



Transport Committee
Wednesday 7 October 2026
8th Meeting, 2026 (Session 7)

Regional air travel

Introduction

This paper provides background briefing for a session with three panels of witnesses on regional air services in Scotland, with a particular focus on the medium to long-term provision of such routes.

Background

The following sections provide background information on public sector support for air services, key issues raised in previous evidence and recent debates, information on the soon to be withdrawn Dundee-London air service, and a brief overview of how supported air services are planned and delivered in Norway.

Public sector support for air services in the Highlands and Islands

The UK Government, Scottish Government, and local authorities support air services in the Highlands and Islands through the following measures.

Highlands and Islands Airports Ltd

Highlands and Islands Airports Limited (HIAL) is responsible for the management and operation of eleven airports - Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree, and Wick John O'Groats.

HIAL is private limited company wholly owned by the Scottish Ministers, which receives financial support from the Scottish Government under section 34 of the Civil Aviation Act 1982. HIAL is sponsored by Transport Scotland's Aviation, Maritime, Freight and Canals Directorate.

HIAL's main activities include:

- Operating airports which meet regulatory standards and support essential transport connectivity.
- Maintaining and developing airport infrastructure and services.
- Working with airlines and other stakeholders to maintain and develop

scheduled, charter and freight air services, this can include route development support.

- Developing commercial revenue streams.

The Scottish Government plans to provide HIAL with a revenue grant of £37.1 million and a capital grant of £15.229 million during financial year 2026-27. In financial year 2024-25, HIAL generated commercial revenue of £31.5 million, of which £24.4 million was from charges levied on airlines.

Air Passenger Duty exemption

Passengers travelling on flights departing from airports in the Highlands and Islands area are exempt from Air Passenger Duty. For the purposes of this exemption, the Highlands and Islands includes the following local authority areas:

- Highland, Comhairle nan Eilean Siar, Orkney, Shetland, Argyll and Bute, and the following islands within the North Ayrshire Council area - Arran, Great Cumbrae, and Little Cumbrae. Similarly, the following parishes within the Moray Council area are also included - Aberlour, Cabrach, Dallas, Dyke, Edinkillie, Forres, Inveravon, Kinloss, Kirkmichael, Knockando, Mortlach, Rafford and Rothes.

Passengers on flights from other parts of the UK landing at airports in the Highlands and Islands are not exempt from Air Passenger Duty.

Public Service Obligations (PSOs)

A PSO is an agreement between the national or local government and an airline to provide a specified level of service on a particular route. In return for providing this service, the operator is typically guaranteed exclusivity on the route and may be paid a subsidy.

The creation of PSOs is limited by retained EU state aid law. Typically, to qualify for designation as an air PSO, a route must meet the following criteria:

- The service must be to a “peripheral region”, a “development region”, or on a “thin route to any regional airport”. Only one of these three requirements must be met.
- The service must be “considered vital for the economic and social development of the region”.
- The imposition of a PSO must be necessary to ensure the “adequate” provision of scheduled air services. In assessing the 'adequacy of provision', the proportionality to the economic development needs of the region, the availability of other forms of transport, airfares and conditions, and the combined effect of all carriers operating or intending to operate on the route must be taken into consideration.

It is worth noting that it is not possible to impose a PSO on a route between two cities or regions on which adequate services are already being operated commercially. More information on PSOs can be found in the UK Department for Transport (DfT) briefing [Public Service Obligations Guidance on the Protection of Regional Air Connectivity](#).

The Committee has previously heard that a PSO can only be established if there has been “market failure”¹. The DfT guidance does not directly mention market failure, rather it states that “If a route is not able to be operated under normal market conditions, a PSO can be used to set specifications that ensure an adequate minimum level of service is maintained”.

The equivalent [EU guidance document](#) (UK legislation in this area being almost entirely based on EU regulation) states “If the existing provision of air services already satisfies the mobility needs of the concerned region, then there is no ‘market failure’ that would deserve to be addressed, and a PSO would not be necessary.”

Given these definitions, it seems that there is no firm definition of what constitutes market failure in air service provision, rather any such definition will be dependent on an assessment of the air transport needs of a region and whether these are being, or reasonably could be, met by commercially provided services.

