revenue streams

HIAL's airports operate in a remote and sparsely populated region and require subsidies from the Scottish Government to support lifeline aviation services.

The impact of Covid-19 and the scale of the current financial challenges may make any opportunities to increase income by providing additional services difficult to achieve. However, we have a wealth of experience and proven track record in the aviation industry, and we will continue to explore future revenue-earning opportunities.

Our aim is to increase our commercial revenue to reinvest in our services.

To help us meet that aim we will focus on:

- Supporting existing and developing new air routes to boost Scotland's economic growth strategy.
- Developing our conditions of use and airport charges to support route retention and maximise income.
- Revising our commercial strategy to explore alternative aeronautical and non-aeronautical revenues to support our transition to net-zero.
- Using our existing assets, resources, and infrastructure to explore the provision of additional services to generate income.
- Revisiting our airport opening hours policy to meet lifeline service provision, economic benefits, our customers' needs and our airport operations.



Inverness Airport

Reduce our environmental impact

Scotland has declared a climate emergency and has reviewed its climate commitments. These are now among some of the most ambitious in the world, calling for Net Zero greenhouse gas emissions by 2045. In 2020, the Covid-19 pandemic brought our climate and environmental commitments into sharper focus.

In these challenging times, the aviation sector is very much in the spotlight, and our ambition is for all 11 HIAL airports to be carbon neutral. We will work with the Scottish Government and aviation partners to decarbonise scheduled flights and support the development of zero emission aircraft to meet the needs of the Highlands and Islands - helping to support the Scottish Government's target for a net zero emission aviation region by 2040.

Our primary objective is to operate safe and secure airports under a strict regulatory framework, and this will be balanced with our ambition to reduce carbon emissions.



Sumburgh Airport

Our 10-year Sustainability Strategy and road map will focus on three themes:

▪ Reducing our environmental impact

We recognise the impact that our operations can have on the local environment, and we are committed to understanding and reducing these impacts. We will focus on waste management, water management, energy efficiency and potential energy self-generation, air quality, and the impact of our operations on the landscape and ecology.

▪ Supporting our communities and our people

We will focus on creating a positive working environment to support the wellbeing of our people and an effective work-life balance. We will continue to work closely with our colleagues, partners, and communities to realise our ambition of becoming a net-zero regional airport group. We will explore noise pollution and surface access routes for colleagues, customers and passengers travelling to and from our airports.

▪ Net-zero aviation

We will focus on our role to help achieve the Scottish Government's target for the Highlands and Islands to be the world's first net-zero aviation region by 2040. We will develop costed projects in accordance with our Sustainability Road Map. These will be prioritised in line with our available budget and cascaded into our annual Corporate Operating Plan.

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Develop our workforce to deliver a flexible modern business model

Our people make HIAL, and they are responsible for our safe, welcoming airport network that operates to the very highest professional standards. Our aim is to create a positive working environment focused on the wellbeing of our people and effective work-life balance.

To deliver a safe and viable airport network for decades to come, we must build a sustainable, flexible, and resilient workforce fit for the future. As we explore different operating models and adapt to changes in the use of technology, flexible working will be key to effective and efficient operations.

In a safety critical business sector, we have always sought to ensure that all our people are skilled to the highest level of competence to undertake their role. Our emphasis on lifelong learning will help ensure our colleagues are equipped to deliver a modern business model and continue to provide a high level of customer service.

It is also important that we attract a wide range of people from across our society and ensure that we continue to attract and retain a high-quality workforce to meet our future needs.

To help us meet these objectives we will focus on:

- Recruiting locally and providing highly skilled jobs within remote local communities.
- Promoting our flexible work base policy to reflect the diverse nature of the communities we operate within.
- Investing in skills development for the future, setting out how we intend to ensure our teams are equipped for the future world of work.
- Ensuring our people are adequately trained and can reach their potential in their current role and can demonstrate regulatory and professional competence.
- Developing a sustainable pay and reward package which looks to total reward to provide maximum flexibility and support local operations.



