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[REDACTED]
From: Nicholls J (John) (TRANS)
Sent: 03 January 2018 12:38
To: [REDACTED]
Subject: RE: Heathrow - Ask of UKG

OK, thanks. Good that we can use the projections to support our case, although I note the GLA and PIK positions.

From: [REDACTED]
Sent: 03 January 2018 12:20
To: Nicholls J (John) (TRANS) <John.Nicholls@transport.gov.scot>
[REDACTED]
Subject: RE: Heathrow - Ask of UKG

Thanks John.

It's a reflection of where things stand as opposed to past positions. I think that's a fair position which recognises the slots are effectively already owned and that the most viable means to protect those used in Scotland is by working with the market (as LHR is now doing through reduced charges and incentives) as opposed to being seen to try and nationalise slots. We are saying that we want to hold what we have as a minimum though so that points to us looking for more if and when any new or freed-up capacity becomes available pre-R3.

Analyst colleagues checked the post-R3 figures against DfT passenger forecasts. Our EDI figure appears almost spot on although [REDACTED]

I'd intend to provide the airports with their own specific headlines. [REDACTED]

Regards
[REDACTED]

From: Nicholls J (John) (TRANS)
Sent: 27 December 2017 10:27
To: [REDACTED]
Subject: RE: Heathrow - Ask of UKG

Thanks for the opportunity to comment. A few thoughts:

- In the pre-3rd runway period, is our ask the historical maximum or has there been a time when there were more flights? If so, maybe we should use the latter.
- In similar vein, should we be asking for the ability to expand current service levels pre-3rd runway, perhaps using any third party traffic projections we have (e.g. CAA?)
- Post 3rd runway, the "Barnet" formula approach looks reasonable but, again, is it supported by any published projections?
- in terms of process, how are we going to get Scottish airport views? The draft paper may have commercial sensitivities, so presumably we'll not share it with them in its current form

[REDACTED]

- no doubt you'll be ready for the presentational issues the asks will raise (noise, climate change etc). We can cover that off when submitting to Ministers.

John

From [REDACTED]

Sent: 22 December 2017 11:53

To: [REDACTED]

Cc: Nicholls J (John) (TRANS) <John.Nicholls@transport.gov.scot>

Subject: Heathrow - Ask of UKG

Folks,

To see where things sit now and grateful for any further comments. The plan is to take the views of our main airports [REDACTED] in the NY before putting to Ministers. You'll see that the suggested position pre-new runway has moved to one of mainly relying on the economics as opposed to ring-fencing which would avoid any challenge from airlines.

[REDACTED]

John,

Copying to you for the first time and grateful for any observations you have. [REDACTED]

[REDACTED]

Regards

[REDACTED]

<< File: HeathrowDes (2).docx >>

[Redacted]

From: [Redacted]
Sent: 15 January 2018 12:55
To: Minister for Transport and the Islands
Cc: Cabinet Secretary for the Rural Economy and Connectivity; Brannen R (Roy);
Transport Scotland Directors [Redacted]
[Redacted] Press Transport Scotland; DG Economy;
Communications Economy
Subject: Briefing - Mr Yousaf meeting with Baroness Sugg - 22 January 2018

Hi [Redacted]

Please find attached briefing for the Minister's meeting with Baroness Sugg on the 22 January 2018;



67 Humza
Yousaf meeting ...

Regards [Redacted]



[Redacted]
[Redacted]
[Redacted]

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Gòmhdhail Alba, buidheann nàiseanta na gòmhdhail

@transcotland
 transcotland



MINISTERIAL ENGAGEMENT BRIEFING: HUMZA YOUSAF

Copied to: As per covering e-mail

Engagement title	Introductory meeting with Baroness Sugg – UK Minister for Aviation
Engagement timing	Time: 11:00 – 11:45 Date: Monday 22 January 2018
Venue and full address	Lewis & Harris Room Scotland House 58 Victoria Embankment London EC4Y 0DS
Background/Purpose (including invitation history)	
Summary page (key issues, lines to take if pressed and issues to avoid)	Annex A
Guest list or meeting attendees	<ul style="list-style-type: none">• Baroness Sugg MP – UK Minister for Aviation
Supplementary information	 Annex C – Heathrow/National Policy Statement 
Official Support (including mobile number)	

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constituent Interest	General Awareness
Cabinet Secretary for the Rural Economy and Connectivity			x		

PS/Transport Scotland
 Roy Brannen, Transport
 Transport Scotland Directors

[REDACTED]

Press Transport Scotland
 DG Enterprise, Environment & Innovation
 Comms Economy

Baroness Sugg – UK Minister for Aviation
22 January 2017

Top Lines

Heathrow/Draft National Policy Statement

- Our connections to the London airports, in particular Heathrow, remain absolutely pivotal to Scotland's economy and are vital for business and inbound tourism connectivity.
- Our position is that Scotland needs a strong mix of direct routes to international destinations as well as good connectivity to world hubs like Heathrow, Frankfurt, Amsterdam and Dubai.
- We have pressed the UK Government to ensure that Scotland's airports have guaranteed access in the lead up to and after the new runway capacity is introduced. This would mean holding what we currently have as a minimum and proportionate increases once the new capacity comes into play.
- We intend to submit to the UK Government more detail on the Scottish Government's requirements prior to the draft NPS being finalised and voted on in the UK Parliament (in the summer).

