

Item: 4

Special General Meeting of the Council: 23 March 2021.

Notice of Motion.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

To consider the implications of the suggested course of action contained in the Notice of Motion, lodged by Councillor David Dawson, as detailed on the agenda for this meeting.

2. Recommendations

The Council is invited to note:

2.1.

That the Chief Executive has received a Notice of Motion regarding HIAL's proposals with regard to implementation of a revised Air Traffic Management Strategy.

2.2.

That the immediate implications of the suggested course of action contained in the Notice of Motion are mainly in Councillor and officer time for the petitioning of the Scottish Government.

2.3.

That the findings of the final report, produced by Reference Economic Consultants for HIAL, in respect of Kirkwall airport and its assessment of the impact on Orkney for the economic and community measures can be summarised as follow:

- The net reduction in employment up to circa 36 Full Time Equivalent jobs compared to the 'local surveillance' model. In real terms a 16.2 Full Time Equivalent jobs over current employment levels with the implementation of ATMS.
- The net reduction of gross salaries of circa £1.9 million compared to the 'local surveillance' model. In real terms a £653,000 reduction of gross salaries over current levels with the implementation of ATMS.
- A very significant negative impact on business, leisure and non-scheduled flights if either ATMNS or the 'local surveillance' model were not able to provide resilient air traffic management.
- Potentially very significant negative impact on renewables development on Orkney.

2.4.

That, of 13 specific assessment criteria within the final report, produced by Reference Economic Consultants for HIAL, eight were rated as having significant or very significant negative impacts on Orkney

It is recommended:

2.5.

That Standing Order 17.2 be suspended to enable the Notice of Motion to be considered notwithstanding that it was submitted less than 14 Clear Days prior to the date of this Meeting.

2.6.

That the Council consider whether to support the Notice of Motion in that:

2.6.1.

The Council calls upon the Scottish Government to require HIAL to pause their proposals with regards to the implementation of a revised Air Traffic Management System in order to give proper consideration to the findings of the independent Islands Impact Assessment undertaken by Reference Economic Consultants.

2.6.2.

That the Council requests the Scottish Government convene as a matter of urgency a meeting with Orkney Islands Council, HIAL and the relevant Government Ministers.

3. Notice of Motion

3.1.

The Notice of Motion, detailed on the agenda for this meeting, lodged on 16 March 2021 in accordance with Standing Order 17.1, seeks the Council to call upon the Scottish Government to require HIAL to pause their proposals with regard to implementation of a revised Air Traffic Management Strategy in order to give proper consideration to the findings of the independent Islands Impact Assessment undertaken by Reference Economic Consultants. Further, as a first step, the Notice of Motion asks that the Scottish Government convene, as a matter of urgency, a meeting with Orkney Islands Council, HIAL and the relevant Government Ministers.

3.2.

Standing Order 17.2 provides that a Notice of Motion must be received by the Chief Executive at least 14 Clear Days prior to the date of any Meeting of the Council, in order for the Notice of Motion to be included within the business of that Meeting. As the Notice of Motion was received on 16 March 2021, Standing Order 17.2 requires to be suspended in order for the Motion to be considered.

3.3.

Standing Order 17.3 states that a Notice of Motion shall be accompanied by a report from the Chief Executive or the relevant Executive Director on the implications of any suggested course of action.

4. Background

4.1.

The Notice of Motion refers to the findings of the Islands Impact Assessment undertaken by Reference Economic Consultants on behalf of Highland and Islands Airports Ltd (HIAL) as part of the regulatory structure regarding their proposal to amend their Air Traffic Management Strategy (ATMS). This report was completed and published in redacted format in February 2021 and a copy is attached at Appendix 1.

4.2.

HIAL undertook work to review and implement its ATMS for the seven airports it operates (Benbecula, Dundee, Inverness, Kirkwall, Stornoway, Sumburgh, Wick John O'Groats) in December 2017. The result from the Helios Study was a decision to transform its air traffic management needs because in its view:

- The air traffic control industry is experiencing staff retention and recruitment challenges. These are challenges for HIAL and addressing them will improve air traffic management resilience.
- Its air traffic management infrastructure is ageing, and its operating model requires modernisation.
- The organisation needs to be trained, equipped and ready to meet changing legislation and regulatory requirements within the aviation industry.
- The organisation must ensure best value and operate in the most efficient but effective way possible.

4.3.

In January 2018, HIAL received approval from the Scottish Transport Minister to proceed with a transformation project, initiating an options appraisal in July 2018 which delivered its outputs in October 2019. The result was the proposal to:

- Move to centralised, remote air traffic control for Dundee, Inverness, Kirkwall, Stornoway and Sumburgh airports.
- Continued local airport management at Benbecula and Wick John O'Groats airports but a change to the way this is delivered. In addition, an Aerodrome Flight Information Service centre of excellence would be created at Benbecula.

