

EXPORTING EXCELLENCE

SPOTLIGHT ON
SCOTLAND

JANUARY 2024

Heathrow

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Executive summary

Goods exports play a crucial role in the Scottish economy, driving its growth, generating £36.3 billion¹ of value per year, and supporting 468,000 jobs².

Heathrow's domestic route network continues to link Scotland with economic opportunities across the UK and internationally, with new routes from Heathrow to Dundee, Orkney and Shetland building on existing connections to Aberdeen, Edinburgh, Glasgow and Inverness. Heathrow's extensive domestic connectivity and hub access to international markets support Scotland's economy, helping Scottish businesses utilise these connections to compete in the global economy. As a result, over 100,000 business passengers travel to Scotland via Heathrow each year, helping to generate more than £570 million in trade and investment³.

As the UK's only hub airport, Heathrow is a vital partner to businesses across Scotland, helping connect them to 239 destinations in 89 countries and 95% of the global economy within a direct flight from Heathrow. Using Heathrow's global network, UK exports to non-EU nations via the airport were worth over £100 billion in 2023 alone.

This is linked to Heathrow's hub model, that enables the airport to pool passenger and cargo demand to increase route capacity and optimise opportunities for Scottish exporters, with 95% of the airport's air cargo travelling in the belly hold of passenger aircraft.

While the Scottish export market grows and evolves there is a wealth of untapped potential. In Scotland, there are an additional 9,200 SMEs which do not currently export but could be exporting goods. Unlocking that capacity would increase the number of exporters in Scotland by 160%⁴.

Across the UK, that shortfall amounts to £290bn of potential export revenue a year⁵. Unlocking just 10% of this capacity could create 215,000 jobs, with an additional 50,000 jobs in the professional and scientific sectors alone. This will build on the 28,000 jobs that aviation supports in Scotland today⁶. Currently, each exporting job in Scotland generates £78,000 of exports⁷.

To understand how to overcome the challenges businesses are facing – and what is needed to help them to realise their potential – Heathrow visited the Glasgow Chamber of Commerce, as part of its ongoing discussions across Scotland, to hear from businesses first-hand. Using the feedback from these discussions, Heathrow published our national [Exporting Excellence report](#). The national report recommends actionable solutions which could boost exports, and starts a conversation on how government, industry, SMEs and Heathrow can work together to boost growth.

This *Spotlight on Scotland* focuses on the great work of exporting businesses in Scotland and how the exporting potential of the nation can be unlocked with the right support.

SCOTLAND EXPORTER SPOTLIGHT



Exporting excellence – Heathrow's plan for growth

Putting sustainability at the heart of trade and export policy

Businesses in Scotland are working hard to reduce their carbon footprint. At Heathrow's Exporting Excellence roundtables, the businesses we spoke to explicitly called for government to support SMEs to export sustainably, whilst minimising extra burdens and costs.

Air cargo can have up to 70% reduction in emissions if sustainable aviation fuel (SAF) is used. SAF is derived from non-fossil carbon resources, such as cooking oil and household waste. Heathrow is encouraging airlines to use SAF through its incentive scheme, which roughly halves the price gap between kerosene and SAF. This helps deliver the airport's sustainability plan which aims to cut carbon on the ground at Heathrow by at

“ There's a missing link between education, higher education and employment. And trying to bridge that gap is a much bigger task.”

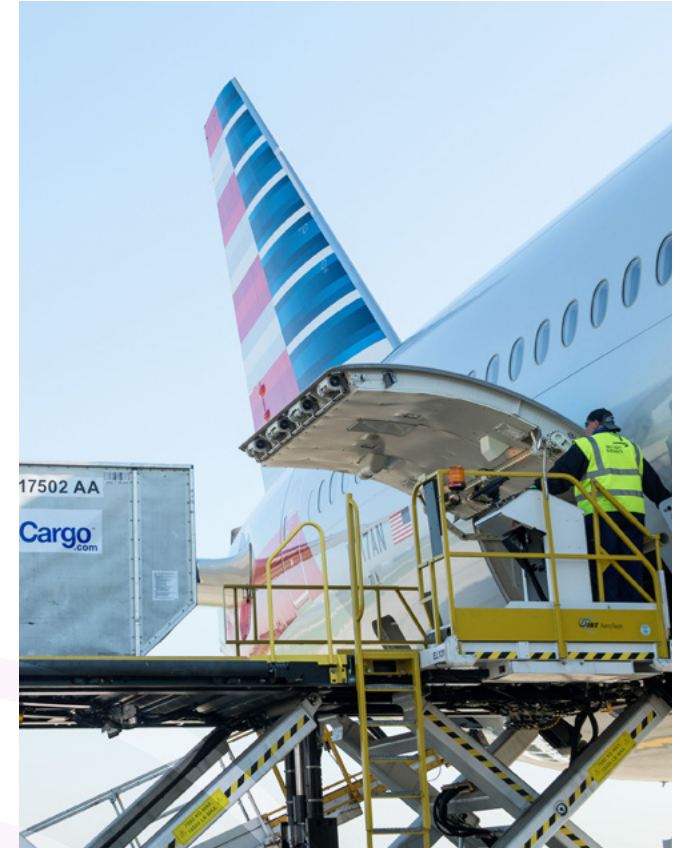
Roundtable attendee

least 45%, and by 15% in the air by 2030. However, the UK may become reliant on imported SAF unless further efforts are made to unlock private investments in domestic SAF production. In Scotland, potential SAF plants in St Fergus and Grangemouth could unlock up to £332m of GVA per annum, and up to 2,310 jobs.