Any decision to support the creation of a new air PSO is a matter for the Scottish Government or relevant local authority.

Several local authorities and the Scottish Government currently operate air PSOs. These are:

- Comhairle nan Eilean Siar currently supports a Benbecula-Stornoway PSO, operated by Airtask Group (under the name Hebridean Air Services).
- Orkney Islands Council currently supports six PSO routes, operated by Loganair, linking Kirkwall Airport with Eday, North Ronaldsay, Papa Westray, Sanday, Stronsay, and Westray.
- Shetland Islands Council supports two PSO routes, operated by Airtask Group, linking Tingwall Airport (near Lerwick) with Foula and Fair Isle.
- The Scottish Government currently supports PSOs between Glasgow Airport and Barra, Tiree, and Campbeltown, operated by Loganair.

Air Discount Scheme

The Scottish Government funded Air Discount Scheme provides residents of Shetland, Orkney, the Western Isles, Islay, Jura, Colonsay, Caithness and northwest Sutherland with a 50% discount on the core air fare on eligible services – mainly flights between Highlands and Islands airports and Aberdeen, Edinburgh, Glasgow. The “core air fare” is the fare charged by the participating airline, excluding

¹ Letter from Councillor Paul Steele, Council Leader, Comhairle nan Eilean Siar, 24 July 2026

any taxes, fees, charges or surcharges – which do not benefit from the discount.

The Air Discount Scheme does not apply to passengers on PSO flights, business related travel, or NHS funded trips.

The Scottish Government expects Air Discount Scheme support to be around £15 million in financial year 2026-27.

Island Residents Fares

Residents of Barra, Tiree, Coll, and Vatersay can apply for an Islands Resident Fares Card that offers capped fares on the PSO routes between Glasgow Airport and Tiree or Barra.

NHS travel

NHS Western Isles, Orkney, and Shetland can book and pay for travel by island residents referred to a mainland hospital for medical treatment, typically in Aberdeen or Inverness. This can cover ferry or air travel. More information on these arrangements is available in a series of patient information booklets, such as the [NHS Western Isles Patient Travel Information Booklet](#).

Key issues raised at the Committee meeting of 24 June 2026 and at the member's debate of 1 October 2026

The Committee heard evidence on regional air travel from two panels of witnesses at its [meeting of 24 June 2026](#), one representing island local authorities, HIAL, and NHS Western Isles, the second Loganair. Key issues raised at this meeting include:

- The local authorities and health board were not consulted on, or notified of, proposed winter 2026 timetable changes to island-Inverness routes by Loganair prior to the public announcement of their decision.
- The removal of air services had significant cost implications for public service provision, along with a possible reduction in service levels available to island residents and businesses.
- There was support for the development of a planned, strategic approach to future delivery of air services in the Highlands and Islands, while acknowledging constraints on the public finances.
- There were questions about the role of HIAL, and their relationship with Transport Scotland, in air service provision.
- Loganair highlighted the challenges of operating a commercial air service on lightly used Highlands and Islands routes. The impact of rising costs, especially fuel costs, and changing patterns of usage. They expressed support for a planned approach to future Highlands and Islands air service provision, using PSOs where required.

Members' Business Debate (S7M-01191), [Thursday 1 October 2026](#): Liam McArthur MSP led a members' business debate "Calling for a Regional Air Strategy for the Highlands and Islands" on 1 October 2026. Key points from this debate include:

- Members expressed concerns about high fares on flights within the Highlands and Islands, and between that region, the central belt and elsewhere. These concerns persist despite the Scottish Government funded Air Discount Scheme. Concerns were also raised about the ability of a privately owned operator to decide service changes and withdrawals on what are largely lifeline routes. Some members also highlighted physical accessibility constraints of some aircraft used on these routes.
- Members highlighted the impact that these high fares, route and timetable changes, and uncertainty about ongoing service provision had on island and community life, with a particular focus on access to essential services such as specialist hospital and health services.
- Members commended the Scottish Government on action to provide financial support, via HIAL, to reverse service reductions on routes between the Western and Northern Isles and Inverness.
- There was broad agreement amongst Members that ad hoc responses to service changes are likely to be inadequate and financially unsustainable approach in future. Instead, Members called for the development of a strategic approach to air service provision, which offers certainty, reliability, and consistency. Examples were given of models which could be considered, including Norway, Greece, and Corsica.
- The Cabinet Secretary for Economy, Tourism and Transport responded on behalf of the Scottish Government. He highlighted Scottish Government support for HITRANS for the development and implementation of a Highlands and Islands health and transport action plan. He also referred to £30m of Scottish Government funding, over four years, for the air PSOs linking Glasgow with Barra, Tiree, and Campbeltown – which are operated by Loganair. In addition, he highlighted continued support for the Wick-Aberdeen service, the ADS, and HIAL. He also referred to a summit on Highlands and Islands flights held with stakeholders on Tuesday 29 September 2026, without providing details of who attended, what was discussed, or any action points or commitments. He closed with a commitment to continue discussions on this issue with Highlands and Islands MSPs.

Dundee-London PSO

Following the withdrawal of a commercial Dundee-London air service in 2014, the UK Government, in collaboration with Dundee City Council, [established its first air PSO](#) to support flights between the two cities, from 1 July 2014. Loganair successfully bid to operate the service, initially for a period of two years. The air PSO was extended by six months [in 2016](#), by two years [in 2017](#), and by one year [in 2019](#)

- which was extended to 2023. The air PSO [was again awarded](#) for a further two years in 2023, with a possible extension of up to a further two years.

Throughout this period the service was operated by Loganair, with the Scottish Government also providing financial support for the operation of the air PSO. The London terminal also switched from London Stanstead to Heathrow.

Loganair has announced that it is withdrawing from the Dundee-London air PSO, plus all other routes (Sumburgh and Kirkwall) operated from Dundee airport, on 23 October 2026. No scheduled air services will operate from Dundee airport, which is owned by Dundee City Council, after this date.

With regards the Dundee-London route, Loganair is [quoted in recent media reports](#) as stating:

“Earlier this year, we served notice to the stakeholder group behind the Public Service Obligation route after the contract became financially unsustainable.

We have since explored alternative options but have not been able to identify a viable way forward that meets the objectives of the PSO while allowing the route to operate sustainably.

Customers affected by the change will be contacted directly. We are also supporting Dundee-based colleagues and will explore alternative roles across the Loganair network wherever possible.

These decisions reflect the same disciplined, decisive approach that has driven previous improvements in Loganair’s punctuality and resilience, protecting the long-term future of the airline, our people, and the lifeline connectivity we provide to communities across our network.”

A report [published in The Courier on 18 August 2026](#) states that public subsidy for the Dundee-London air PSO since October 2023 has amounted to:

UK Government Department for Transport (as of 31 March 2026)	£3,930,098
Transport Scotland:	£2,223,000
Dundee City Council:	£ 960,000
Tay Cities Deal:	£1,619,472

Norway

Committee members have previously expressed an interest in the Norwegian system of PSOs, which is briefly described below.

Most air traffic in Norway is operated commercially. Where commercial services are not provided, but air services are deemed socially necessary – in line with policies set out in a [report on National Aviation Strategy](#) presented to the Norwegian Parliament in 2023, then the Norwegian Ministry of Transport specifies, tenders, and funds their provision. This is achieved through a comprehensive network of PSO air

