

Aviation Cross Party Group Report

The Recovery of Sustainable Aviation, Travel & Tourism in Scotland

Aviation Cross Party Group
February 2023

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Executive Summary

Air connectivity is crucial for Scotland's individuals and businesses, with numerous high value benefits for our economy. Without bold forward thinking, we risk damaging Scotland's reputation, position and influence on a global scale as well as our employment rates and economic wealth.

A Government strategy, with support and investment is required in tandem with proactive, courageous, collaborative thinking which places route development, connectivity and sustainability at its core rather than applying pre-Brexit, pre-pandemic thinking to a post-Brexit, post-pandemic world. Scotland is currently being left behind as competitor countries across Europe change their manner of doing things.

The time is now to apply creative thinking to route development to building connectivity from Scottish Airports which will benefit Scotland's competitive position in an increasingly competitive global economy. The country needs the right incentives for airlines to deliver additional routes to and from Scotland with consideration given of how we can maintain and enhance both our connectivity to key existing markets like the US but also new and emerging economies across the world.

After being hit by the most significant challenges of any sector during the pandemic, travel is ready to grow its workforce by providing inclusive, diverse career with training and development opportunities for all. Support is required at a political level to promote the sector and to alleviate the skills challenges being experienced by the industry by looking at schemes like the Posted Workers' Directive, Youth Mobility Scheme and apprenticeships.

Scottish travel is valuable to local communities and economies. High street agencies need support following the damaging impact of pandemic restrictions now compounded by the cost-of-living crisis. They provide local jobs and keep high street units occupied.

Sustainability is undoubtedly the greatest challenge – and opportunity - facing travel and the Aviation CPG partners are ready to grasp the prospects of a greener industry collectively. Step one should be the urgent inclusion of a Scottish government goal around sustainable fuel and/or for Scottish based offsetting/ownership of airline carbon emissions in the aviation strategy. Clear strategies for linking aviation and net zero policy are vital and both governments should work with industry to support the green recovery of aviation. Scottish airports are already playing their part in a net zero future, demonstrating the impetus to put traditional competitiveness behind them to meet these challenges.

Sustainable Aviation Fuel (SAF) can and should be produced in Scotland – and should play a major role in the transition from carbon intensive oil and gas. Government support for sites such as Grangemouth and St Fergus could de-risk this form of investment along with loan guarantees and green bonds.

Scotland is also well placed as a test bed for the development of hydrogen and electric flight and research should be accelerated. We are an island nation with 93 inhabited island communities – perfect for pioneering an island-hopping electric aircraft.

Aviation Gross Party Group Report – The Recovery of Sustainable Aviation, Travel and Tourism in Scotland February 2023

This report demonstrates the willingness of all parties in the Aviation CPG to work in a unified, constructive, positive manner and urges both the Scottish and UK governments to join together in making Scotland an open, connected, competitive country which is underpinned by firm commitment to sustainable aviation.

Scotland can be a world leader in aviation sustainability.

We are grateful to everyone who has helped to shape this report and look forward to receiving the response of governments.

Paul McLennan MSP and Graham Simpson MSP, Co-convenors Aviation CPG

Recommendations

A policy regime supportive of aviation

The Scottish Government's Aviation Strategy must clearly support the sustainable growth in aviation; recognising the importance to Scotland and, against the backdrop of the continuing pandemic recovery, how an enhanced focus on aviation can benefit the whole country. This should be achieved through collective discussions which include the opportunities around Sustainable Aviation Fuel (SAF), zero emission flight technologies and airspace modernisation, and result in a policy framework which makes Scotland a leader in this area.

Creation of a SAF Industry and supports for zero emission aviation technology

Comprehensive policy support to match the UK Government's ambition to create a SAF industry should be produced by the Scottish Government; looking at opportunities to utilise the Scottish National Investment Bank for financial support and to stimulate the creation of a SAF industry. The Scottish Government should also review opportunities to support the transition to net zero through innovative low and zero emission technologies such as hydrogen powered aircraft.

Stronger engagement around route development and airline support

A fresh review is required to establish support for new routes with additional funding for marketing and investment to help with the start-up costs of new routes. This would create a more flexible and targeted approach.

Review Implementation of Air Departure Tax (ADT)

Financial support for aviation decarbonisation measures should reflect the significant contribution of UK aviation, including the billions of pounds raised in Air Passenger Duty and the hundreds of millions of pounds raised annually from airlines through auctioning allowances under the UK Emissions Trading Scheme (UK ETS). A proportion of this revenue should be reinvested into a UK sustainable aviation fuels industry and continue the development of Zero Emission Flight technology R&D through the Aerospace Technology Institute.

Provide grant funding

This would allow airports to prepare the infrastructure required to support hydrogen and electric flight.

Support the implementation of airspace modernisation programmes

Pressure should be brought to bear on the Westminster government to speed up the air space modernisation programme ensuring the carbon saving benefits of a modernised

airspace can be realised as soon as possible. It is not insignificant that the first deployment of Free Route airspace in the UK was delivered here in Scotland – this change alone saves 12,000 tonnes of CO₂ per year – equivalent to the carbon footprint of 3500 family homes. There are further airspace change programmes under way for Scotland and the rest of the UK. Continued support and prioritisation of these is key to delivery of the future aviation system. Without modernised airspace the capabilities of new aircraft and engines cannot be realised. In tandem, there should be a public awareness campaign on the efficiencies that can be achieved through modernisation in the short term, thus helping Scottish Aviation achieve its net zero targets.

