

HIAL's Corporate Plan

This plan sets out what we aim to achieve in the operation and development of our airports over the next three years.

We will focus on providing a fit for purpose group of airports and pursuing opportunities that enable air services to fulfil their essential role for the communities we serve and as part of Scotland's wider transport network. Our activity will be aligned with our strategic priorities and reflect the national objectives of the Scottish Government.

What we do

Working with stakeholders HIAL is committed to supporting the essential socio-economic role of aviation in Scotland through the maintenance of its 11 airports and the development of the services they provide.

HIAL's airports are located at: Barra; Benbecula; Campbeltown; Dundee¹; Inverness; Islay; Kirkwall; Stornoway; Sumburgh; Tiree; and Wick.

HIAL's core activities are:

- Providing airports which meet UK regulatory standards and support essential transport connectivity.
- Maintaining and developing airport infrastructure and services.
- Working with airlines and stakeholders to maintain and develop scheduled, charter and freight air services.

Corporate Governance

HIAL is a private limited company wholly owned by Scottish Ministers. HIAL receives subsidies from the Scottish Government in accordance with Section 34 of the Civil Aviation Act 1982 and is sponsored by the Scottish Government's Transport Directorate.

HIAL's Board of Directors is accountable to the Scottish Ministers. The Board operates under its Members Code of Conduct, which is derived from the Model Code produced by the Standards Commission of Scotland, together with recognition of other published corporate governance guidelines.

The Strategic Priorities

We work closely with our customers and stakeholders to ensure that our strategic goals support sustainable development within the communities we serve and are in line with the policy objectives of the Scottish Government.

Wealthier and Fairer – our airports provide access to air transport connections which support sustainable economic growth and social inclusion.

Healthier – our airports facilitate access to healthcare services for remoter communities.

Safer and Stronger – air links enhance the attractiveness of the communities we serve as places in which to live, work and invest.

Smarter – air links provide access to education, employment, skills and resources which contribute to the socio-economic viability of more remote communities.

¹ Operated by HIAL via a wholly owned subsidiary company, Dundee Airport Limited.

Greener – reducing the environmental impact of providing airports through resource efficiency contributes towards a greener Scotland.

Our Mission, Vision, Goals and Values

Mission

To provide and operate safe, secure and efficient airports which support the communities we serve.

Vision

To be recognised as an industry leader in the provision of airports through leadership, innovation and collaborative working to deliver positive outcomes for our customers.

Goals

- Provide airports that enable air transport to fulfil its essential role in Scotland's diverse regions.
- Work with stakeholders to develop sustainable air connectivity that supports socio-economic development in Scotland.
- Advise Scottish Ministers on future developments and resource allocation through robust strategic planning and effective collaboration with airport users and stakeholders.

Our Values

The corporate values which inform our work are:

- Excellence
- Innovation
- Openness/Honesty
- Ownership
- Respect

Responsibilities

- To the Scottish Government – to manage our business in line with corporate governance best practice.
- To the industry regulators – to operate to the safety, security and economic regulation standards required of us.
- To our customers – to achieve mutually beneficial relationships with airlines, partners, statutory bodies, contractors, suppliers and tenants.
- To local communities – to understand the needs of local communities and to work with them to develop opportunities.
- To our people – to respect the rights of our employees and to provide them with good and safe working conditions.
- To society – to conduct business as responsible members of the community, to observe our legal and statutory obligations, to give proper regard to health, safety and the environment.

Business Integrity

We insist on honesty, integrity and fairness in all aspects of our business.

Health and Safety

We have an absolute commitment to health and safety and accept our obligations to protect our employees and airport users. We will measure, appraise and report on performance accordingly.

Communities

We seek to conduct our business in a socially responsible manner and aim to contribute to the economic development and social sustainability of the communities we serve.

Communication

We recognise that good communication is essential to our success and will operate in an open and accountable manner, both internally and with our customers and stakeholders.

