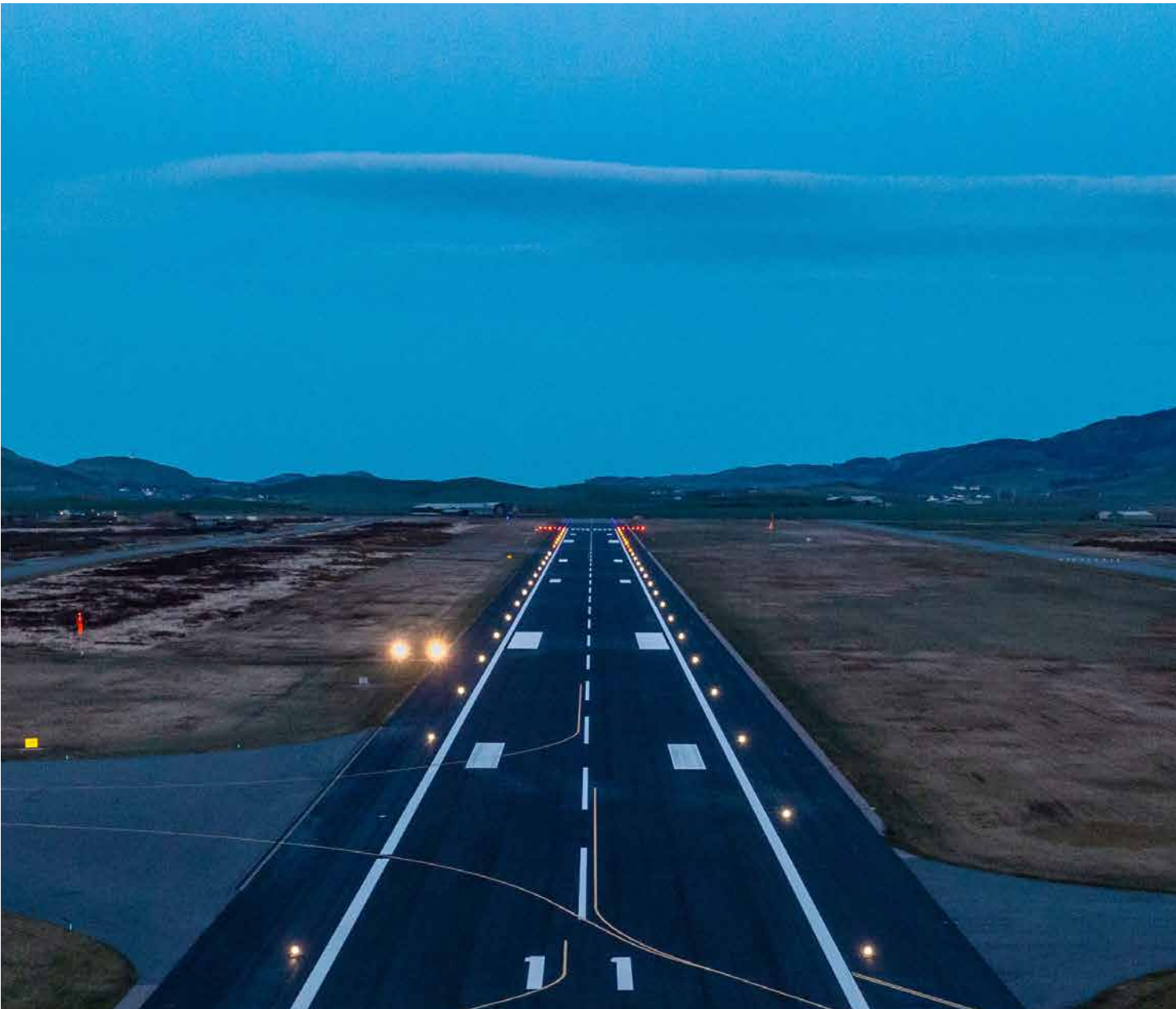


Strategic Plan 2023-28

Update – Version 2: December 2024



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Introduction

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.

In response to the publication of the Scottish Government's Resource Spending Review in May 2022, the Board took the decision to review and recalibrate HIAL's strategic priorities to focus on its core functions to enable and maintain essential air connectivity now and into the future.

Following an extensive consultation programme with colleagues, partner organisations and key stakeholders, we published our Strategic Plan for 2023-28 on 22 June 2023.