Supporting the implementation of planned Government reforms to domestic air passenger rights legislation

A rebalance of the rates of domestic compensation is required so they're be more representative of the cost of domestic air travel and more closely aligned with other forms of transport.

Implementing the Union Connectivity Review

Reforms to Public Service Obligations are needed to boost air links between the UK nations and regions. Whilst this mandate lies with Westminster the Scottish Government should support the UCR-recommended reforms to PSOs.

Skills and staff recruitment

Stimulate recruitment for the entire travel industry by removing VAT on pilot training; allowing the use of Apprenticeship Levy funds for training; and facilitating overseas work visas for essential crew and ground staff in shortage. . This mandate also sits with Westminster, but the Scottish Government should offer their support.

Support for High Street Premises

Parity with their English and Welsh peers in terms of rates relief should be implemented with further support – in the form of rent, utility bills and loan repayments - from the Scottish Government to help businesses willing to commit to long-term lets on the high street in order to revive local economies, jobs, and community pride.

Sustainability Recommendations

Scottish Government should support industry proposals that hundreds of millions of pounds paid by airlines into the UK Emissions Trading Scheme should be ringfenced support the development of a UK sustainable fuels industry (i.e through funding a price support mechanism for UK produces SAF) as well as continue the development of Zero Emission Flights technologies such as hydrogen powered aircraft. In addition, legislating for a price support for SAF – for example, a Contracts for Difference – to accompany mandate is necessary to incentivise private sector investment in UK & Scottish SAF production and enable the development of an initial 5 UK SAF plants under construction by 2025.

Introduction and Background

Collectively, the aviation and the tourism sectors (both outbound and inbound) are crucial enablers for the Scottish economy.

Domestic and international connectivity opens markets for Scottish businesses – bringing economic benefits and inward investment. In addition, aviation is an enabler of wellbeing, aspiration and culture. It allows people the freedom and ability to travel for holidays, to study or see friends and relatives whilst driving economic growth.

Aviation provides essential connectivity for exporters, inward investors, and all business travellers.

In the SNP's 2021 Election Manifesto they laid out their aspirations for 'Scotland in the World', stating: "Scotland is a welcoming, outward looking and inclusive nation. Our relationships with international community benefit trade, investment, travel, education and knowledge exchange."

It goes on to discuss aspirations for Scotland's role in global affairs and creating a "brand marque for Scotland to cement our position as a leading place to visit and do business."

The CPG Group agrees with this aspiration and contends that a strong aviation sector in Scotland is a prerequisite as a facilitator and deliverer of this statement.

The aviation, travel and tourism sectors comprise of many differing parts. These include:

- aviation
- airports
- airlines
- air traffic services
- outbound travel
- inbound tourism
- and many more service providers

The Covid-19 pandemic had a catastrophic impact on the Scottish Aviation and Scottish Travel & Tourism Industry, which was brought to a virtual standstill back in March 2020 – with air traffic reduced by as much as 90%.

The ongoing impact of restrictions on travel had a catastrophic effect on corporate and leisure travel as well as general business investment, which means that the aviation sector is unlikely to see a full recovery in all areas until potentially 2024/2025.

Outbound travel is a vital part of the UK's vibrant tourism mix and is worth more than £3.6 billion a year to the Scottish economy (aggregate GVA impact) and supports the employment of more than 30,000 people across Scotland.

Nonetheless, an ONS survey from August 2022 found that travel agencies and tour operators were now helping to grow the economy as they benefitted from the easing of restrictions.

ABTA and UKinbound have also launched a new joint report ('International travel: Powering the UK economy') which is based on research commissioned from leading aviation consultancy firm, York Aviation.

This latest report states that international travel:

- contributes £80bn to the UK economy in total GVA annually - equivalent to 4.0% of the UK's total GVA
- supports 1.5 million jobs – 4.5% of all jobs in the UK
- provides £13.2bn to HM Treasury in taxes
- generates £84bn in travel-related spending across the UK
- is due to outperform other parts of the UK economy over the next five years – with inbound tourism due to grow by 20%, and outbound by 15%, compared with 2019 levels. Forecast growth across the UK economy is just 10.3% over the same period.

A summary of the Future Travel Coalition's most recent survey data, from September 2022, is also set out below:

- With the removal of travel restrictions in early 2022, trading levels across the travel industry reported a strong bounce-back in international travel this summer, with 30% reporting their bookings had recovered to, or exceeded, 2019 levels. Almost half of businesses (49%) had seen trade recover to more than 80% of 2019 levels, and 8 in 10 businesses are above 50%.
- Just 14% of businesses report that their trade is still under half of 2019 levels.
- The impact of COVID is still lingering over the travel industry with 58% of bookings being carried over from previous postponements. This demonstrates that much of the revenue taken in 2022 will not have represented any new money for travel businesses.
- In addition, the level of book cancellations across the UK travel industry this summer was higher than in previous years, especially pre-pandemic. The industry faced a difficult summer in terms of media coverage around airport disruption, but these findings show clearly that cancellations only impacted a small fraction of bookings. It is also likely that many of the 12% that were affected by operational disruption would have been offered alternative arrangements.
- Illness plays a continued role in cancellations, which is a reminder that COVID is still an ongoing issue for the industry and passengers.