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

Baroness Sugg – UK Minister for Aviation
22 January 2017

Heathrow/Draft National Policy Statement

1. The Scottish Government announced its support for plans to build a third runway at Heathrow in October 2016. A Memorandum of Understanding (MoU) was signed outlining commitments made offering strategic and economic benefits to Scotland, potentially creating thousands of jobs and providing a significant boost to the Country's connectivity. The commitments include:

- The creation of over 16,000 new jobs across Scotland from the new capacity.
- Heathrow to work with the Scottish Government to investigate Glasgow Prestwick Airport in the first instance as a potential site for a logistics hub to support the building of the third runway.
- £200m of construction-related spend in Scotland during planning and construction.
- A £10m route development fund to help support new domestic routes.
- From January 2017, a reduction of £10 per passenger on charges paid by airlines operating services from Heathrow to Scotland. This has benefitted existing services from Aberdeen, Edinburgh, Glasgow and Inverness and will incentivise the introduction of new services. Flybe's introduction of new services from Aberdeen and Edinburgh in March is tangible evidence that the £10 reduction has had an early impact.

- A significant marketing campaign at Heathrow to promote all that Scotland has to offer.

2. The MoU will help to counter some of the commercial and market-driven challenges which Scotland faces in retaining and improving our links to Heathrow. This acknowledges the existing capacity squeeze but also that we face challenges moving forward and even once new capacity is in place.

3. Securing and improving our connections to Heathrow will also require affirmative action from the UK Government. What we have said from the outset, including in our response to the Airports Commission, is that we want to protect what Scotland currently holds as a minimum and benefit proportionately from new runway capacity. We have also said that we understand these are complex issues and are willing to help devise solutions. Keith Brown met with the Secretary of State in July when he agreed that Scotland should benefit from additional slots once the new third runway is in place. The key will be to agree what this looks like in practice across Scotland's airports and how it is legislated for – the UK Government's draft Airports National Policy Statement (NPS) to regional connectivity and suggests that the onus will be on Heathrow to deliver new domestic routes. Heathrow in its response to the draft NPS suggested that Scotland's

requirements on minimum capacity could be accommodated in a post-Brexit situation where the UK was free to take its own decisions on ring-fencing regional connectivity. However, that would assume a hard-Brexit type situation where the UK is not bound by European rules on slot allocation. **Transport Scotland officials are currently putting together a draft of the SG's ask of the UKG on slots which will be passed to Ministers shortly.** The draft NPS is not now expected to be voted on until mid-2018. Meantime, the UK Government has published a redrafted NPS for consultation with updated aviation demand forecasts and reflecting on the new National Air Quality Plan which was published in July.

4. Heathrow has intimated that the new capacity will potentially deliver 6 new domestic routes, one of which could be from Prestwick. Heathrow has said that the new runway could be operational during 2025 but it can be anticipated that legal challenges would prolong introduction. During the lead-up to the UKG's announcement, Heathrow also announced plans to better utilise existing capacity by increasing flights by around 19,000 annually (around 50 per day) around 2020 through changes to existing planning conditions. Heathrow had suggested that some of these extra flights could be designated for the regions.
5. The UKG has said that a new third runway at Heathrow can be delivered without compromising local and national environmental rules, limits and targets. The draft NPS lays out mitigations and actions required of Heathrow to achieve this objective. Without these, development consent will not be given.
6. In defence of our backing of Heathrow, we have acknowledged that the environmental impacts of the new runway are extremely important considerations. We have said that these are issues for the UKG to consider carefully in its decision making process and have pointed to the SG's strong environmental credentials and performance including exceeding the level of our 2020 carbon reduction target in 2014.

3

[REDACTED]

From: [REDACTED]
Sent: 30 January 2018 19:33
To: [REDACTED]
Subject: RE: LHR

Good idea. Let's say to them it's a document we'll use to engage with airports and we'll seek further clearance if we propose any substantive changes as a result of these discussions. [REDACTED]

[REDACTED]



An agency of  The Scottish Government

From: [REDACTED]
Sent: 30 January 2018 15:24
To: [REDACTED]
Subject: RE: LHR

Thanks. I'm thinking now that it might be better to put it to KB and HY before it goes to the airports to then be able to say it's the intended position of the SG unless the airports think they can improve it.

From: [REDACTED]
Sent: 30 January 2018 13:17

To: [REDACTED]
Subject: RE: LHR

That's fine. Happy for it to go in my name [REDACTED]



An agency of  The Scottish Government

From: [REDACTED]
Sent: 29 January 2018 15:18
To: [REDACTED]
Subject: RE: LHR

Thanks. Have made the change on INV although it doesn't change things materially, Slot timings are covered in the 2nd last para and I've added the point that we need to sit down with the UKG and LHR to agree what is best for business and leisure.