4.3.1.

The business case and budget were approved by Transport Scotland in December 2019. With the HIAL board conducting an internal review of the policy and previous decisions in June 2020, the conclusion was to continue with the current ATMS programme direction and endorse all previous programme decisions.

4.4.

The options delivered by the Helios Study for Kirkwall airport are:

- Move to the new ATMS where ATC services currently based in Orkney will be integrated with 4 other airports at a Combined Service Centre (CSC) located in Inverness, where a separate 'contingency' facility will also be created. No qualified controllers would be based in Orkney. This option relies on reliable high bandwidth data connectivity between Kirkwall and Inverness and the introduction of a controlled airspace zone around the airport with an increase in airspace surveillance systems.
- An alternative 'local surveillance' solution that sees current equipment upgraded and manning increased to 27 full time controllers to provide the resilience levels required by HIAL.

4.5.

The Islands (Scotland) Act 2018 was granted Royal Assent in July 2018, 6 months after the Scottish Government Transport Minister approved HIAL to proceed with ATMS. Section 8 of the Act requires relevant organisations to undertake an Island Communities Impact Assessment (ICIA) in relation to "a) policy (b) strategy or (c) service, which in the authority's opinion, is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in the area in which the authority exercises its functions". Section 8 of the Act came into force in December 2020. HIAL commissioned Reference Economic Consultants to conduct a retrospective Impact Assessment in April 2020, to include an ICIA for the relevant islands affected by its proposals.

4.6.

Reference Economic Consultants carried out the assessments between April 2020 and October 2020 reviewing the HIAL ATMS proposals, relevant legislation and conducting consultation with operators, staff, local and regional councils as well as Members of both the Scottish and UK parliaments. The initial draft report was presented to HIAL at the end of November 2020 and a final report in February 2021.

4.7.

Guidance from both HIAL and the Scottish Government's Islands Team restricted the scope of the assessments to exclude any recommendation as to a specific course of action or whether the ATMS programme should or should not be pursued. The report is not an options appraisal or a gateway review of the ATMS programme.

Where an airfield was on an island an ICIA was to be conducted. Each assessment would look at and provide information on:

- Profile of flights and passenger numbers at the relevant airport.
- Analysis of the local economy.
- Population profile and trends
- Consultees' issues and concerns about the changes to air traffic management.

4.7.1.

The above data would be used to provide the basis for comparison between adopting the HIAL preferred option and the 'local surveillance' model.

4.8.

Two assessment measures would be used for all airfields being considered. The first being Economic and those used tend to reflect the relevant strategic objectives and issues for the Scottish Governments' National Islands Plan, focussing on employment and population. The second is Community with a focus on the potential impacts on population level and age structure. This measure also considered participation in community organisations and activity, care provision and air access to activities and key services. Where an ICIA was conducted this focused on:

- Likely significantly different effect of the policy, strategy or service compared to its effect on other communities.
- The extent to which the policy, strategy or service can be developed or delivered in such a manner as to improve or mitigate, for the relevant communities, the outcomes resulting from it.

5. Assessment

5.1.

The final report from Reference Economic Consultants notes several issues surrounding both the data used in the assessment and the uncertainties surrounding outcomes. The data set was small, particularly relating to staff engagement where only 54 individuals responded out of a possible 94 to the questionnaire. Twelve returns were received from Kirkwall, the second highest return rate. In some instances, regarding current and projected equipment spend, no data was offered as HIAL were either unable to differentiate and identify costs or did not have the data available. This flows into the uncertainties where it was unclear on the level of equipment and infrastructure required to support the programme as modelling was at too high a level to have any detail on either costs or timeframe, particularly regarding digital connections. Similar uncertainty surrounded employment estimates and staff decisions. COVID-19 also influenced the assessment, whilst 2019 data has been used whether and when such service use will return to similar levels is unknown due to the disruption caused by the current pandemic.

5.2.

The report's finding for Kirkwall airport and its assessment of the impact on Orkney for the economic and community measures can be summarised as follows:

- The net reduction in employment up to circa 36 Full Time Equivalent jobs compared to the 'local surveillance' model. In real terms a 16.2 Full Time Equivalent jobs over current employment levels with the implementation of ATMS.
- The net reduction of gross salaries of circa £1.9 million compared to the 'local surveillance' model. In real terms a £653,000 reduction of gross salaries over current levels with the implementation of ATMS.
- A very significant negative impact on business, leisure and non-scheduled flights if either ATMNS or the 'local surveillance' model were not able to provide resilient air traffic management.
- Potentially very significant negative impact on renewables development on Orkney.