- The winter industry, especially as concerns ski, has been the amongst the harder hit sectors within travel during COVID. 3/10 businesses still expect new bookings to be less than 50% of 2019 levels, and just 1/10 is expecting to exceed 2019 figures by volume.
- The number of travel businesses applying for loans during the crisis under Government-backed regimes was considerable, with nearly 7/10 businesses seeking to access these support schemes. A strong majority of those businesses who took out loans are now paying these back and are confident in their ability meet repayments over the coming six-months.
- However, more than 1/10 travel businesses are already struggling to meet repayments, which indicates there could be financial difficulties ahead for some businesses in the travel sector.

Exports/Freight inclusion

- Research by Frontier Economics has indicated that UK businesses trade 20 times as much with emerging market countries that have a direct daily flight to the UK, as they do with those countries that do not.
- Research conducted by Edinburgh Napier University found that air links are the most influential transport factor in the location decisions of most overseas-based businesses investing in the UK. [6,438 jobs](#) in Scotland were announced by foreign direct investment projects during 2019 and Scotland's international exports (excluding oil and gas) were worth [£33.8 billion in 2018](#).
- In 2019 freight carried by air in Scotland totalled [58,914 tonnes](#). Air freight makes up a small share of total freight (202m tonnes) lifted in Scotland. However, goods being transported by air tend to be of a higher value, less bulky and more time sensitive than those transported by sea.

Inbound Travel Perspective - UKInbound

ID Cards – Ukinbound are working with the Tourism Alliance, BETA and English UK on some further research regarding the impact on the removal of ID Cards on the UKs under 18 group schools' market so far in 2022. In October 2022 the industry reported the 2023 season would be down 83% on 2019 figures.

Tax Free Shopping is a great revenue earner for Scotland and UKInbound was very pleased to see the UK Government announce the reintroduction of Tax-Free Shopping and this was countered by its swift removal under the current UK Government. UKInbound is calling on the Government to independently (through the OBR) review Treasury figures as there were many disputed and incorrect assumptions in the latest figures.

VisitBritain forecast that, for the full calendar year 2022, inbound visits will increase to 26.7 million and spending to £21.6 billion. It should be noted that these are 65% and 76% respectively of the visits and spend levels seen in 2019.

For many of their members, particularly inbound tour operators, revenue dropped by over 90% in 2020 and 2021 due to the pandemic. However, this year the situation has dramatically improved, with revenues predicted to reach 60% to 70% of pre-pandemic levels

Members are also expecting to hit similar figures for the summer period.

In terms of returning markets, EU school visits to the UK is a key one. This was down 84% in 2022 following the scrapping of ID Cards (Brexit) and the requirement for groups to travel to the UK on passports.

“A key ask of ours at the moment is to introduce a new visa system that would allow school and cultural groups comprised of under 18-year-olds to be allowed into the UK with their ID cards, if the group is accompanied/supervised by an adult with a passport.”

The return of the China market is still a concern and UKinbound is hoping to see some movement on this in 2023. UK Visa processing speeds for the Chinese market will be very important and could hamper recovery if there are delays.

We saw this year with Indian visitors trying to come to the UK where many had to cancel their visits as they weren't able to get their visas on time, leading to some companies losing £million plus due to cancelled business.

The Sustainable Aviation Coalition Work

Sustainable Aviation coalition is an alliance of UK airlines, airports, aerospace manufacturers, air navigation service providers & key business partners committed to achieving a cleaner, quieter, smarter future for our industry.

In February 2020, the coalition made a commitment to achieve net-zero emissions by 2050, and published a *Decarbonisation Road Map : a path to Net Zero*, demonstrating in detail how the industry plans to achieve this.

Investment in new lower emission technologies, the development of sustainable aviation fuels (SA) at scale, and airspace modernisation will have a significant impact in reducing aviation emissions globally.

Each of these requires a working partnership between industry and government.

Sustainable Tourism

ABTA's Tourism for Good (2020) report also highlights that, in addition to the significant value to the UK economy, direct global GVA from UK outbound tourism is estimated at \$28.8 billion and directly supports 1.1 million jobs around the world.

Each country will experience the broader benefits of travel in a unique way dependent on the characteristics of their economy, like labour intensity or the number of industries their travel sector supports.

For developing economies, sustainable tourism can offer potential advantages over other industrial sectors: it can be built on natural and cultural heritage assets.

Tourism can drive socioeconomic development and create opportunities for entrepreneurship and employment at all levels, including for marginalised and vulnerable groups.

It can also be a force for good. The Scottish Government, working with international partners, should support the role of tourism as a force for good in terms of economic development and employment - domestically and internationally. The role that tourism plays in global links and soft power as part of future trade deals with partners around the world should not be underestimated.

Many lessons have been learnt from the way that travel was affected during the pandemic. It should be understood, from all sides, that in the case of any future Covid variants, the starting point for any toolbox of mitigations should be aligned with the principle of evidence-based policymaking to build trust with the industry and the public.

The member organisations of the CPG submitted responses to the Scottish Government in January of last year.

It is now time for the Scottish Government to progress this strategy and create a strong Aviation Strategy and for them to collaborate with all elements of the travel industry ensure it recovers and continues to grow.