Our Strategic Challenges

The Scottish Government's policy programme is based upon five strategic objectives intended to focus public services on creating a more successful country with opportunities for its people and communities to flourish through sustainable economic growth. Our corporate plan defines our role within this policy context and how our work will contribute to the delivery of the national priorities.

Our activities are also influenced by a range of factors including the regulation of airports within the UK and Europe, the commercial aviation market and the revenue available to us in subsidy from the Scottish Government and receipts from our commercial activities.

Proactive management and financial planning will therefore be fundamental to providing the appropriate infrastructure and services at our airports and to capitalising on development opportunities in pursuit of our strategic aims.

HIAL Measuring Success

We will measure our performance against the following criteria:

- Operating to the standards set by the industry regulators for the provision of our airports.
- Maintaining and enhancing the air transport network operating from our airports.
- Delivering our projects and services on time and to budget.
- Increasing the amount of non-aviation income we generate from our activities and capitalising on commercial opportunities.
- Reducing the impact of airport provision on the environment.
- Maintaining an effective dialogue with our customers and monitoring their feedback.

Airports 3 Year Plan

The airport infrastructure and services that we provide are essential for the operation of the air transport network.

We are committed to maintaining appropriate staffing levels and competencies to meet regulatory, operational and commercial needs which are identified through engagement with our customers and stakeholders. As part of our efficient stewardship of the business we will continue to review the provision of services and employ the appropriate delivery mechanisms.

We will only maintain or develop infrastructure that meets operational safety and fit for purpose business development needs. There is scope to rationalise the current infrastructure. The opportunity to decommission items of infrastructure will represent cumulative capital and revenue savings over the period of the plan.

We recognise that we must seek to minimise and mitigate the environmental impact of airport operations in the pursuit of our strategic objectives.

Two major projects in year one of the plan are:

Security Services – We regularly review the resourcing of business functions to ensure that they best meet our operational needs. Following a review of security provision at our airports, we have taken the decision to move from an outsourced solution to in-house provision with effect from 1 July 2009, when the current security contract expires. Employees of the current contractor, OCS, are being transferred to a new HIAL subsidiary company, Airport Management Services Limited (AMSL). This will involve the transfer of circa 185 staff from OCS to AMSL under the provisions of Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This change involves OCS employees currently providing security services at all 11 HIAL airports. In-house provision will ensure that our security regime meets DfT requirements, is appropriately resourced and wholly under our control.

Campbeltown Airport – Defence Estates is disposing of the RAF Machrihanish site where we operate the airport under a lease arrangement. Given the recently promised £35 million investment by Welcon Towers, a subsidiary of Danish company Skykon, in the former Vestas wind turbine plant on the site and the lifeline nature of the Glasgow air link, funded as a Public Service Obligation by the Scottish Government, we must maintain the airport operation. We will seek to reach agreement to lease/purchase the areas of the site required to maintain airport operations. Due to the age and condition of the site and facilities, significant investment will be required to modify/upgrade the infrastructure to meet operational needs.

The major capital projects in the first five years of our Capital Plan are:

- Secure the areas of the RAF Machrihanish site which we require to operate Campbeltown Airport and modify/upgrade the infrastructure to meet operational needs (commencing 2009)
- Resurface runway 09/27 at Kirkwall (2009 – 2010)
- Enhance security screening at Barra and Campbeltown to National Aviation Security Programme standards (2009 – 2011)
- Install new airfield ground lighting at Islay (2009 – 2011)
- Install new airfield ground lighting at Wick (2010 – 2012)
- Carry out an upgrade and extension to the terminal building at Inverness (2011 – 2014)