I want to punt off an abbreviated version to the airports soon (EDI, ABZ and GLA) and it may be better to go in your name (in particular as the point man from an EDI perspective).

From: [REDACTED]
Sent: 29 January 2018 12:35
To: [REDACTED]
Subject: RE: LHR

<< File: HeathrowDes (2) (2).docx >>

Content thanks. 2 minor comments – INV is going up this summer so we need to think about how that is set out. Also, the 3 per day model seems to put point to point ahead of timings which maximise connections so is there a way to emphasise the importance of both?

Remind me of next steps with this. Afraid I can't recall if you've had informal discussion with the airports yet (other than LHR).

Thanks



An agency of  The Scottish Government

From: [Redacted]
Sent: 12 January 2018 16:06
To: [Redacted]
Subject: LHR

Latest version.

<< File: HeathrowDes (2).docx >>

(4)

From: [REDACTED]
Sent: 06 February 2018 15:50
To: Cabinet Secretary for Economy, Jobs and Fair Work
Cc: Minister for Transport and the Islands; DG Economy; PS/Transport Scotland; Brannen R (Roy); Transport Scotland Directors; Nicholls J (John) (TRANS) [REDACTED]
Subject: [REDACTED] Press Transport Scotland
Attachments: Heathrow Third Runway - UKG Draft National Policy Statement
LHRask.docx; HeathrowDes (2).docx

[REDACTED]
Routine note and accompanying paper for Mr Brown's consideration.

Regards

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
<<LHRask.docx>> <<HeathrowDes (2).docx>>

From: [REDACTED]
Aviation Branch
6 February 2018

Cabinet Secretary for Economy, Jobs and Fair Work

UK GOVERNMENT'S DRAFT AVIATION NATIONAL POLICY STATEMENT (NPS) AND A NEW THIRD RUNWAY AT HEATHROW AIRPORT

Purpose

1. To provide you with a draft paper outlining the Scottish Government's suggested position on guaranteed slots for Scottish services to and from Heathrow Airport in the lead-up to a new third runway and once it is in place.

Priority

2. Routine. The UK Government is currently considering responses to its draft NPS consultations. A final NPS is expected to be published in May/June with consideration and a vote in the UK Parliament shortly afterwards.

Background

3. On the issue of guaranteed slots for Scottish services, the Scottish Government's response to the Airports Commission in January 2015 said that we wanted to hold what we currently have as a minimum in the lead-up to the new capacity and benefit proportionately from the new capacity when it arrives (at some point after 2025).
4. We have continued to press the UK Government on guaranteed slots and the means to achieve this although we have acknowledged the complexity of seeking solutions to circumvent EU slot protocol and the secondary slot trading market in place at large hubs such as Heathrow. We have frequently offered to assist the UKG in its deliberations and with any approach to the EU to gauge what is possible. The UKG, including in your exchanges with Ministers, has shown a willingness to seek ways to guarantee domestic slots but has not as yet disclosed in detail how it would propose to achieve such a guarantee.

5. [REDACTED]

[REDACTED] As you are aware, following agreement of a final NPS, Heathrow will be required to progress a Development Consent Order (DCO) which will provide specifics on a new third runway.

Slots in the Lead-Up to a New Third Runway

6. The draft paper sets out the current slot position at Scottish airports and reaffirms our desire to see this position retained as a minimum in the lead-up to the new capacity. It acknowledges the potential legal complexities of ring-fencing slots which are effectively already owned by airlines. EU slot protocol remains a 'grey area'. The EU has endorsed secondary trading of slots at large hub airports although regulations which

would legitimise an airline's ownership of a slot are not yet in place. That does not prevent slots changing airline hands for significant sums of money and some airlines now consider slots held as booked assets in their accounts.

7. The ring-fencing of slots currently used for domestic services is therefore open to potential challenge. [REDACTED]

[REDACTED] Our suggested position then is that the respective Governments and Heathrow should work together to make the market conditions right for domestic services to succeed. Incentives would have a part to play [REDACTED]

[REDACTED] The UKG has also supported services from Scotland in the last few years with Dundee Airport's services to Amsterdam and Stansted having benefitted significantly.

8. Heathrow itself will have a major role moving forward. Its strategy for a third runway has considerable focus on the importance of good regional connectivity. Heathrow has pursued this approach for good logistical reasons – new long-haul services will need sufficient feed from the regions [REDACTED]

9. As a consequence of these aspects and particularly because of the influence exerted by the SG, Heathrow has taken a raft of decisions to highlight its commitment to Scotland and other parts of the UK. This includes the reduction in 2017 and 2018 of airport charges for domestic services; the planned introduction of a £10m regional Route Development Fund; the agreement to site a logistics hub in Scotland; [REDACTED] Beyond approval of the NPS, we would impress on Heathrow our desire to see them continue to work in partnership with both Governments to sustain and enhance capacity from Scotland.

10. Our draft paper also makes reference to the possibility of the opening-up of additional capacity at Heathrow around 2021. We understand that this would require the UKG's agreement to raise the existing cap on aircraft movements and whilst it would likely be of some benefit to Scotland's slots, it would not be a popular move within Heathrow's catchment communities or with environmental groups.