Aviation growth and decarbonisation are not incompatible goals and the Scottish Government must support the sustainable growth and regeneration of Scotland's aviation sector given the societal and strong economic benefits it delivers for Scotland.

This report explores how this can be tackled.

Growth & Connectivity

Growth and connectivity within the aviation sector is crucial in and beyond Scotland for industry recovery. It is also hugely important to individuals as well as businesses

A remote economy – Scotland sits on the tip of an island off the north-west coast of Europe; travel is essential for the economy - connecting with family, forging business links or transporting medical and cargo supplies

Benefits of connectivity – these are multi-faceted and are of the upmost importance Scotland, now and in the future;

- selling Scotland on a global scale
- employment
- economic wealth
- migration
- cultural diversity
- global influence
- competitiveness
- holidays

The Edinburgh Airport infographic demonstrates the range of benefits which aviation has facilitated since restrictions were lifted in March 2022. (See Appendix A)

With these benefits in mind, the CPG agree that without considering the following requests, the Scottish Government could fall behind its competitor states:

Clear support required - The Scottish Government must be clear in its support for sustainable growth in aviation, recognising its importance to Scotland and what can be done to enhance it.

Proactive development – Recognising and reaffirming what aviation can, and does bring to Scotland, is not enough; the Scottish Government must do more than just expect this to happen, it needs focus, strategy and investment.

Route development – pre pandemic, new routes continued to be introduced and success was expected but we are now no longer in that space as the industry continues to recover from the impacts of both Covid and Brexit on the overall pool of labour in the UK.

Targeted & Flexible Support

The Aviation CPG considers that both Governments' are applying a **pre-Brexit, pre-pandemic thinking to a post- Brexit, post-pandemic world**. While both things have impacted and continue to impact, we simply cannot stand still and continue to point out the challenges – we need to change our approach and thinking.

A **lack of foresight** will not bring the recovery that we as a country need. Competitor countries across Europe are being more effective. Connectivity must be protected and developed.

Governments in Germany and Italy provide grants to airports. The Irish Government allocated funding to help their regional airports with the **flexibility to discount and rebate** airline passenger charges and encourage carriers to start restoring routes.

Aviation, travel and tourism will not simply return to normal at the flick of a switch. It requires **collaboration at all levels** driven by government strategy to face a future which has fewer airlines, fewer aircraft and where consolidation, instead of sustainable expansion, has thrived.

That is the picture across the world, but Scotland's industry has been hampered by:

- Our failure to open at the same pace as other regions
- To provide relevant information and plans at the same time
- To engage meaningfully with airlines and airports

This has damaged the performance of routes from Scotland, particularly in comparison with other European countries.

The Scottish Government's current approach needs to change, or it may stall and set back Scotland's international global influence and competitiveness. They must consider the following issues:

Pandemic ramifications - The Aviation CPG wants to move forward in a unified constructive, positive and proactive manner – acknowledging the impacts of the pandemic between 2020 and 2022, including those which continue to have consequences today and require support.

Competitive landscape - competitor countries across Europe (see German, Italian and Irish examples above) have grasped the nettle and are changing their approach; taking the opportunity to do things differently and be more effective – we must grasp our thistle or we, as an island nation, risk losing vital connectivity.

Aviation recovery – some figures may indicate that recovery is ongoing however this is against a backdrop of a world with fewer airlines, fewer available aircraft and where

consolidation, rather than sustainable expansion is demonstrated. The wider recovery of the sector will take time given the huge damaging impact to the sector throughout the pandemic.

Scotland disadvantaged - Scotland's industry was hampered by a failure to reopen the sector at the same pace as other regions. This had an impact on the performance of some routes from Scotland, particularly in comparison with other European countries. There is no guarantee that we will regain this capacity as the landscape has completely changed.

Scotland compromised - The Scottish Government's current approach must change, or the economy will stall, setting back Scotland's international global influence and competitiveness.

Clear support required - The Scottish Government must be clear in its support for sustainable growth in aviation, recognising its importance to Scotland and what can be done to enhance it.

Proactive development – Recognising and reaffirming what aviation can and does bring to Scotland is not enough; the Scottish Government must do more than just expect this to happen, it needs focus, strategy and investment.

Routes crucial – It is vital that we fight for every route we can, and the Scottish government must be more creative in its thinking around route and airline support, and how best to structure it.

Route set up costs - In the current environment, airlines need support with the set-up costs of a route and in particular low fares are needed to generate new demand.

Marketing strategy not fit for purpose – In the post pandemic, post Brexit environment we need a marketing strategy which is effective in supporting and developing routes. If Scotland continues with this weak strategy airlines are unlikely to be attracted to Scotland. A more flexible and targeted approach needs to be examined and adopted.

Post Brexit Environment - Scotland should now be able to explore how to do things differently and use public support to enable this. Scotland should hold a competitive advantage in this space; this is sorely needed given the issues that hold Scotland back in comparison to other countries.

No approved country lists – We must move away from a perceived notion of approved target lists of nations and countries that Scotland is marketed. We need to be aware of what Scotland is and look to attract talent from across the world. Reducing our potential market reduces our ability to grow sustainably and lessens global recognition of Scotland as a destination. Our vision should be global and not myopically focused on select target

countries.

Dismiss no opportunities - We can't afford to dismiss destinations which may lead to opportunities for enhanced connectivity just because they don't feature on an approved list. Direct routes can only survive on healthy inbound AND outbound traffic and this needs to also be considered, in combination with our domestic connectivity over London.