How our activities support national outcomes

HIAL Actions 2009 – 2012		Scottish Government National Performance Framework		
Key Activity	Activity Details	Strategic Objective	National Outcome	National Indicator
<p>Delivering the appropriate range of airport services which meet the needs of the industry regulators, flight operators, passengers and the wider community of stakeholders.</p> <p>Maintaining and delivering a rolling 10-year Capital Plan to ensure the provision of fit for purpose airport infrastructure.</p> <p>Reducing the environmental impact of airport provision through effective resource management and mitigation strategies.</p>	<p>Regular task and resource analysis to inform revenue budget planning. Regular dialogue with flight operators. Regular dialogue with airport users and stakeholders via Airport Consultative Committees. Ensure that the most appropriate mechanisms for service delivery are employed.</p> <p>Evaluate infrastructure against regulatory, operational and commercial criteria. Regularly review asset utilisation to ensure that maximum benefit is derived from capital investment. Decommission assets which do not meet business criteria. Employ appropriate project management and procurement strategies to deliver best value.</p> <p>Achieve resource efficiencies through the HIAL Environmental Management System, including benchmarking and reporting. Apply, where practical, sustainable procurement policies and promote these to suppliers and contractors. Work with partners to improve public transport surface access to our airports.</p>	<p>Wealthier and fairer</p> <p>Safer and stronger</p> <p>Smarter</p> <p>Greener</p>	<p>We realise our full economic potential with more and better employment opportunities for our people.</p> <p>We live in well-designed, sustainable places where we are able to access the amenities and services we need.</p> <p>Our public services are high quality, continually improving, efficient and responsive to local people's needs.</p> <p>We reduce the local and global environmental impact of our consumption and production.</p>	<p>Improve people's perceptions, attitudes and awareness of Scotland's reputation.</p> <p>Improve people's perception of the quality of public services delivered.</p> <p>Improve public sector efficiency through the generation of 2% cash releasing efficiency savings per annum.</p> <p>Reduce overall ecological footprint.</p>

Development 3 Year Plan

Air transport plays a central role in promoting economic growth and sustainable communities. Our airports are catalysts for activity which make Scotland an attractive location in which to live, work and invest.

As an active partner in the national development agenda we will seek to strengthen and expand the air transport network, release value from assets which are surplus to our core activities and generate better commercial returns from existing and new revenue streams. This will deliver better outcomes for the communities we serve and improve our overall financial performance.

How our activities support national outcomes

HIAL Actions 2009 – 2012		Scottish Government National Performance Framework		
Key Activity	Activity Details	Strategic Objective	National Outcome	National Indicator
Maintaining existing and developing new air routes in conjunction with airlines and stakeholders.	Working with operators to increase capacity and passenger numbers on existing routes. Working with operators and partners to secure new domestic and international scheduled air services. Identifying opportunities to increase charter operations. Identify opportunities to increase air freight traffic. Marketing the services available from our airports to passengers.	Wealthier and fairer Safer and stronger	We live in a Scotland that is the most attractive place for doing business in Europe. We realise our full economic potential with more and better employment opportunities for our people We live in well-designed, sustainable places where we are able to access the amenities and services we need.	Improve people's perceptions, attitudes and awareness of Scotland's reputation. Improve people's perception of the quality of public services delivered. Improve public sector efficiency through the generation of 2% cash releasing efficiency savings per annum.
Maintaining and, where appropriate, rationalising the asset base to support airport operations and alternative development uses.	Identifying assets surplus to operational needs. Identifying alternative uses for these which generate commercial returns and contribute to socio-economic development. Working with public and private sector partners to release non-operational asset value.		Our public services are high quality, continually improving, efficient and responsive to local people's needs.	
Using commercial innovation to develop new and existing revenue streams.	Set airport charges which maintain aviation income and encourage flight operators to increase connectivity and passenger numbers. Secure market returns from property leasing, concessions, advertising and other business activities, including the development of the			

	<p>Inverness Airport Business Park joint venture.</p> <p>Identify and initiate new commercial relationships which increase non-aviation revenue.</p>			
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Corporate Services 3 Year Plan

The successful delivery of our strategy will be determined by how we use the resources available to us. We will implement fiscal, operational and human resources processes and strategies which ensure that the right people with the appropriate skills are working in the most efficient manner to achieve our targeted outcomes.

We will continue to explore new methods of working and organisational arrangements which enhance our delivery of core activities.