In May 2024, the Board appointed Paul Kelsall as Chief Executive Officer to lead the organisation and deliver HIAL's strategic objectives.

Transport Scotland published its Aviation Statement and Key Priorities in July 2024. The Aviation Statement sets out the Scottish Government's vision for aviation and the specific actions to achieve the outcomes on improving connectivity and achieving decarbonisation.

It is clear that the financial pressures that led us to initially recalibrate our goals and reappraise our strategic priorities will be with us for some time to come. With that in mind, and to ensure our strategic goals align with the Scottish Government's Aviation Statement and Programme for Government, the Board and Strategic Leadership team undertook a review of our Strategic Plan.

It was agreed that our current strategic goals and priorities will continue to help us navigate through this difficult financial period. However, as our challenges have moved away from the immediate aftermath of Covid-19 we have taken the opportunity to update the narrative to reflect the financial pressures that will continue to face the public sector. A summary of the changes made in this version of our Strategic Plan is included on the following pages.

We have delivered a number of objectives since the publication of the initial Strategic Plan in 2023 and we have included an overview of our progress within this revised document. We will continue to deliver objectives to meet our strategic priorities which remain unchanged. The focus areas to deliver our strategic priorities remain, albeit that the wording in some areas has been updated to reflect our progress.

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 version of our Strategic Plan replaces the plan published in June 2023. It details our goals and strategic priorities which will help us maintain safe, compliant 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.

HIAL Strategic Plan 2023-28 – Document Revision Summary

Section	Summary of Change
Introduction	<p>The introduction has been updated to move to current position and away from the immediate aftermath of Covid19.</p> <p>Reference to the Scottish Government's Aviation Statement and Key Actions.</p> <p>Re-emphasis on the continued financial challenges and the tightening fiscal position.</p>
Our Achievements	<p>A new section has been included to provide an update on the progress we have made in the first year following the publication of our initial Strategic Plan.</p>
Our Mission, Ambition and Values	<p>Our statement under our mission has been amended slightly and now states 'This is underpinned by our ambition to become a net-zero regional airport group.'</p>
Our Values	<p>Our values have been reviewed and updated following input from our colleagues.</p>
Our Challenges	<p>The emphasis has moved from the immediate aftermath of Covid19.</p> <p>Passenger numbers have been updated to reflect 2023/24 figures.</p>
Our Goals	<p>The emphasis has moved from the immediate aftermath of Covid19 to the ever-increasing financial pressures.</p> <p>Goal descriptor for 'Sustainable Airport Environment' has been updated to reflect the target detailed within the Scottish Government's Aviation Statement and Key Actions.</p> <p>Goal descriptor for 'Safe and Sustainable Workforce' has been updated to emphasise a safe working environment.</p>
Our Priorities	<p>We have reworded our priority on infrastructure investment to emphasise alignment with our priority to deliver an optimum and safe airport operating model. 'Realign our infrastructure investment to meet available resource' changed to 'Realign our infrastructure investment to deliver a safe and sustainable operating model within available resource'.</p>

Section	Summary of Change
Deliver a safe and sustainable airport operating model to meet local needs	We have updated the narrative on our bulleted focus areas to reflect the progress made and our continued focus moving forward.
Realign our infrastructure investment to deliver a safe and sustainable operating model within available resource	We have updated the narrative on our bulleted focus areas, particularly in relation to our capital planning, to reflect the progress made and our continued focus moving forward.
Increase our commercial revenue and develop new revenue streams	<p>We have updated the narrative to reference to the work underway to diversify and develop new revenue streams.</p> <p>We have updated the narrative on our bulleted focus areas to reflect the progress made and our continued focus moving forward. We have removed the focus bullet on developing our conditions of use and charges which was completed in April 2024.</p> <p>A new focus area of working with airlines partners to support route retention and ensure sustainable business.</p>
Reduce our environmental impact	<p>This priority has been updated to align with Scottish Government's Aviation Statement and Key Actions.</p> <p>It includes narrative on our focus for the next three years.</p>
Develop our workforce to deliver a flexible modern business model	No change.
Work in partnership for a sustainable future	Narrative updated to align with Aviation Statement and Key Actions.