Enhanced support for faster commercial viability - Government support is an important element of the Scottish policy of 'welcome and collaboration', even enhanced levels of support would only ever have an impact on routes that are at least promising commercially. The role is to advance Scottish routes up the airlines development priority list and shorten the period of start-up losses, it will never change the fundamentals of the commercial viability of a route. A more flexible and targeted approach must be examined and adopted.

Restoring and growing routes - Pre pandemic, Scotland's air connectivity was thriving but many routes have not been restored and operate today with reduced capacity. A striking example of this is the cap on flights via Heathrow in summer 2022 which placed Scottish travellers at a complete disadvantage. Connectivity from Scottish airports and changes in domestic schedules have made it incredibly difficult for Scottish travellers to connect to their chosen destination in Europe, Worldwide or even domestically.

Heathrow's ability to enhance Scotland's connectivity – Direct connectivity to and from Scotland is the ultimate goal to ensure the country is connected to more places, in turn, increasing Scotland's reach and global reputation and influence. It would also reduce air miles. As stated earlier in the report, helping to grow Scotland's direct connectivity is something we must support and while that important work continues, there is a need to ensure a strong domestic market that will enable Scotland to connect to other countries through an airport such as Heathrow.

It should also be noted that the British Airways engineering base in Glasgow provides further high value employment in Scotland.

Need for increased connectivity to the US – Scotland needs and should be competing with other major European air hubs such as Amsterdam/Frankfurt and Paris. Failure to create that framework and allow Scotland to fall behind threatens outbound tourism, freight and inbound travel. Scotland is one of the most sought-after destinations by US travellers, be they tourists, students, researchers, businesspeople but our connectivity needs to improve to meet demand. Connecting Scotland to the world must be a top priority.

Skills & Staff Recruitment

Recruitment and talent acquisition - The travel industry is fuelled by its people and talent pipeline. As well as significantly contributing to Scotland's economy, the outbound travel industry in Scotland supports and promotes a diverse workplace and grassroots learning. The pandemic paused many travel organisations' recruitment and growth plans and talent recovery has been challenging across the entire travel ecosystem. Routes into travel, such as apprenticeships, have also been reduced with many colleges making the decision to pull funding for assessors. Case study material about how this affects one Scottish travel business (If Only...) can be found in Appendix C.

Promoting travel careers - Travel and tourism careers were not widely promoted during the pandemic. The Scottish Government must rebalance this by positively encouraging people, particularly young people, to pursue a career in the travel industry. Promoting careers in travel and tourism should be a priority and will be critical in supporting recovery and future sustainable growth. Further funding support to help both promote careers in travel as well as helping businesses with talent development and retention opportunities to help put Scotland's travel industry back on the map.

Posted Workers Directive – This is a key current concern of the travel industry. Pre Covid, the PWD enabled the posting of around 15,000-20,000 UK workers each year into the EU. Roles commonly conducted under the PWD included tour reps, chalet hosts and creche workers. Although the UK-EU Trade and Cooperation Agreement does cover Mode IV provisions for the temporary entry of services workers, including those in tourism, the maximum length of stay is 90 days in any 180-day period, which is quite restrictive given that most tourism postings would be between 6-9 months, and there are a variety of national exemptions and rules that need to be accounted for. Anecdotal evidence suggests that UK tour operators are finding that their programme has been more difficult during Winter 2021/22, as they have not been able to employ UK staff. Instead, they are reliant on employing local contracts, or staffing from other sources.

Youth Mobility Scheme - The YMS (a route within the existing Tier 5 visa regime) could offer a partial solution to PWD, if extended to individual EU countries. Crucially, the regime, or similar measures, have been offered in other recent trade deals and the YMS does not guarantee any automatic longer-term right to remain within the UK. This should be seen as a mutual benefit, extending opportunities to young people in each signatory country, and should be separated from the wider immigration and migration debate.

YMS Extension - The extension of the YMS would also benefit the inbound and domestic tourism sector – an important source-of post-COVID recovery growth, by offering access to wider labour pool and much needed skills (including European languages to support visitors to the UK).

Supporting Regeneration

High street economies - Travel agencies not only form the backbone of high streets, but they are paramount to the success of Scotland's outbound travel industry. Travel agents with retail premises suffered incredible losses during the pandemic, with recovery only starting during 2022. The cost-of-living crisis is now compounding the overhanging challenges caused by the pandemic and retail travel agents require relief and support.

Retail Units - Hundreds of retail units lie empty across Scotland in a neglected high street economy and a recent Scottish Retail Consortium research indicated that one in six retail units in Scotland are lying vacant. The Scottish Government must consider how to help businesses willing to commit to long-term lets on the high street in order to revive local economies, jobs, and community pride. Potential schemes to encourage retailers such as travel agents to take on premises should be considered to help revival.

Rates Relief – Scottish agents with retail premises are being penalised in comparison with their English and Welsh counterparts. They have received a 75% business rates relief for 2023/24 up to a maximum of £110,000 of relief per retail business. Scottish agents are seeking parity with businesses across the border so they can create further jobs and deliver greater economic activity – thus generating taxes.

Scots holidaymakers spend in Scotland - Although outbound travel is rarely seen as a benefit to the Scottish economy, a poll conducted by the SPAA showed that a single plane load of passengers going on holiday contributed about £38,000 to the local economy in pre-holiday purchases.

