

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting10th September 2015

1. Title of Item/Report

Durham Tees Valley Airport

2. Record of the Decision

Consideration was given to a report on the progress in relation to the proposals contained in the Master Plan for Durham Tees Valley Airport (“DTVA”) and a further proposal from DTVA/Peel concerning the airport company.

During September and October last year, the Council’s Regeneration and Transport Select Committee examined how the proposals within the Master Plan for DTVA would seek to ensure a viable airport going forward and how future investment would aim to develop the airport related businesses.

The Select Committee produced and submitted its final report regarding this review, to Cabinet, at the meeting on the 9 October 2014.

Cabinet was advised that ongoing losses had prompted the production of, and consultation on a Master Plan proposing to put DTVA on a sustainable financial footing and to secure its long term future as an operating airport.

DTVA was projected to suffer reductions in terminal passenger forecasts produced by DfT, between 2020 and 2050 with the UK Aviation Forecast suggesting 100,000 passengers would use the airport each year, before reverting back to current levels of approximately 200,00 passengers.

In this context, the historic performance of the airport was 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.

The Select Committee and Cabinet were however reassured by 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 had recently submitted a bid, through a

Government fund, for support for a new flight from DTVA to Belfast. A decision was awaited.

Members considered that 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, was vital 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.

Generally, Members regarded the airport as a key asset in the Tees Valley, and wished to see it expand and grow in whatever guise was going to be profitable in order to ensure its continued presence.

Cabinet was advised that the Master Plan claimed that investment in re-positioning and growing the Airport would not be possible without capital raised from enabling housing development on land owned by DTVA. This would finance nine 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.

It was also explained that the Tees Valley Local Enterprise Partnership had 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 envisaged that 2,889 new jobs would be created, resulting in £280M GVA to the economy and £2.9M business rates.

In this respect, a planning application had 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 was constructed, if planning permission was granted, had been obtained through the approval of DTVA/Peel's application for Local Growth Funding.

Progress was also being made in relation to the preparation of an application for the enabling housing development at the airport site, and discussions were ongoing with Darlington Borough Council, as the local planning authority, regarding a related section 106 planning agreement.

The Select Committee and Cabinet supported 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.

There had been a number of developments that had the potential to impact upon DTVA's performance and viability, in particular:-

- 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.
- The publication on the 1st 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.
- 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 would draw passengers and airlines away from English regional airports. Representatives from Peel were in attendance at the meeting to answer any Member questions.

RESOLVED that the progress report be noted.

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 3, 5 and 8 of Part 1 of Schedule 12A of the Act.

Consideration was given to DTVA/Peel's further proposal.

Peel had asked the Local Authority Shareholders to consider a further proposal regarding the airport company. This proposal was seen by Peel as an important part of a package of key measures aimed at securing the Airport's future. The other measures were 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 was understood that these measures had been substantially completed), together with approval for and implementation of the enabling housing development previously referred to.

Details of the proposal were attached to the report (exempt).

RESOLVED that:-

1. The Proposal be agreed in principle subject to satisfactory agreement being reached in relation to the conditions specified in Appendix 2 and to the other matters identified in that Appendix being appropriately addressed; and, subject to this, that
2. The Proposal be implemented simultaneously with the execution of a Section 106 Agreement regarding the enabling housing development on the northern side of the airport, and the issue of a relevant planning permission for that development; and that in this context, and subject to these provisos,
3. The Chief Executive, in consultation with the relevant Cabinet Member, be given delegated authority to finalise and agree the specific details of the Proposal and the basis upon which it is to be concluded, and to execute all necessary or appropriate legal documentation in that respect on behalf of the Council.

3. Reasons for the Decision

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 further proposal from DTVA/Peel.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Cook declared a personal prejudicial interest in respect of agenda item 17 – Durham Tees Valley Airport as he was the Council representative on the Durham Tees Valley Board. Councillor Cook withdrew from the meeting and left the room during consideration of the item.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

18th September 2015

Proper Officer
14 September 2015