5.2.1.

Out of 13 specific assessment criteria, eight were rated as having significant or very significant negative impacts on Orkney and its community.

5.3.

The specific ICIA details the potential greater proportionate effect of the ATMS in Orkney than in at least some of the other affected communities, specifically Dundee and Inverness. In summary these are:

- Net reduction in employment at Kirkwall from ATMS compared to the 'local surveillance' alternative or existing position.
- Potential loss of population, with the number of households that would leave Orkney presently uncertain.

5.4.

The report goes on to identify the negative effects are proportionally increased due to the limited availability of services on Orkney, specifically specialist service providers. This is further magnified by the small economic base and self-contained labour market. This increases the dependency on both inter-island and Scottish Mainland air services and thus the vulnerability to any resilience issues.

5.5.

As part of the ICIA, HIAL have identified and recommended some potential mitigations to the negative impacts highlighted in the report. But the report is uncertain that the proposed mitigations could fully address the potential impacts on local employment and possible loss of population. It specifically recommends that HIAL commission a further independent report on how airfield operations could create more economic activity in the community.

5.6.

In summary the report provides a consistently negative assessment of the impact of the ATMS project on Orkney as a whole. No net benefits are reported either in the cross report Economic and Community measures or in the more specific ICIA. It also strongly recommends further investigation into mitigation measures and enhanced HIAL operational activity to encourage economic growth prior to the changes. It has also highlighted significant gaps and uncertainties in both the data used by HIAL to base its assumptions on and the maturity of the proposals. Whilst the decision to progress or not is a decision for HIAL, the implications of the Notice of Motion will be to further enhance the profile of local concern regarding the Island Impact Assessment Findings. It may also contribute to the establishment of a further stage of consideration by HIAL of these matters which may in turn increase the chance of delay, reduction or avoidance of some the impacts of the local employment and economic risks arising from this proposal.

5.7.

HIAL received the final report in February 2021 and published in a redacted format on 5 March 2021. The report has been accepted by the HIAL board along with the noted potential impacts on local employment and economic activity. HIAL have committed to an independent study to identify possible economic mitigations for Orkney and the other islands affected by the proposals. No timeline has been given as to when this may occur. It should be noted that despite the limitations imposed on the report the board Chair Ms Lorna Jack has publicly cited it as further proof of a requirement to change and modernise ATMS as soon as possible.

5.8.

It is therefore recommended that the Scottish Government be approached to delay implementation of the project until further work and consideration of the consequences of the proposals have been undertaken.

6. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Connected Communities, with the target outcome that Orkney's communities enjoy modern and well-integrated transport services and the best national standards of digital connectivity, accessible and affordable to all.

7. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priorities of Strong Communities and a Vibrant Economy.

8. Financial Implications

The financial implications of the Notice of Motion being accepted by the Council would be that staff resources would be diverted to petitioning the Scottish Government in the first instance to intervene with HIAL with respect to the ATMS programme. Further financial costs may be incurred if the Council resorts to legal counsel with regards to such a petition.

9. Legal Aspects

9.1.

Paragraph 4.5 provides a summary of the statutory basis for undertaking an island communities impact assessment. HIAL stated in July 2020 that, although “not legally required to do so”, it would undertake a “retrospective island communities impact assessment” and that this would “highlight where mitigating actions are required to ensure that the delivery of the project occurs in such a manner as to minimise the impacts on affected communities, in accordance with the requirements of the Act.”

9.2.

It would arguably not be acceptable for HIAL to carry out an island communities impact assessment and then fail to address suitably any impacts identified.

9.3.

A report in relation to HIAL’s proposed changes to its Air Traffic Management System was previously considered by the Policy and Resources Committee on 24 November 2020. A note of the recommendations made by the Committee, together with legal commentary, is attached as Appendix 2 to this report.

9.4.

As the Notice of the Scottish Parliamentary Election was published on 15 March 2021, restrictions on publicity apply and care must be taken to avoid making any comments in respect of this report which could be perceived as being supportive, or critical, of any political party.

9.5.

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Appendix 2. Appendix 2 to the report contains exempt information as defined in paragraph 12 of Schedule 7A of the Act.

10. Contact Officers

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11. Appendix

Appendix 1: Reference Economic Consultants – HIAL – Air Traffic Management Strategy Impact Assessment, dated February 2021.

Appendix 2: Legal Commentary on Recommendations made by Policy and Resources Committee, 24 November 2020.