Home working – Without incentive to remain in retail units, there is a danger of further reduction of high street premises with staff working from home; further depressing town centres.

Loans – Many agents still face significant repayments for loans taken out during the pandemic which must be repaid from earnings – in addition to their full business rates (as above). Travel agents are not alone in this. However, the unique financial model of the travel industry, where agents are paid at the point of travel and not at the point of the client payment, makes cashflow irregular and planning fixed payments more challenging.

Apprenticeships – It is crucial that careers in travel are promoted in the current landscape. Encouraging young people into the industry will be vital for sector wide recovery. The framework for apprentices in Scotland is different to the standards in England where the annual levy must be spent exclusively on apprenticeship training. In Scotland, the levy can be spent on a range of workplace development programmes and is based on applications with funding administered by Skills Development Scotland. There appears to be no definitive amount available for the scheme and reports received that hardly any applications have been successful. The lack of assessors in Scotland also causes ongoing problems. It is important that the Scottish Government ensures that there is better funding of apprenticeship and increase in the number of assessors so that the Scottish retail travel trade can build back a professional workforce which created employment for young people.

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Sustainable Aviation

Scotland has an opportunity to be a leader in sustainability. But that will only be achievable when others follow. There needs to be far more clarity on how we plan to achieve this and how we can set an example to others.

The Scottish Government's aviation strategy lacked a realistic goal on sustainable aviation fuel or for Scottish based offsetting/ownership of airline carbon emissions, and there are no clear ideas for linking aviation and net zero policy. This is a missed opportunity and is certainly one Scotland's aviation industry would seek to rectify with other interested parties.

We should be looking to grasp the opportunities around Sustainable Aviation Fuels (SAF) and building on the desire of Scotland's airports, who are willing to work together to increase SAF production and usage where and when appropriate.

This would clearly require a holistic approach involving various partners – a policy framework to allow that to happen would push Scotland forward into a leading position.

Airlines such as British Airways are already working towards net zero carbon emissions, as per the slide below:



UK Governments working with industry - We encourage the UK Governments to work with industry (including through the Jet Zero Council), to support a green recovery within the aviation industry that nurtures a leadership position and accelerates progress at a global Aviation Gross Party Group Report – The Recovery of Sustainable Aviation, Travel and Tourism in Scotland February 2023

level to decarbonise aviation. A modernised airspace will also unlock considerable savings in carbon emissions. Ensuring that this is completed as soon as possible will require buy-in from all political levels, both domestic and in Europe, to achieve the carbon-saving potential of modernisation ahead of other game-changing technologies like sustainable fuels and new engine types.

Challenge of sustainability welcome – The whole travel industry agrees with the challenges of making the sector more sustainable. Aviation growth can and must be sustainable and the two are not mutually exclusive, especially when we have an industry that is keen to meet the challenge and contribute.

Positive trajectory – The industry is already making strides towards sustainability and the group recognises that we must all work together collectively to improve and meet Scotland's targets.

Lack of Scottish goals - The Scottish Government's aviation strategy lacked a realistic goal on sustainable aviation fuel or for Scottish based offsetting/ownership of airline carbon emissions, and there are no clear ideas for linking aviation and net zero policy. This is a missed opportunity and is certainly one Scotland's aviation industry would seek to rectify with other interested parties.

Air passenger duty - The opportunity of owning, setting and using APD to assist in decarbonisation is one to be explored with urgency - as are the development of low carbon technologies and the essential supply chain.

International consistency - Unilateral action in aviation, given the mobility of assets and its global nature, is futile and the approach must be consistent with international efforts. There is no point Scotland making decisions that would damage its connectivity at home whilst having little impact on emissions overall

Current position - Scotland's airports are already playing their part here. Edinburgh Airport and Glasgow Airport are building solar farms and becoming carbon neutral. HIAL is working on net zero flights. Strategies have been developed and are being implemented, and we are overturning traditional competitiveness to work with other airports to meet these challenges.

Existing Scottish sites offer options to produce SAF - As Scotland continues on the road to decarbonisation, moving away from carbon intensive oil and gas production, sites such as Grangemouth and St Fergus offer excellent options to produce SAF and establish Scotland as a leading producer. Government support would be required to de-risk investments in these facilities and they could then consider utilising government backed loan guarantees as well as green bonds to do this.

Scotland as a test bed - Scotland could also become a proving ground for the development

of hydrogen and electric flights. The Scottish Government should support accelerated research into this area. This is already becoming a viable option for regional and short haul aircraft such as Loganair which is currently pioneering Island-Hopping electric aircraft.

More ambitious targets required - The Scottish Government must take a lead in developing the net-zero future of aviation and setting out how it can work to facilitate discussions around sustainable aviation fuels, and ultimately support and fund their outcomes. It can also assist in stimulating demand for SAF from airlines.

Increasing use of SAF - Policies must align to create the best environment for SAF's development, production, and use.

About the Aviation Cross Party Group (CPG)

The CPG Aviation Group is comprised of national and Scottish organisations.

Members worked together for the purposes of lobbying during the pandemic - both at Westminster (Future Travel Coalition led by ABTA) and constructively in conjunction with the Scottish Aviation Group (SAG) chaired by Gordon Dewar, CEO of Edinburgh Airport. SAG worked closely with Scottish Government and health officials during the pandemic.