“ There is an image that you have to be to degree level to work in exports, which is a bit of a pity because there'll be people at college level who would actually be very good at dealing with exports.”

Roundtable attendee

The government has started to introduce policies which drive demand for SAF and address the price gap between SAF and traditional jet fuel. However, these policies will not start to take effect until 2025 at the earliest. There is significant appetite to invest in SAF in the UK, but investors want certainty in the longer-term uptake of this technology before pouring in their capital. This can be achieved by introducing a price support mechanism – a solution which would help to cut the price premium and was successfully used to boost solar and wind technologies in the UK. Heathrow believes that this mechanism will reduce costs and the environmental impact of their exports. But it must be delivered urgently to have the impact needed.



Making the UK the global leader in customs modernisation and digitalisation

Exporting involves extensive paperwork. While exporters are constantly innovating, the exporting process has not kept pace. In 2022, exporters submitted 95.1 million customs declarations potentially spanning up to 12 pages each. If stacked, this pile of paperwork would reach six times higher than a plane's standard cruising altitude. Adopting a digital-first system under the UK's Border Target Operating Model could save businesses £190 million in importing costs alone.

There are clear actions the government can take straightaway. Moving towards a paperless system with a 'once-and-done' data approach will simplify exporting and reduce costs for businesses and their customers. Rolling out the national pilot 'ecosystem of trust' model and using digital means to avoid unnecessary rescanning of previously screened air cargo is crucial for efficient trade. Exempting securely trucked air cargo from current Department for Transport rescreening rules at UK airports would enhance border efficiency. These measures will cut costs and boost the global competitiveness of UK exporters.

Getting export skills to take-off

The UK cannot achieve its economic potential if the country does not have the right mix of skills to handle the complexities of compliance and logistics. During its tour of the UK, Heathrow witnessed new initiatives being developed to tackle the export skills shortage, many of them driven by businesses themselves.

But there is a consensus that the country needs to go further and faster. The UK needs a national campaign to highlight the potential a career in exports could offer. A campaign would combine the efforts of industry, government and business groups to encourage more people to join the sector. Delivering this campaign would involve local chambers of commerce, further education colleges, and government departments all working together to create the right UK skills mix. This campaign would secure the future skills pipeline for exporters while creating opportunities for young people in Scotland to build aspirational careers in international trade.

“ We've also now started creating our own skills development because we've not been able to find the training opportunities we need for our business.”

Roundtable attendee



CASE STUDY

Walker's

Founded 125 years ago, Walker's now employs well over a thousand people but has always remained a family-run Scottish-based business. Based in Aberlour, north of the Cairngorms, Walker's utilises Heathrow's global connections to reach its international customers. Today, Walker's exports to over 100 countries, with overseas sales making up almost half of Walker's business.

“*Heathrow is the best connection for us. We're based in the North of Scotland. We need a central hub to go anywhere in the world.*”

Nicky Walker
Managing Director, Walker's, Aberlour



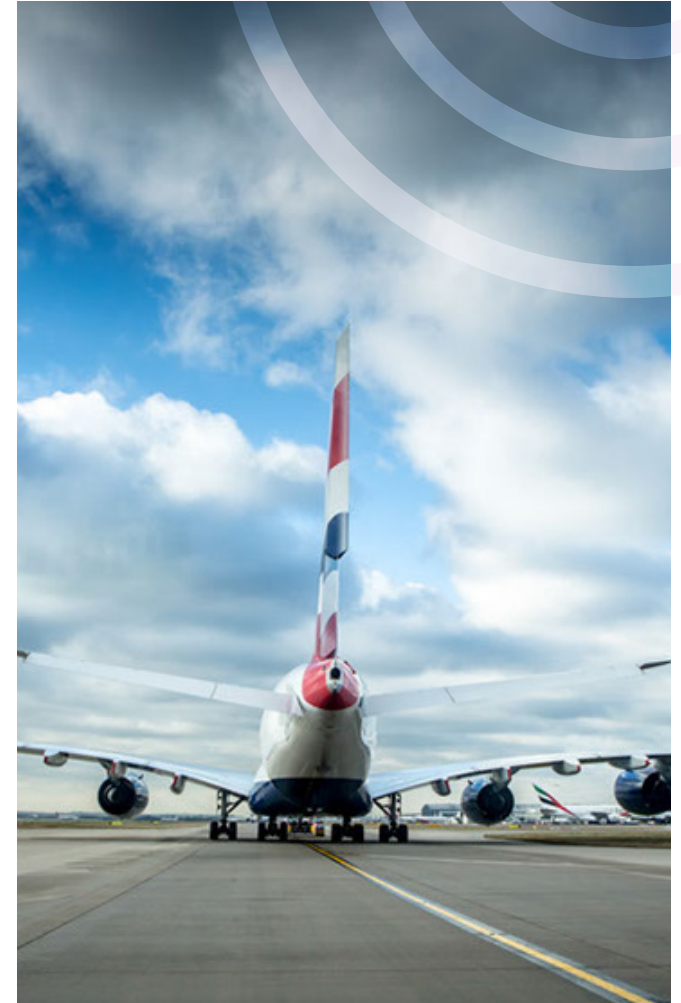
Conclusion

Implementing these ideas will be crucial to unlocking the full potential of Scotland's economy and helping the nation's 5700 goods exporters to succeed alongside new exporters and their supply chains. This will help boost exports, drive up jobs in the region and accelerate growth across the UK.

Find out more

If you have any questions or queries on how Heathrow can work with decision-makers and industry to unlock the opportunities of growing exports in Scotland, please contact:

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