Foreword

We set out the foundations for maintaining a sustainable regional airport network for the future in our Strategic Plan for 2023-28 which was published back in June 2023. It outlined the goals and priorities to guide us to deliver our obligation to enable critical air connectivity for some of our more remote communities.

When reviewing that Strategic Plan in November 2024, the Board and Strategic Leadership Team agreed that our goals and priorities remain relevant, perhaps more so, given that the considerable economic and financial pressures across the public sector will not go away any time soon.

This updated version of our Strategic Plan recognises the importance of our strategic priorities, and the work we have progressed, to help us support the air connectivity that is so vital for communities we serve.

We are exploring new ways of working and different operating models to help us respond efficiently to financial instabilities and the long-term needs of our customers. It is essential that we deliver a safe and sustainable airport operating model that will also be fit for purpose in a low carbon future.

Customer service remains at the heart of everything we do. Despite the challenging financial backdrop, everyone at HIAL has continued to play their part in ensuring that we continue to provide our services in the usual friendly and professional way – which is regularly acknowledged by our customers.

We would like to express our gratitude to our colleagues right across the Company and to our fellow Board Members for their hard work, resilience, and commitment. Working together, our focus on identifying efficiencies, uncovering cost savings, and finding opportunities for income generation, has been a vital step in positioning us for a sustainable future.

We continue to maintain strong relationships with our partners and stakeholders who will be vital in helping us build and maintain a resilient and sustainable airport service for our local communities.

Our success is down to the dedication and invaluable contribution of our front line and support colleagues. And, as we step forward, we are confident in our collective ability to rise to the challenges ahead.



Lorna Jack
Chair



Paul Kelsall
Chief Executive Officer

Our Progress

Our initial Strategic Plan for 2023-2028 was published in June 2023 and we produced a Corporate Operating Plan that set the key objectives for 2023/24 to deliver our strategic goals and priorities. We have made significant progress in delivering on our strategic objectives in the first year of our Strategic Plan. A summary is included below:

Against a challenging financial backdrop, we scrutinised our business and operating costs to identify cost reductions, increase commercial revenue and work as efficiently and effectively as possible. This included suggestions and input from colleagues on how these priorities could be achieved. By 31 March 2024, the turnover was £2.3m ahead of expectations and along with lower than anticipated operational costs delivered an end of year outturn some £3.6m below the annual grant available to us.

As part of our priority to deliver a safe and sustainable airport operating model, we completed an exercise to determine the core services provided at each of our airports. A review of airport opening hours was completed and published on airport websites. Work on this project continues and we strive to deliver an optimum operating model for each of our airports.

We reviewed our Safety Management System (SMS) and undertook a complete revision of our SMS manual, which was published in November 2023 following acceptance from the Civil Aviation Authority (CAA).

We developed an integrated technology modernisation plan that builds on our smart technology programme. We completed an analysis of all devices and sensors to identify further case use for each device to derive savings, help decrease risk and contribute to safety.

To achieve our priority of increasing our commercial revenue we reviewed our current cost recovery mechanisms and implemented a revised revenue structure. We undertook a full review of the HIAL and DAL Conditions of Use (CoU) and airport charges with effect from 1 April 2024. The CoU and Fees and Charges documents were published on the HIAL and airport websites on 1 February 2024.

We completed Climate Change Risk Assessments for all airports and a Summary Report identifying future climate risks has been produced. The risks will be managed and prioritised in line with our risk management process.

We have developed an airside programme to reduce carbon emissions at all our airports to identify low or zero carbon equipment to replace non-renewable powered handling equipment. A schedule has been identified for all vehicles and equipment at each airport which will inform the business case for replacement.

As part of our focus to deliver our priorities for our workforce, we completed an assessment to determine common principles for efficient organisational rosters that comply with working time regulations.

We published our Equality, Diversity, and Inclusion Strategy and developed an action plan to promote a workplace culture where equality and respect are valued and evident for all colleagues across the HIAL group.

Working in partnership is one of our strategic priorities and we have developed a scalable Terms of Reference for community forum for our airports. This will help with a consistent but tailored approach for a structured exchange of information and input from local stakeholders on matters relating to individual airports.

The inaugural meeting of the Kirkwall Airport Community Forum meeting took place in March 2024, and we are currently developing similar forums for Campbeltown, Dundee, Islay and Tiree airports.