The current group comprises of many elements of the travel and tourism trade sectors:

- **Scottish Airports** and their national organisation **Airport Operators Association** (the trade association for UK Airports)
- International airlines serving Scottish communities including **British Airways, Easyjet, Jet2.com** and **Loganair**. This is combined with the trade association for UK airlines, **Airlines UK**
- The outbound leisure and corporate business travel sector including the trade associations - **Scottish Passenger Agents' Association (SPAA)**, **UK trade association ABTA** and prominent Scottish retail agency, **Barrhead Travel**
- The outbound business organisations including the **Scottish Chambers of Commerce**
- The outbound Scottish based leisure tour operators represented by **Osprey Holidays** and **If Only**
- The inbound travel and tourism market represented by **UKinbound**
- Air navigation service providers represented by **NATS**

The group recognises that travel is covered by a number of different government departments within the Scottish Government. The aim of this CPG report is to ask Scottish Government to consider the recommendations made with a view to implementing or hosting follow-up discussion where applicable.

We note that some of the elements of travel are not devolved to the Scottish Government, however the group agrees that there ought to be a four nation approach to travel - which includes lobbying Westminster as and when appropriate.

The CPG group recognises that although there have been improvements since the pandemic outbreak in 2020, the travel industry is still very fragile and recovery can only be achieved by working together.

The Aviation CPG has been involved in discussions throughout 2022 with a view to creating an informed list of governmental asks on the topics of:

- Growth and Connectivity
- Targeted and Flexible Support
- Sustainable Aviation
- Aviation Growth & Connectivity

Appendix A



Appendix B

Airline Point of View – easyJet

easyJet are proud to be Scotland's largest airline, operating its first flight between London Luton and Glasgow in November 1995. Although the pandemic was a challenging environment for the sector, we have seen demand continuing to recover across the easyJet network, including in Scotland.

easyJet links Glasgow with more London airports than any other airline, and in summer 2022, easyJet offered up to 144 flights a week between Glasgow and London as business and leisure travel continues to recover between this important airbridge.

Looking ahead to 2023 easyJet will continue to improve overall seat capacity on flights in Scotland with a focus on beach markets across the European markets.

easyJet believes that the Scottish Government can help the overall aviation sector throughout the recovery from the pandemic by supporting wider route development across Scotland, similar to the support currently planned to be delivered by the Northern Ireland Executive. Scotland now needs to maximise opportunities within aviation, travel and tourism and how the Scottish Government and associated partners can help to realise those opportunities.

Sustainability

The aviation sector all agree that aviation must move to a more sustainable future and the industry actually welcomes that challenge, but it would be naïve to think that aviation and flying will not play a part in economic recovery.

This year easyJet has published its Net Zero Roadmap outlining how it can achieve net-zero carbon emissions by 2050. The roadmap is aligned with the Science-Based Targets initiative (SBTi) and has a validated interim target of a 35% carbon emissions intensity improvement by 2035 - making easyJet the first low-fares carrier worldwide to have achieved this.

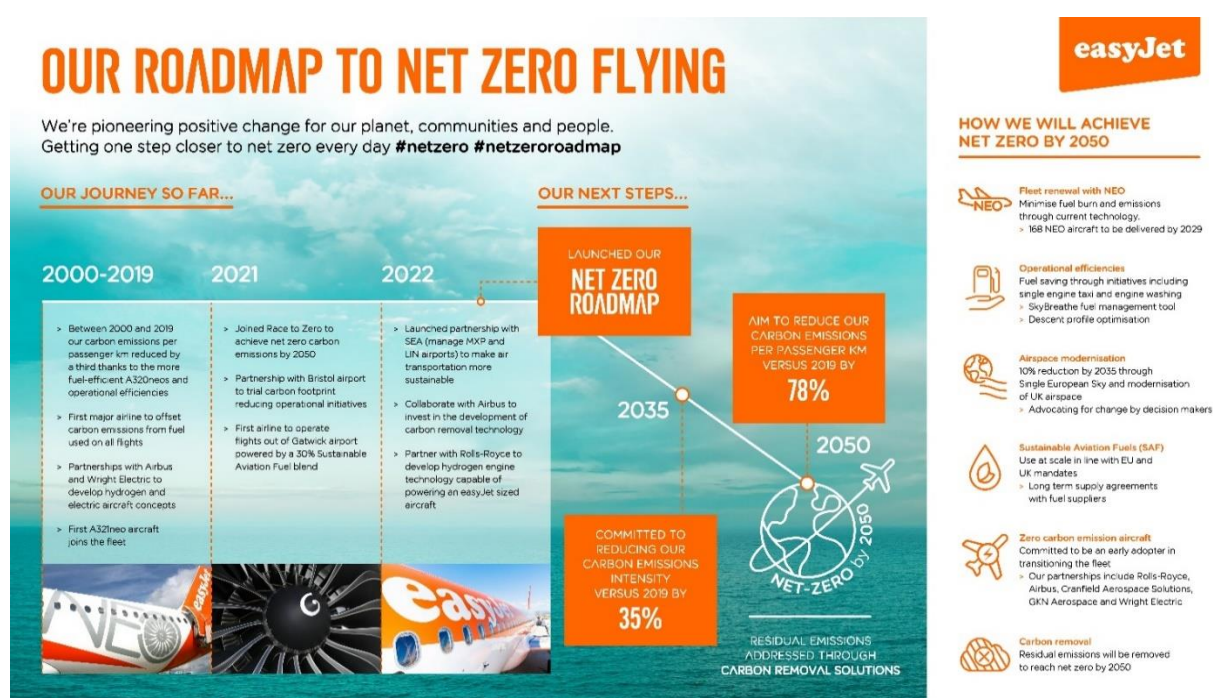
easyJet's roadmap to net-zero carbon emissions by 2050 is the most ambitious airline roadmap to date. The focus on zero carbon emission technology, once available, means the airline would be able to reduce its carbon emissions per passenger, per kilometre by 78% by 2050 (vs 2019), with residual emissions addressed by carbon removal technology, and the ambition to ultimately achieve zero carbon emission flying across its entire fleet.