Work in partnership for a sustainable future

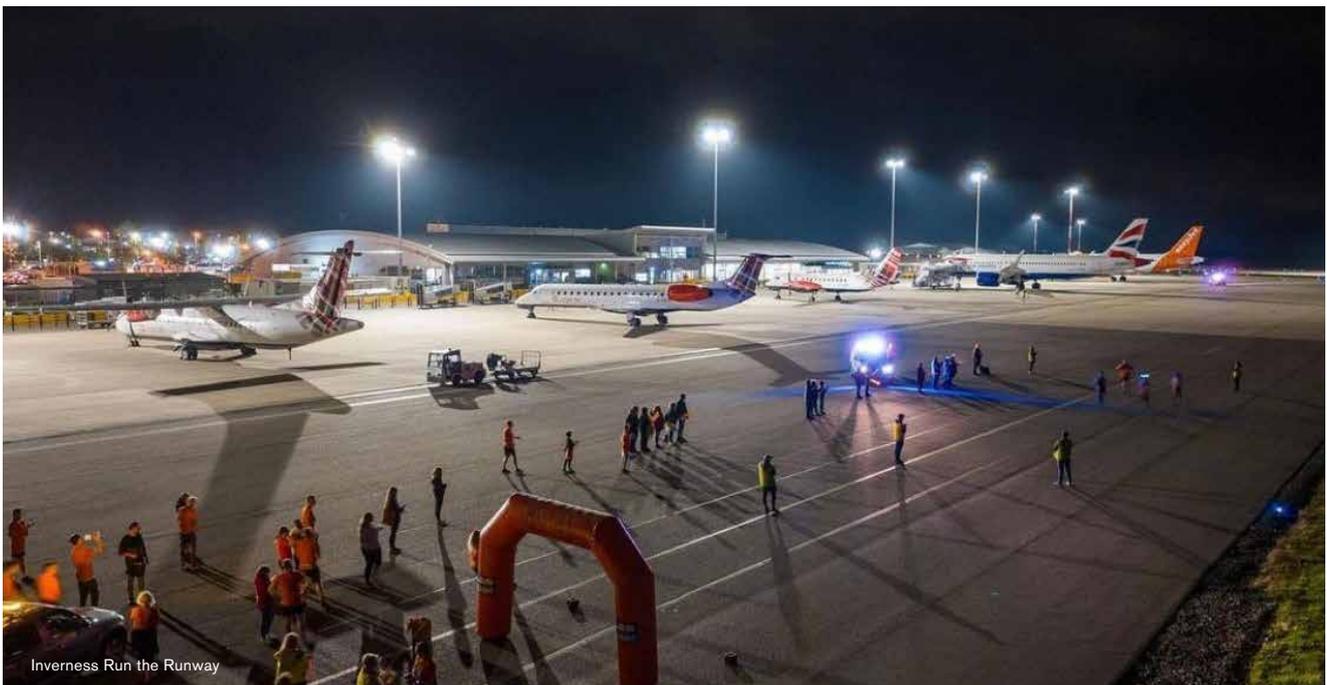
Operating each of our airports relies on working in partnership with a wide range of stakeholders. These include the local community who use the airport infrastructure and lifeline services, other public sector bodies and emergency services, as well as suppliers, airport tenants and the airlines – to name but a few.

It is important, now more than ever, that we build upon our strong partnerships with local and national stakeholders to help inform our spending priorities and future plans. As extraordinary circumstances and economic pressures continue, we must work in partnership for the benefit of our organisations and communities.

Maintaining a strong community focus will be essential as we explore different operating models and develop services for our airports.

To help us deliver these objectives we will focus on:

- Expanding our community, partner, stakeholder, and customer engagement programme with local delivery at the forefront.
- Retaining a strong customer focus by extending feedback surveys across all airports to help inform both operational and commercial decision making.
- Exploring joint working with partner agencies to support effective operations, and to achieve cost efficiencies and economies of scale.
- Working with partners, agencies, and businesses to formulate a pan Scotland approach to sustainable aviation.



Contact Us

We are fully committed to maintaining and improving our services and appreciate the view of our partners, customers, passengers and local communities.

We use the feedback we receive to monitor our performance and incorporate this information into our planning and governance process to continually improve our service. We are pleased with the positive feedback we receive, and we are keen to hear examples of good practice and quality service that exemplifies the standards of service we strive to provide.

If you have something you would like to share with us, or you would like more information about Highlands and Islands Airports Limited, please get in touch:

Visit our website:

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