
DURHAM TEES VALLEY AIRPORT

**Responsible Cabinet Member –
Councillor Chris McEwan, Economy and Regeneration Portfolio**
Responsible Director – Ian Williams, Director of Economic Growth

SUMMARY REPORT

Purpose of the Report

1. The report updates Cabinet regarding progress in relation to the proposals contained in the Master Plan for Durham Tees Valley Airport (DTVA) and asks Cabinet to consider a further proposal from DTVA/Peel Group (Peel) concerning the airport company that has implications for the Council.

Summary

2. Peel has produced a master plan for the Durham Tees Valley Airport with the intention of securing a viable airport going forward and how future investment would seek to develop the airport related business.
3. As part of the financial plan Peel has asked the respective Tees Valley Local Authorities to review the position on pension liabilities.
4. The report sets out Peel's proposal and the consequential officer advice.
5. Special Place Scrutiny Committee considered the Master Plan at its meeting on 25 September 2014 and its considerations are set out in **Appendix 1**.

Recommendations

6. It is recommended that Cabinet:-
 - (a) Agrees in principle to accept the proposal subject to the conditions and other matters identified in the Part II report and **Appendix 2**.
 - (b) Delegated power is granted to the Chief Executive in consultation with the Leader of the Council to finalise and agree specific details of the proposals.

Reasons

7. The recommendations are supported to ensure that Members are kept apprised of developments regarding the implementation of the Master Plan for DTVA and to enable Cabinet to consider the implications of further proposal from DTVA/Peel.

Ian Williams
Director of Economic Growth

Background Papers

No background papers were used in the preparation of this report

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S17 Crime and Disorder	Not applicable
Health and Well Being	Not applicable
Carbon Impact	Not applicable
Diversity	Not applicable
Wards Affected	All wards are affected equally
Groups Affected	All groups are affected equally
Budget and Policy Framework	The proposals may have financial implications for the Council and its partners
Key Decision	This is not an executive decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report articulates the overall vision for the delivery of One Darlington: Perfectly Placed
Efficiency	Not applicable

MAIN REPORT

Information and Analysis

The Master Plan

8. Peel has produced a Master Plan proposing to put DTVA on a more sustainable financial footing and to help secure its long term future as an operating airport.
9. The backdrop to this is ongoing revenue losses. DTVA was projected to suffer losses in terminal passenger forecasts produced by DfT, between 2020 and 2050 with the UK Aviation Forecast suggesting 100,000 passengers will use the airport each year. The Master Plan intends to grow this back to previous levels with an initial target of 200,000 passengers.
10. In this context, the historic performance of the airport is noted, in particular the impact and effect of the recession, the changes in the air passenger travel industry and the loss of holiday charter programmes, resulting in reduced passenger traffic.
11. Officers have noted the actions being taken by DTVA to bolster, where possible, the flight opportunities from the airport, considering the effects of the economic downturn. In this regard, DVTA has recently submitted a bid, through a Government fund, for support for a new flight from DTVA to Belfast. Government has announced that this is through to the next appraisal round in October.
12. Air connectivity between the Tees Valley and a London airport, as an international hub, as well as the services from DTVA to Schiphol and Aberdeen, remains important for local/regional growth, with business users of DTVA particularly in the oil and gas sectors being crucial for the Tees Valley economy. A report in May 2012 by Regeneris Consulting commissioned by Tees Valley Unlimited, found that at the time the Airport

supported approximately 600 direct and indirect jobs, with some 480 or so of those jobs taken by Tees Valley residents and that it contributed an estimated £37M annually in GVA (roughly 0.4% of GVA of the Tees Valley Economy). DTVA provision of business flights also assisted in delivering benefits for the UK as a whole.

13. Generally, Members across the Tees Valley regard the airport as an important asset in the Tees Valley, and wished to see it expand and grow in whatever guise was going to best deliver continued presence.
14. Cabinet is advised that the Master Plan claims that investment to re-position and then grow the Airport will not be possible without capital raised from enabling housing development on land owned by DTVA. This would finance new hangars, office space and industrial units to expand the existing Northside Employment Park and provide 968 new jobs, £68M GVA to the local economy and £1.9M business rates.
15. Further, the Tees Valley Local Enterprise Partnership has secured £90.3M from the Government's Local Growth Fund, which included £5M provision for a new access road linking the Northside with the Southside at the airport, around the eastern end of the runway. This new link road would open up the Southside, to provide an employment park, and logistics and processing areas with a variety of employment uses. It was hoped that up to 2,889 new jobs would be created, resulting in £280M GVA to the economy and £2.9M business rates.
16. In this respect, planning applications have now been submitted for the access (link) road to open up the Southside land for the purposes of this development, and the necessary funding to ensure that the access is constructed, if planning permission is granted, has been approved through the approval of DTVA/Peel's application for Local Growth Funding.
17. Progress is also being made in relation to the preparation of an application for the enabling housing development at the airport site, and discussions are ongoing with officers regarding a related Section 106 planning agreement. Peel has presented the enabling development proposals to the Planning Applications Committee as a pre-application proposal.
18. Peel's drive to diversify and seek business activities that provide secondary income as outlined in the Master Plan, recognising that operational costs cannot simply be recouped from air traffic.

Recent Policy Developments

19. There have been a number of developments that have the potential to impact upon DTVA's performance and viability, in particular:-
 - (a) The 2014/15 report of the House of Commons Transport Select Committee which called upon the Government to take a more proactive role in helping smaller airports to survive and grow, in what remains a difficult environment.
 - (b) The publication on the 1 July this year of the Airports Commission Final Report regarding expanding aviation capacity in the UK. The report recommended to Government that any expanded capacity should increase the proportion of flights from London to regional airports, and that more assistance should be given to those airports to support new domestic flights.
 - (c) In July, HM Treasury published a discussion paper and invited views on options for supporting English regional airports from the impacts of air passenger duty being

devolved to Scotland and to Wales. The risk being that for, instance, such devolution will draw passengers and airlines away from English regional airports.

DTVA/Peel's Further Proposal

20. Against this backdrop, Peel has asked the Local Authority Shareholders to consider a proposal regarding DTVA pensions. This proposal is seen by Peel as an important part of a package of key measures aimed at securing the Airport's future. The other measures are the reduction in the cost base and operations of the airport and diversifying its revenue base, in order to approach annual cash neutrality by the financial year 2023/24 (it is understood that these measures have been substantially completed), together with approval for and implementation of the enabling housing development previously referred to.
21. Details of the pensions proposal are set out in the **exempt Appendix 2** to this report. The implications and options for Darlington Borough Council being set out.

Financial Implications

22. The financial implications of the future proposal from DTVA/Peel are specified in the **exempt Appendix 2**.

Legal Implications

23. The legal implications of the proposal are also set out in the **exempt Appendix 2** to this report.

Risk Assessment

24. The risks inherent to the proposal are explained in the **exempt Appendix 2**, as are the measures intended to reduce and control those risks.

Council Plan Implications

25. Economic regeneration and transport in the form of a stronger local economy, with more jobs and improved opportunities for employment, together with improved transport networks.

Equality Impact Assessment

26. Whether or not an assessment is required will be determined as part of the consideration and implementation of the pensions proposal put forward by DTVA/Peel, should the proposal be accepted.

Consultation

27. The proposal has been the subject of previous consultation with the Leaders and Mayor of the Local Authority shareholding authorities.