Following Introduction of a New Third Runway

11. By seeking an increase in capacity following the introduction of a new third runway which reflects Scotland's existing percentage share of landing and take-off slots at Heathrow, the proposal outlined in the draft paper seeks to be proportionate, reasonable and in view of insurmountable issues which must be a factor when considering a proposal with a lead-in time which could extend to 2030, seeks to avoid complexity.

12. Our suggested top line is for an additional 100 weekly pair services from Scotland's airports [REDACTED] In further recognising that aviation and airports in Scotland could look very different in 2030, we are not seeking to allocate the slots by airport at this stage or agree on a process to allocate. This would be taken forward closer to the time of the third runway

being introduced. We would want that process to safeguard true additionality and seek to deal with any absence of competition at the main Scottish airports where it exists at that point.

13. [REDACTED]

14. A potential means to deliver peak time services and new services at airports such as Dundee and Glasgow Prestwick would be through the use of PSOs. In the case of Glasgow Prestwick and its sharing of catchment with Glasgow International, it would require the UKG to change its existing city to city assessment to one which bases the case for the PSO on the importance to the regional airport and its users. We understand that such a change may be aired as part of the UKG's consideration of a new National Aviation Strategy during 2018 and we are seeking clarification of emerging thinking.

Consideration

15. The suggested position is intended to be a reasonable and proportionate ask of the UKG. It seeks to avoid being too prescriptive at this stage noting that the aviation and indeed political landscape will have changed markedly by 2025-2030. Heathrow's position is that Brexit may provide the opportunity for the UKG to decide unilaterally on slot allocation policy. However, it remains feasible that once the UK has formally left the EU that UK aviation will remain part of a reciprocal arrangement where matters such as slot allocation and state aid are subject to common rules.

16. [REDACTED]

[REDACTED] If that is the case, then the issue becomes agreement on the quantum of slots ring-fenced for domestic services, the availability of peak-time slots and how marginal commercial services from airports such as Dundee are underpinned by the Governments.

17. We are aware of work being commissioned by Heathrow and the Regional and Business Airports Group (RABA) looking at domestic connectivity as part of the current debate. We understand that emerging thinking is around the designation of some regional airports as 'connecting points' to Heathrow with presumably the pursuit of guaranteed slots at these airports. The objective is that everyone in the UK can get to Heathrow within 2 hours and an example of this in a Scottish context would be the ability for passengers from the Northern Isles to transit quickly and seamlessly through Edinburgh to meet that timescale. [REDACTED]

[REDACTED] but it does emphasise the wider desire that regional services are properly catered for and in turn that these services provide adequate feed for long-haul services from Heathrow.

18. We would like to seek the views of Scotland's main airports on our suggested position and if you are content with the paper, we would intend to circulate an abbreviated version to them in-confidence. Once we have their views, you will be asked to sign-off

a final version of the SG ask to the Secretary of State. Advice on presentational issues, including those related to noise and emissions, would be provided at that point.

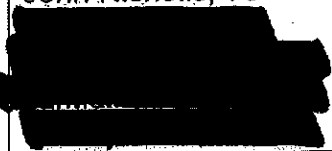

Recommendation

19. You are asked to agree with the suggested position outlined on guaranteed slots and that this is taken forward with Aberdeen, Edinburgh, Glasgow International, Glasgow Prestwick and Inverness airports prior to a finalised note being prepared.



6 February 2018

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for the Rural Economy and Connectivity			X		
Minister for Transport			X		

DG Economy PS/Transport Scotland Roy Brannen, TS TS Directors John Nicholls, TS   Press Transport Scotland

HEATHROW NEW THIRD RUNWAY – UK GOVERNMENT'S DRAFT NATIONAL POLICY STATEMENT (NPS)

SCOTTISH GOVERNMENT POSITION

1. The Scottish Government desires to see the following outcomes from the UK Government's decision to agree a new third runway at Heathrow Airport. [REDACTED]

In The Lead-Up To The New Third Runway

2. Retention, as a minimum, of the current service provision from Scotland to Heathrow which is:

Aberdeen – 71 weekly pair services
Edinburgh – 90 weekly pair services
Glasgow – 75 weekly pair services
Inverness - 10 weekly pair services

3. It is appreciated that the ring-fencing of existing slots, which are effectively already owned by airlines, could present potential legal issues. The most feasible means to underpin the existing domestic services would then come from ensuring that both the Scottish and UK Governments provide what assistance they can to: encourage the continuation of frequencies on existing routes; protect peak time slots; and seek to retain the existing competition at Aberdeen and Edinburgh. [REDACTED]

[REDACTED] Development of the UK Government's National Aviation Strategy provides an opportunity to look at aspects such as slot reform and potential financial mechanisms to protect existing services and entice new airlines to enter the Heathrow-UK market and introduce new services as a consequence.

4. Heathrow itself has a major role in ensuring that its infrastructure is able to accommodate domestic services where the demand exists and that the market conditions are right for these services (through pricing policies and in time, its regional Route Development Fund). Heathrow has already made strong efforts to sustain and encourage competition on its Scottish services by tariff reductions in 2017 and 2018 and in line with Heathrow's public commitment, the Scottish Government would desire to see these reductions enshrined moving forwards.