To ensure an effective two-way flow of information from our customers, we are developing a regular passenger survey programme. We have introduced surveys for passengers with reduced mobility (PRM) aligned to CAA requirements for the two required airports – Inverness and Sumburgh. The PRM survey is available for use by all other airports and can be implemented when required.

We are working to deliver the key objectives in our Corporate Operating plan for 2024/25 and will report on progress in our Annual Report and Accounts for 2024/25.

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, providing a safe environment for colleagues and customers alike. 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 underpinned 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.



Safety

We care about our people, our communities, our passengers, and our partners. Safety is at the core of everything we do to ensure the security and wellbeing of ourselves and others.

Respect

We foster a culture that is inclusive and where people are appreciated. We respect the individual differences of those we work alongside, our customers and our communities. We act with integrity and thought for others.



Teamwork

We value contributions from our people and our partners. We work together to achieve our goals and deliver our services to the highest standards.

Excellence

We take pride in what we do and always look for opportunities to improve and be open to new ideas. We continually explore new ways of working that will deliver efficient operations and reduce our impact on the environment.



Our Challenges

Even before the current financial challenges, 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 National Plan for Scotland's Islands published by the Scottish Government aims to address the social, economic, and geographic challenges facing many of Scotland's most remote communities. 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 had almost 800,000 passengers in 2023/24, 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

Against a backdrop of ever-increasing financial pressures which the Company will face for the foreseeable future, we will concentrate on delivering our core activities:

- Operating airports which meet safety and regulatory 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

Providing a safe working environment whilst 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 a zero-emission 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 deliver a safe and sustainable operating model within 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 support the operation of essential air connectivity between rural and island communities and the mainland, 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 continue to evolve and 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:

- Core operating services at each airport to determine the best value delivery method.
- An optimum and safe operating model to enable air connectivity to meet the needs of the communities we serve.
- Feedback from our colleagues, airline partners, customers, and community stakeholders to inform future operational and customer requirements.
- The appropriate infrastructure, equipment, technology, and staffing levels required to deliver a safe and sustainable operating model for all airports.
- Digital and cyber security to ensure that our operations are always safe and secure.



Realign our infrastructure investment to deliver a safe and sustainable operating model within 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 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 funding 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:

- Investing in core infrastructure to maintain safe and regulatory compliant operations.
- Securing the infrastructure investment required to maintain regulatory compliance at all our airports.
- A strategic approach to procurement and maintaining a capital plan to ensure economies of scale through effective planning and operational efficiencies.
- Delivering an asset management strategy to effectively manage our estates portfolio.
- Harnessing digital technology to support efficient management of our estate and provide accurate information to support data driven 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. Our aim is to increase our commercial revenue to reinvest in our services and reduce the cost to the taxpayer.

The scale of the current financial challenges may make any opportunities to increase income by providing additional services difficult to achieve. However, HIAL is already looking at ways to diversify and develop new revenue streams. We have a wealth of experience and proven track record in the aviation industry, and we will continue to explore future revenue-earning opportunities.

To achieve this priority, we will focus on:

- Supporting existing and developing new air routes to boost Scotland's economic growth strategy.
- Establishing multi-year commercial agreements with airline partners to support route retention and maintain a sustainable business.
- 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.



Inverness Airport

Reduce our environmental impact

Transport Scotland's Aviation Statement and Key Priorities sets out the strategic importance of aviation to Scotland and the actions the Scottish Government will take to reduce its emissions in line with its net zero ambitions.

In these challenging times, the aviation sector is very much in the spotlight, and our ambition is for HIAL to become a net zero regional airport group. We will work with the Scottish Government and aviation partners to help the Scottish Government meet its target to make the Highlands and Islands a zero-emission aviation region.

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.



Our Sustainability Strategy 2023-2033 and road map focuses 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.
- **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.
- **Net-zero aviation**
We will focus on our role to help achieve the Scottish Government's target for the Highlands and Islands to be a zero-emission aviation region.

Whilst good progress has been made on delivering our objectives, we will undertake a review of our Sustainability Strategy to ensure a materialistic focus over the next three years.

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 diverse 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.



HIAL staff training

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 financial 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. We have established partner working groups to explore operational development and commercial revenue opportunities.

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 formulate a collaborative approach to achieve cost efficiencies and economies of scale.
- Working with partners, agencies, to support effective operations and sustainable aviation in the Highlands and Islands.



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:

www.hial.co.uk/contact-us

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