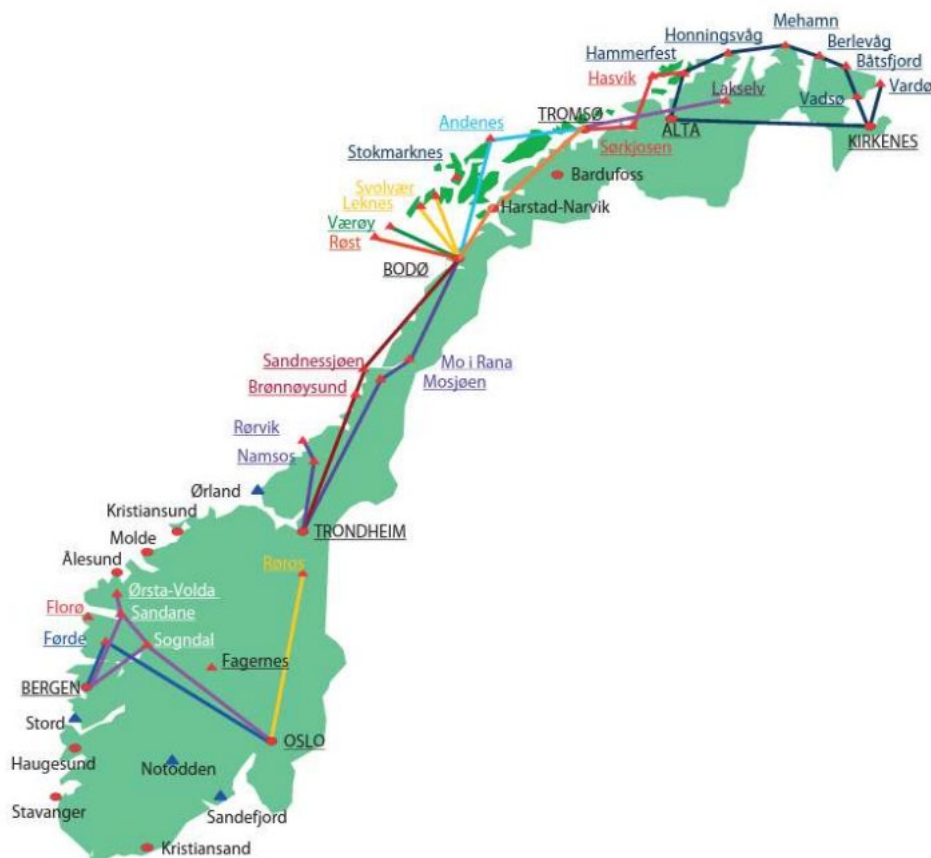
routes, split into two zones – northern and southern, known as FOT air routes - short for *forpliktingar til offentlig tenesteyting* in Norwegian.

These tendering exercises operate under international, European, and national rules very similar to those that apply in Scotland – with most EU rules governing PSOs applying to Norway through its membership of the European Economic Area (EEA).

A 2022 report on [Public Service Obligation as a tool for implementing flight routes operated by electric aircrafts](#) published by Nord University (Bodo, Norway) provides an overview of the Norwegian FOT system, stating:

“The Ministry of Transport in Norway purchases flight route services in areas where the quality of transport is poor and an appropriate flight route service cannot be established on commercial terms. The airline that wins the tender competition gets the exclusive right to operate the routes for a period of 4 years in southern Norway and 5 years in northern Norway. The purchases of air routes in Norway cover about 50 connections. 36 airports had one or more PSO routes in 2019 and approximately 1.2 million passengers used these routes. This is about 4% of domestic passengers in Norway, but accounts for a significantly larger share of air transport movements.”

It also includes the following map, showing all Norwegian air PSO routes.



A September 2026 [report commissioned by the Ministry of Transport](#) on the future of the northern FOT route network, currently 14 routes serving over 20 airports, states:

“The report finds that the 50 per cent reduction in maximum fares introduced in April 2024 has resulted in lower ticket prices and increased demand, putting greater pressure on capacity on several routes. At the same time, competition for many of the Public Service Obligation (PSO) routes is limited, partly because short runways restrict which aircraft types and operators can be used.

We propose two alternatives for the future route network. The continuation alternative largely builds on the current structure, with adjustments to capacity and frequency requirements. The efficiency alternative involves more substantial changes, including removing the routes to and from Vardø, Stokmarknes, Mosjøen and Namsos from the PSO scheme, and serving Røst by helicopter.

The report also recommends giving operators greater flexibility in setting fares by regulating the maximum average fare rather than the maximum fare for each individual ticket. Changes to route combinations could also help facilitate greater competition.”

The “continuation alternative” has an estimated maximum annual cost of 1,850 million Kroner (£145.9 million) while “efficiency alternative” has a maximum annual estimated cost of 1,804 million Kroner (£141.5 million).

It is also worth noting that the Norwegian state airport company, Avinor, owns and manages the majority of the country’s airports, cross-subsidising the network of loss-making small regional airports, with profits from its larger international airports, minimising the need for state support for airport provision.

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