5. We note Heathrow's request to, as part of its DCO application, be permitted to raise the current cap on aircraft movements in order to introduce new capacity around 2021 which it is said would provide for an additional 25,000 aircraft movements annually. We agree with Heathrow that if this is permitted, Scotland should benefit proportionately from ring-fencing of the new capacity.

Following Introduction of The New Third Runway

6. The Scottish Government expects to see Scotland benefit proportionately from the new runway capacity. The new third runway is anticipated to bring about an additional 260,000 extra aircraft movements per annum on the existing 480,000 movements. Scotland currently occupies around 4.8% of Heathrow's aircraft movements. **A Scottish proportion of the new capacity would then correlate to an additional 100 weekly pair services.** Within this increase, the Scottish Government would desire to see the potential for new Heathrow services to Dundee Airport and Glasgow Prestwick Airport reflecting the large catchment areas that these airports are located within and their potential to better support and grow local economies. We believe that the optimum minimum level of service for a domestic service is 3 rotations per day reflecting an early morning, mid-afternoon and evening rotation. [REDACTED]

[REDACTED]

7. This would increase the existing 35 daily slot pairs from Scotland by 14 to 49 daily slot pairs. [REDACTED]

[REDACTED]

[REDACTED]

Total annual additional departing passengers - 585,000

8. This further assumes that by the time the third runway is in operation, other operators who have stated an interest in flying from Heathrow, such as easyJet, will wish to fly from Scotland to Heathrow creating additional supply and demand. The figures are based on the use of aircraft with capacity varying from 78 seats to 175 seats.

9. The means to take this forward would be through **agreement to initially ring-fence the 100 additional weekly pair slots for Scotland and to then construct a process in the lead-up to a new third runway to allocate slots to airports.** The process would be designed to reflect the position at each airport at the time of the new third runway and allow for an allocation based on demand. It would seek to provide safeguards to achieve true additionality and avoid the scenario of existing slots being transferred elsewhere when the new slots were taken up. The process would also have provision to return any unused new slots to the wider Heathrow pool should these remain unused for an agreed period of time and the potential to pull in

more slots should the needs of Scotland and Heathrow Airport require this. The Scottish Government would offer to lead on developing this process with assistance from the UK Government, Heathrow Airport and the independent slot coordinator as appropriate.

New Routes

10. [REDACTED]

[REDACTED] We would anticipate that these services would be beneficiaries of Heathrow's regional Route Development Fund to be introduced when the new runway is operational with the potential too for support from Government. If these services were not able to be introduced on a commercial basis, then the possibility of applying PSOs should be explored with the potential for support from both the UK and Scottish Governments (in addition to the benefit of exemption from APD/ADT on both the Scottish and Heathrow sectors). Such PSOs would look to ensure that services had access to Heathrow at peak times. It is acknowledged that there would likely require to be a change to the UK Government's current interpretation of PSO rules to permit an airport to airport as opposed catchment to catchment consideration. The Scottish Government would welcome clarification of the UK Government's position on PSOs moving forwards.

Competition

11. The Scottish Government would desire to see competition on the Aberdeen, Edinburgh and Glasgow services to Heathrow ideally with direct connectivity to both Terminals 2 and 5. This notes that competition from other Scottish airports is unlikely in the short to medium-term although that may change as the airports continue to grow and new airlines enter the Heathrow market. Currently, Aberdeen and Edinburgh benefit from competition. [REDACTED]

[REDACTED] The process to be developed for determining slot allocation touched on at 9, above may consider how the desire for a competitive outcome could be built in to the allocation of the new capacity. The Scottish Government would wish the UK Government to look closely at such competition issues as part of its consideration of a new National Aviation Strategy.

12. Again, the need to enshrine Heathrow's reduced domestic service charges in line with its medium-term public commitment will also have a part to play in incentivising competition. The relevant Scottish airports will also be encouraged to ensure that their own charges are reasonable and that the necessary infrastructure is in place to cope with additional demand.

Timings

13. A key consideration is the timing of slots both for point to point travel and international connectivity. Arriving in London in the period between 8am and 9am is attractive for point to point business travellers and for those connecting onto international services. Other peak times cover the periods between 1pm and 2pm

and 6pm and 7pm. For Dundee, Glasgow Prestwick and Inverness, we would wish to see a flight arriving into Heathrow during or as close as possible to each of these 3 periods during weekdays. For the other airports and reflecting on the current position, we would wish to see at least 2 flights at each coinciding with these periods during weekdays. The Scottish Government would work with the UK Government and Heathrow to ensure that the timings of slots allocated to Scotland reflect the needs of business and leisure passengers.

UK Government Expenditure

14. The Scottish Government has maintained that any additional UK Government expenditure related to the new third runway at Heathrow should result in proportionate increases to the Scottish block grant. More recent UK Government comments have suggested that no public funds will be allocated to the third runway or connected surface access works. We also note the position of Heathrow that it will pay for surface access works considered to be necessary to the third runway being realised. The Scottish Government would request clarification of the UK Government's position on these issues and agreement that if any additional UK public funds are allocated to the project then Barnett rules will be observed.

