

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

10 SEPTEMBER 2015

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Regeneration and Transport – Lead Cabinet Member – Councillor David Rose

DURHAM TEES VALLEY AIRPORT

1. Summary

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 concerning the airport company.

2. Recommendations

It is recommended that Cabinet:-

1. Receives and notes the progress report, and
2. Considers the further proposal from DTVA/Peel detailed at the (exempt) **Appendix 2** to the report.

3. Reasons for the Recommendations

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. Members’ Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council’s code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member’s judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or

- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

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RECOMMENDATIONS

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DETAIL

The Master Plan

1. 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 ensure a viable airport going forward and how future investment would seek to develop the airport related businesses.
2. The Select Committee produced and submitted its final report regarding this review, to Cabinet, at the meeting on the 9 October 2014.
3. 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.
4. 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, before reverting back to current levels of appropriately 200,00 passengers.
5. 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.
6. 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, DVTVA has recently submitted a bid, through a Government fund, for support for a new flight from DVTVA to Belfast. A decision is awaited.

7. Members considered that air connectivity between the Tees Valley and a London airport, as an international hub, as well as the services from DVTVA to Schiphol and Aberdeen, was vital for local/regional growth, with business users of DVTVA 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). DVTVA provision of business flights also assisted in delivering benefits for the UK as a whole.
8. 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.
9. Cabinet was advised that the Master Plan claims that investment in re-positioning and growing the Airport will not be possible without capital raised from enabling housing development on land owned by DVTVA. 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.
10. 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.
11. In this respect, a planning application has 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 DVTVA/Peel's application for Local Growth Funding.
12. 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 Darlington Borough Council, as the local planning authority, regarding a related section 106 planning agreement.
13. 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.
14. Details of Cabinet's decision from the meeting of the 9 October 2014 are provided at **Appendix 1** and a copy of the related report from the Select Committee is accessible at

<http://www.egenda.stockton.gov.uk/aksstockton/users/public/admin/kab12.pl?cmte=CAB&meet=126&arc=71>).

Recent Policy Developments

15. There have been a number of developments that have 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 will draw passengers and airlines away from English regional airports.

DTVA/Peel's further proposal

16. Against this backdrop, Peel has asked the Local Authority Shareholders to consider a further proposal regarding the airport company. 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.
17. Details of the further proposal are set out in the (exempt) **Appendix 2** to this report, for Cabinet's consideration.

FINANCIAL AND LEGAL IMPLICATIONS

Financial

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

Legal

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

RISK ASSESSMENT

20. 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

21. 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

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

CONSULTATION

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

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<u>Background Papers:</u>	None
<u>Ward(s) and Ward Councillors:</u>	Not applicable
<u>Property Implications:</u>	None