We will develop our staff so they apply best practice and are able to excel in their roles. The introduction of a new performance appraisal system will ensure that clear targets are provided.

We will promote a corporate culture and working environment where collaboration and proactive management contribute to continuous performance across all aspects of our work.

How our activities support national outcomes

HIAL Actions 2009 – 2012		Scottish Government National Performance Framework		
Key Activity	Activity Details	Strategic Objective	National Outcome	National Indicator
<p>Maintaining high standards of corporate governance in all aspects of our work.</p> <p>Having the appropriate assets and skills to support our mission and values.</p> <p>Attracting, developing and retaining highly skilled and respected staff.</p> <p>Promoting a culture of ownership and innovation through clear understanding of responsibilities and accountabilities.</p> <p>Collaborative working with customers and partners to achieve shared goals.</p> <p>Benchmarking our operation as part of a commitment to continuous improvement.</p>	<p>Regular review of governance systems to ensure they meet the needs of the business.</p> <p>Annual preparation and regular review of company, departmental and airport business plans/budgets.</p> <p>Implementation of organisational development programme.</p> <p>Appointment of Business Development Manager in 2009.</p> <p>Maintaining KPIs and regular monitoring of performance against these.</p>	<p>Wealthier and fairer</p>	<p>Our public services are high quality, continually improving, efficient and responsive to local people's needs.</p>	<p>Improve people's perceptions, attitudes and awareness of Scotland's reputation.</p> <p>Improve people's perception of the quality of public services delivered.</p> <p>Improve public sector efficiency through the generation of 2% cash releasing efficiency savings per annum.</p>

HIAL Budgets

Our costs are met by two sources: subsidies from the Scottish Government, split between revenue and capital, and revenue generated from our commercial activities.

Our subsidy allocation is secured through the three-year Scottish Government Spending Review cycle. The outcomes of the 2007 Spending Review provided for a flat subsidy provision for HIAL in years 2008/09, 2009/10 and 2010/11 of £26.2 million per annum.

Our commercial revenue is derived from charges levied on flights operating at our airports, property rental, concessions and other chargeable activity.

The flat subsidy position coupled with the economic downturn and extremely volatile commercial aviation market pose significant budgetary challenges for us. Our ability to maintain or generate new commercial revenue is likely to be curtailed for a number of years. Inflationary pressures and the financial impacts of meeting regulatory and operational requirements will be extremely challenging in terms of managing our cost base. It will undoubtedly require radical reassessments of how we deliver our services and provide fit for purpose infrastructure over the period of this plan and beyond.

The financial forecast below provides an indication of the budgetary challenges we face with an estimated shortfall in funding for the years 2009 to 2013 of circa £8 million.

HIAL Financial Forecast 2009 - 2013

	2009/10	2010/11	2011/12	2012/13
	YR 1	YR 2	YR 3	YR 4
	BUDGET	BUDGET	BUDGET	BUDGET
TOTAL INCOME	15,287	15,698	16,119	16,553
TOTAL COSTS	31,855	33,812	34,317	35,413
OPERATING PROFIT/(LOSS)	(16,568)	(18,115)	(18,197)	(18,860)
Depreciation	507	507	507	507
HIAL REVENUE SUBSIDY REQUIREMENT	16,062	17,608	17,691	18,354
DAL REVENUE SUBSIDY REQUIREMENT	2,467	2,541	2,618	2,696
GROUP REVENUE SUBSIDY REQUIREMENT	18,529	20,150	20,309	21,050
HIAL CAPITAL SUBSIDY REQUIREMENT	6,966	8,000	8,000	8,000
DAL CAPITAL SUBSIDY REQUIREMENT	705	74	726	164
GROUP CAPITAL SUBSIDY REQUIREMENT	7,671	8,074	8,726	8,164
TOTAL SUBSIDY REQUIREMENT	26,200	28,224	29,034	29,214
SG SUBSIDY OFFER	26,200	26,200	26,200	26,200