5

From: [REDACTED]
Sent: 03 May 2018 13:53
To: Cabinet Secretary for Economy, Jobs and Fair Work
Cc: Minister for Transport and the Islands; PS/Transport Scotland; Brannen R (Roy);
 Transport Scotland Directors [REDACTED]
Subject: [REDACTED] Press Transport Scotland; DG Economy; Communications Economy
 Mr Brown meeting with John Holland-Kaye - Heathrow Airports Limited - 10 May
 2018 - 11:00 - 11:40

Hi [REDACTED]

Please find attached briefing for the Cabinet Secretary's meeting with John Holland-Kaye, CEO Heathrow Airport, on 10 May:



Mr Brown meeting with H...

Briefing



Heathrow MoU - Progress Tracke...

MoU Tracker

Please note, attached with the briefing is a draft tracker provided by Heathrow Airport. The tracker is an internal document and contains detail which is confidential at this stage. The tracker is for the Cabinet Secretary's information only and should not be disseminated any further.

Regards [REDACTED]



[REDACTED]
 [REDACTED]
 [REDACTED]

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Transport Scotland, the national transport agency
 Còmhdaidh Alba, buidheann nàiseanta na còmhdaidh

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**HISTORY
HERITAGE &
ARCHAEOLOGY**
• 2017 •

MINISTERIAL ENGAGEMENT BRIEFING: Keith Brown

Copied to: As per covering e-mail

Engagement titles	Bi-annual catch-up meeting with John Holland-Kaye, CEO Heathrow Airport and invitation to attend the Heathrow Scottish Parliamentary Reception.
Engagement timing	Date: Thurs 10 May 2018 Catch-up meeting 11:00 – 11:40 Parliamentary Reception 13:00 – 14:00
Venue and full address (including postcode)	Catch –up meeting - T4.03 Scottish Parliament Parliamentary Reception – Committee Room 1
Background/Purpose (including invitation history)	Meeting with John Holland-Kaye to discuss progress on Heathrow Expansion and more specifically, progress on the components of the SG's MoU with Heathrow including the potential locating of the Scottish supply chain hub at Prestwick. It was agreed when signing the MoU that these meetings would be held bi-annually. Heathrow has provided the update attached on progress made against the MoU. This is an internal document provided in-confidence. This meeting will be followed by the Heathrow Scottish Parliamentary Reception. Mr Brown has been asked to say a few words, as will John Holland-Kaye and Kate Forbes MSP
Meeting attendees	[REDACTED]
Biographies	Annex A
Summary page (key issues, lines to take if pressed and issues to avoid)	Annex B
Background	Annex C – Background on Heathrow Airport Limited Annex D – Heathrow Expansion Annex E – Logistics Hub Glasgow Prestwick Airport Annex F – Marketing Support
Official Support (including mobile number)	[REDACTED]

Commented [x1]: Awaiting updated tracker from Daniel

Copy List:	For Action	For Comments	For Information		
			Portfol to Intere st	Consti t Intere st	Gener al Aware ness
Minister for Transport and the Islands			x		

PS/Transport Scotland
 Roy Branhen, Transport
 Transport Scotland Directors
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 Press Transport Scotland
 DG Economy
 Comms Economy

ANNEX B

Heathrow Meeting
10 May 2018

Top lines

Heathrow Expansion

- Our connections to the London airports, in particular Heathrow, remain absolutely pivotal to Scotland's economy and are vital for business and inbound tourism connectivity.
- Our position is that Scotland needs a strong mix of direct routes to international destinations as well as good connectivity to world hubs like Heathrow, Frankfurt, Amsterdam and Dubai.
- We have pressed the UK Government to ensure that Scotland's airports have guaranteed access in the lead up to and after the new runway capacity is introduced. This would mean holding what we currently have as a minimum and proportionate increases once the new capacity comes into play.
- We expect Scottish companies to benefit from an estimated £200m of construction spend in the planning and construction phase of Heathrow expansion.

**Heathrow Meeting
10 May 2018**

Background

Heathrow Expansion

6. The Scottish Government announced its support for plans to build a third runway at Heathrow in October 2016. A Memorandum of Understanding (MoU) was signed outlining commitments made offering strategic and economic benefits to Scotland, potentially creating thousands of jobs and providing a significant boost to the Country's connectivity. The commitments include:

- The creation of over 16,000 new jobs across Scotland from the new capacity.
- Heathrow to work with the Scottish Government to investigate Glasgow Prestwick Airport in the first instance as a potential site for a logistics hub to support the building of the third runway.
- £200m of construction-related spend in Scotland during planning and construction.
- A £10m route development fund to help support new domestic routes.
- From January 2017, a reduction of £10 per passenger on charges paid by airlines operating services from Heathrow to Scotland. This has benefitted existing services from Aberdeen, Edinburgh, Glasgow and Inverness and will incentivise the introduction of new services. Flybe's introduction of new services from Aberdeen and Edinburgh in March 2017 provided tangible evidence that the £10 reduction had an early impact.