Alongside the ultimate transition to zero carbon emission technology, easyJet plans to achieve its roadmap through a combination of fleet renewal, operational efficiencies,

airspace modernisation, the use of Sustainable Aviation Fuel and carbon removal technology.

easyJet will focus its efforts, as well as a significant targeted investment, into realising its roadmap including new investments to drive operational efficiencies and Sustainable Aviation Fuel announced today, further bolstering previously announced multi-million-pound investments into hydrogen and carbon removal technology partnerships.

However, we also rely on other partners in the aviation ecosystem, including Governments, to help make net zero by 2050 a reality. Below you'll find an overview of how easyJet plans to achieve net-zero emissions as well as our thoughts on how Governments can best support the aviation industry's efforts to decarbonise.



Appendix C

Outbound Travel Point of View – If Only...

If Only... is a long-haul Tour Operator based in Glasgow offering worldwide long-haul holidays. They confirm that their main issues are the **lack of air uplift** in Scotland – described by them as ‘a huge issue’ - and **regional connectivity** to long haul flights.

Recruitment is an ongoing problem exacerbated by the loss of a considerable number of skilled workers in the sector. As travel was one of the last sectors to recover – which was widely reported on - travel wasn’t and to a degree still isn’t seen as a stable industry.

If Only... has been recruiting actively for a skilled ticketer for 3 months and still has had no applicants. Other agencies within the travel agency community – including Barrhead Travel are facing similar recruitment issues. There is a collective recognition that travel agencies need to recruit and train those who are new to the industry rather than recruiting experienced travel professionals.

During these winter months, **further government support** would be appreciated by If Only They realise that this isn’t being considered currently but they have told us that *“if rates and bills continue to grow, the option to **permanently close our office** and revert to full time homeworking may need to be considered to save money”*. This is a position which none of their team want to do.

For background they indicate that the top six long haul destinations being sold by If Only ... Scottish agents are:

- Dubai
- Maldives
- Mauritius
- Barbados
- Mexico
- Australia

Appendix D

ANSP point of view – NATS

1. What is airspace modernisation?

The UK's airspace is some of the most complex in the world, with its design dating back to the 1950s. Modernising airspace will fundamentally redesign flightpaths to make the most of the capabilities of modern aircraft and navigation technology, improving efficiency and environmental performance.

Aviation has committed to reaching net zero emissions by 2050, and new types of fuel and engine technologies are central to achieving that. However, those technologies are still in development and are still a decade away from commercial viability but improving our airspace needs to happen right now and there is a visible commitment by the industry to its promise on delivering net zero.

2. What will change?

In today's airspace structures, aircraft are often unable to climb or descend continuously because of the interlaced nature of the flight paths. This means that aircraft often fly further than they need to, and have long periods of level flight, burning more fuel thereby creating additional emissions.

Modernising airspace involves systemising the route structure to reduce complexity, making it easier for today's modern aircraft to fly more direct routes, reducing the route interactions which currently hamper quicker climbs and later descents to help reduce emissions, as well as their noise footprint on the ground. Previous generations of aircraft couldn't fly as precisely as today's, which meant navigating using ground-based beacons and routes with a wide envelope of airspace surrounding them. Systemising the airspace means we can create new, more closely spaced routes (especially in lower airspace), the use of which can then be alternated to provide noise respite on the ground.

3. How will it be implemented?

Airports are responsible for departure and arrival routes below 7,000ft, and therefore sponsor the airspace change process. NATS is responsible for the network-level airspace above that, known as en-route airspace, which is where our modernisation efforts are focused and where we sponsor proposed changes. The transitional nature of airspace between 4-7,000ft means that NATS and airports must work closely together to ensure the right outcomes.

4. How is it going so far?

NATS continued with our airspace modernisation programme throughout the Covid-19 pandemic. We delivered the first UK deployment of Free Route Airspace (FRA) over Scotland, the North Sea, the North Atlantic, Northern Ireland and some of northern England

in December 2021 – roughly a third of the UK’s entire airspace. FRA means that airspace structures are removed above 25,000ft, allowing aircraft to fly the route they want to between a defined entry and exit point. This allows airlines the freedom to plan and fly their optimal route considering factors such as weather and wind speed, rather than the traditional way of flying along defined corridors between navigation beacons.

Given that this area of airspace handles up to 2,000 flights a day and 80% of all transatlantic traffic, the changes will enable huge fuel, flight time and CO₂ savings – equivalent to the power used by around 3,500 family homes every year. This is the first of four planned deployments of FRA across the UK over the next five years.