[REDACTED] Heathrow introduced a further reduction of £5 for departing domestic passengers from January 2018.

- A significant marketing campaign at Heathrow to promote all that Scotland has to offer.
7. The MoU will help to counter some of the commercial and market-driven challenges which Scotland faces in retaining and improving our links to Heathrow. This acknowledges the existing capacity squeeze but also that we face challenges moving forward and even once new capacity is in place.
8. Securing and improving our connections to Heathrow will also require affirmative action from the UK Government. What we have said from the outset, including in our response to the Airports Commission, is that we want to protect what Scotland currently holds as a minimum and benefit proportionately from new runway capacity. We have also said that we understand these are complex issues and are willing to help devise solutions.
9. Heathrow in its response to the draft NPS suggested that Scotland's requirements on minimum capacity could be accommodated in a post-Brexit situation where the UK was free

to take its own decisions on ring-fencing regional connectivity. However, that would assume a hard-Brexit type situation where the UK is not bound by European rules on slot allocation.

10. You wrote to the Secretary of State on 17 April setting out the current slot position at Scottish Airports and reaffirming our desire to see this position retained as a minimum in the lead-up to the new capacity.
11. The letter acknowledged the potential legal complexities of ring-fencing slots which are effectively already owned by airlines. EU slot protocol remains a grey area. The EU has endorsed secondary trading of slots at large hub airports although regulations which would legitimise an airline's ownership of a slot are not yet in place. This does not prevent slots changing airline hands for significant sums of money.
12. Reflecting Scotland's current share of aircraft movements at Heathrow, our position on the new 3rd runway capacity is that Scotland's airports should receive a proportionate increase in slots which would amount to an additional 100 weekly pair services.
13. Heathrow itself will have a major role moving forward. Its strategy for a third runway has considerable focus on the importance of good regional connectivity. Heathrow has pursued this approach for good logistical reasons – new long-haul services will need sufficient feed from the regions [REDACTED]
14. As a consequence of these aspects and particularly because of the influence exerted by the SG, Heathrow has taken a raft of decisions to highlight its commitment to Scotland and other parts of the UK. This includes the reduction of airport charges during 2017 and 2018 for domestic services; the planned introduction of a £10m regional Route Development Fund; the agreement to site a logistics hub in Scotland; [REDACTED] Beyond approval of the NPS, we would impress on Heathrow our desire to see them continue to work in partnership with both Governments to sustain and enhance capacity from Scotland.
15. [REDACTED] possibility of the opening-up of additional capacity at Heathrow around 2021. We understand that this would require the UKG's agreement to raise the existing cap on aircraft movements and whilst it would likely be of some benefit to Scotland's slots, it would not be a popular move within Heathrow's catchment communities or with environmental groups.
16. The final draft NPS is expected to be published in May or June.
17. Heathrow has intimated that the new capacity will potentially deliver 6 new domestic routes, one of which could be from Prestwick. Heathrow has said that the new runway could be operational during 2025 but it can be anticipated that legal challenges would prolong introduction.
18. [REDACTED]
Following agreement of the final NPS, Heathrow will be required to progress a Development Consent Order (DCO) which will provide specifics on a new third runway.
19. The UKG has said that a new third runway at Heathrow can be delivered without compromising local and national environmental rules, limits and targets. The draft NPS lays out mitigations and actions required of Heathrow to achieve this objective. Without these, development consent will not be given.

ANNEX E

Heathrow Meeting
10 May 2018

Prestwick Airport Logistics Hub

20. The MoU between Heathrow and the SG was signed outlining commitments made offering strategic and economic benefits to Scotland, potentially creating thousands of jobs and providing a significant boost to the Country's connectivity including a logistics hub being potentially based at Prestwick Airport.
21. Heathrow has said it will work with the Scottish Government to, in the first instance, investigate Prestwick as a potential site for a logistics hub to support the building of the third runway. The logistics hub would support the pre-fabrication and consolidation of components for the construction phase. This would be one of likely 4 such hubs to be set-up in the UK and is expected to be operational from 2020 and serve Heathrow expansion for at least 10 years with potential for work beyond this period.
22. As a minimum, the site is anticipated to facilitate the transfer of £100m worth of components and employ 100 people. Prestwick would benefit from a continuity of business over a medium-term period at least which would underpin other initiatives [REDACTED] Locating the hub in Scotland would make Heathrow's supply chain easier and cheaper to access for Scottish SMEs.
23. Prestwick has hosted senior Heathrow executives and has developed a proposal [REDACTED] John Holland-Kaye is visiting Prestwick on 15 June with Heathrow's Chair Lord Deighton to be updated on Prestwick's bid.
24. As well as Prestwick, there has been interest in the Scottish hub from Glasgow Airport and other sites. Heathrow published a longlist of sites in March which now move to the next stage of more in-depth site evaluation:

Promoter	Site Name
Babcock Marine Rosyth Limited	Rosyth Business Park
Forth Ports Limited	Forth Ports Rosyth
Glasgow Prestwick Airport	Glasgow Prestwick Airport
Glasgow City Region / Glasgow Airport	Eurocentral / Mossend
Glasgow City Region / Glasgow Airport	Glasgow Airport Investment Area (GAIA)/Westway site
Glasgow City Region / Glasgow Airport	Queenslie Industrial Estate
Scottish Enterprise	Hunterston
Scottish Enterprise	Longannet
Scottish Enterprise	Mossend
Scottish Enterprise	Westfield

**Heathrow Meeting
10 May 2018**

Heathrow MoU – Marketing Support

22. VisitScotland continues to develop its relationship with the Heathrow marketing team utilising their promotional platforms; namely digital airport panels and their rewards and subscribers' database (4m reach) to generate awareness of Scotland and data capture amongst the airport's global audience.
23. All creative executions to date have complemented the direct routes with Flybe (Edinburgh and Aberdeen) flying out of terminal 2 and BA's routes to Scotland (Edinburgh, Glasgow, Aberdeen and Inverness) flying out of terminal 5. This forms part of the in-kind support value of £1.5million, of which £1m was delivered between April and October 2017.
24. At April 2018; the remaining in kind support budget of £0.5m has now been allotted in 2 phases with a go live date of 23 April 2018 (for phase 1) for a Scotland is Now and regional spread showcase across all gate room digital airport panels in terminals 2 and 5. A daily series of ads (up to 7) will promote Scotland with the panels live for a wave of 8 weeks.
25. Phase 2, planned for July / August 2018 will major on the opening of the V & A in Dundee in September. This activity will utilise digital airport panels and we've requested availability on Heathrow Express TV.
26. Selection of Digital Airport Panels Creative:



6

[Redacted]

From: [Redacted]
Sent: 04 May 2018 14:22
To: Cabinet Secretary for Economy, Jobs and Fair Work
Cc: [Redacted] Press Transport Scotland
Subject: RE: Mr Brown meeting with John Holland-Kaye - Heathrow Airports Limited - 10 May 2018 - 11:00 - 11:40

[Redacted]

Some suggested remarks for the Cab Sec for the Parliamentary reception.

Regards

[Redacted]



HEATHROW
SCOTTISH PARL...

From: [Redacted]
Sent: 03 May 2018 13:53
To: Cabinet Secretary for Economy, Jobs and Fair Work
Cc: Minister for Transport and the Islands; PS/Transport Scotland; Brannen R (Roy); Transport Scotland Directors; [Redacted]; Press Transport Scotland; DG Economy; Communications Economy
Subject: Mr Brown meeting with John Holland-Kaye - Heathrow Airports Limited - 10 May 2018 - 11:00 - 11:40

Hi [Redacted]

Please find attached briefing for the Cabinet Secretary's meeting with John Holland-Kaye, CEO Heathrow Airport, on 10 May:

<< File: Mr Brown meeting with Heathrow - John Holland-Kaye - 10 May 2018.doc >>
Briefing

<< File: Heathrow MoU - Progress Tracker 03052018.pdf >>

MoU Tracker

Please note, attached with the briefing is a draft tracker provided by Heathrow Airport. The tracker is an internal document and contains detail which is confidential at this stage. The tracker is for the Cabinet Secretary's information only and should not be disseminated any further.

Regards [Redacted]

HEATHROW SCOTTISH PARLIAMENT RECEPTION – 10 MAY 2018 – OPENING REMARKS

- I'm delighted to welcome John (Holland-Kaye) and colleagues to the Scottish Parliament with thanks to Kate (Forbes) and the Chambers (Aberdeen, Edinburgh, Glasgow and Inverness) for organising this reception;
- Since we signed our MoU with Heathrow in October 2016, we have remained in close touch with Heathrow on the progress it is making in preparing for the new third runway and on those components of the MoU being progressed prior to ground being broken;
- I'm really pleased to see the initial tangible results of aspects we asked for such as the reduction in domestic passenger charges and the increased marketing of Scotland at Heathrow. The domestic charge reduction, which helped bring about the introduction of Flybe's services from Edinburgh and Aberdeen to Heathrow, which I am advised are doing well, has led to a better deal for passengers on fares and choice. It would be great to extend that competition to Glasgow;
- The upward trajectory of the Inverness to Heathrow service is an excellent example of partnership. In working together, HIAL, Heathrow and BA are showing that good access to Heathrow from parts of the UK previously unserved isn't just feasible, it's an economic imperative for these places and makes commercial sense too for Heathrow's feed to international services;
- There is obviously much more to come from the MoU. Heathrow's route development fund will open up the possibility of new services from other parts of Scotland and the new logistics hub will be a big boost for construction and other industries. I'm advised that John and the Team will round off

site visits in June at Prestwick when we will then look forward to a short-list;

- The Scottish Government's most pressing task is to try and ensure that Scotland holds the slots it currently has at Heathrow as a minimum and benefits proportionately from additional slots when the third runway opens. We continue to pursue this with the UK Government in the lead-up to publication and consideration of its final National Policy Statement;
- I hope you all enjoy the reception.