

Scrutiny Committee - Progress Update - August 2015

INITIAL RECOMMENDATIONS	DTVA STATEGIC ALIGNMENT
<p>1. DTVA to continue to grow and encourage leisure and holiday flights at the earliest opportunity.</p>	<p>Efforts will be made to retain and develop existing leisure services whilst economically viable. We will also seek longer term opportunities for business growth within the operational capabilities of the airport and economic viability of such services. Growth of air services will be dependent on a fundamental change in strategy from prospective airlines, Government policy on APD and an improvement in the economic environment of the catchment area.</p> <p>SEE SECTION 1</p>
<p>2. DTVA to further cultivate these services to retain and build a successful business flights base.</p>	<p>Maintaining global connectivity and links to the oil and gas hub of Aberdeen is a key strategic objective. Growth of KLM passengers will provide increased revenues and passenger numbers within existing capacity.</p> <p>SEE SECTION 1</p>
<p>3. DTVA to increase their marketing promotion with /of KLM and Eastern Airways.</p>	<p>Regular tactical marketing campaigns are a core part of the airport's broader marketing strategy. Coordinated campaigns are crucial to supporting performance.</p> <p>SEE SECTION 1</p>
<p>4. The Council and Tees Valley Unlimited to support any work and lobbying (including to the Airports Commission and Transport Select Committee) which has the potential to result in a London flight link.</p>	<p>There is strong historic demand for services to London but current and future capacity constraints make viable access to this market impossible.</p> <p>Work should be done to ensure slots are ring-fenced for regional markets such as DTVA as a precondition of new airport capacity in the South East.</p> <p>SEE SECTION 3</p>
<p>5. The Council and Tees Valley Unlimited to support any work and lobbying (including to the Airports Commission and Transport Select Committee) in order to...</p> <ul style="list-style-type: none"> • Introduce differential APD for regional airports such as DTVA. • Secure route support fund and mandate those airports increasing capacity in London & the SE to ring fence a certain proportion of flights to regional airports. E.g. DTVA 	<p>Maintaining and growing regional connectivity, internationally and globally is crucial to the success of the airport, however, the viability of developing such services is challenging in regional markets.</p> <p>We will work with regional partners to attempt to reduce the regulatory cost burden on airport running costs and new route development by ensuring the importance of regional connectivity is recognised and ensure that DTVA is well positioned to access available support.</p>

<ul style="list-style-type: none"> • Reduce landing charges at Heathrow for domestic flights • A joined up regional voice is required to press home the arguments strongly 	<p>And to place DTVA clearly within the framework of Transport for the North.</p> <p>SEE SECTION 3</p>
<p>6. Support is sought from appropriate local MPs and MEPs in lobbying for changes covered in the proposals above.</p>	<p>A joined up regional voice is necessary to ensure that the importance of maintaining and developing air connectivity is understood along with emphasising the value of the Tees Valley region to the national economy.</p> <p>SEE SECTION 3</p>
<p>7. All funding secured from any and all Housing & Neighbourhood Development on the airport site(s), is subject to reinvestment under transparent arrangements to deliver the aspirations of the DTVA Master Plan and ensure secondary income for the airport.</p>	<p>As set out in the airports Master Plan (2013) the development of residential housing to Northside land will be an enabling factor in the longer-term sustainability of the business.</p> <p>SEE SECTION 2</p>
<p>8. The Councils work closely with TVU and DTVA to find solutions to sub-regional and local public transport connectivity to DTVA and that any initiatives assisting with this are supported.</p>	<p>Assess the need to retain the existing rail station. Agree Longer term solutions to relocate the rail station in line with master plan. Assess demand and potential to develop coordinated bus services for the airport and future on site employment.</p> <p>SEE SECTION 2</p>
<p>9. DTVA's marketing promotion of their "Aero Centre" proposals (to develop specialist clusters e.g. logistic operations and complementary activities at DTVA) be supported.</p>	<p>The Aero Centre brand will become the developed proposition of the land and property development opportunities available at the site. The Aero Centre Tees Valley brand will become the route to the various market sectors including, Aviation, Logistics, Engineering and Commercial / Retail. This strategy will provide additional potential revenue schemes supporting the airport operations on-going viability.</p> <p>Importance of attracting first major investment into Southside.</p> <p>SEE SECTION 1</p>

SECTION 1
STRATEGY AREA: Air Service Development & Marketing

OBJECTIVES: Retain and grow air services by maximising existing capacity, retaining global connectivity and connections to the oil / gas sector hub.

INITIATIVES & PROGRESS

SUCCESS MEASURES

Marketing

A comprehensive Sales and Marketing plan was implemented. Key features include;

- Increased marketing investment
- The development of an identifiable brand aligned with the repositioned business.
- Investment, development and launch of a new airport website
- Regular tactical airline marketing campaigns.
- Development and launch of the 'Privilege Club' loyalty scheme.

A new brand identity launched October 2014.

A new website launched January 2015. The site and marketing campaign since launch have delivered double the number of visitors consistently on a monthly basis.

Regular commercial review meetings take place with both KLM and Eastern Airways at a senior level including marketing, network planning and sales.

A series of joint marketing campaigns have been undertaken (Oct/ Nov 2014, Jan 2015, May 2015, and September 2015) – campaigns have delivered a developing improved position in the number of forward sales booking. All 3 measure of traffic (P2P, Mid Haul and Long-haul) are showing increased levels of booking in excess of the prior year.

Growth in the KLM load factor in 2014 was plus 3% versus the prior year. Growth during the first half of 2015 is plus 4% versus the same period in 2014.

The Privilege Club loyalty scheme launched January 2015 offering members discounts and offers. There are plans to further enhance the scheme within the next twelve months.

Corporate Sales

A new partnership and communications executive June 2014 to support the promotion of air services to corporates within the region. The post holder will engage with corporates, establish corporate travel data and influence future travel.

Clearly defined KPI are in place demonstrating the progress in the corporate sales process.

A client stakeholder engagement matrix is in use for the population of corporate travel data. 300 target businesses have been identified with a top 50 priority group focussed on companies with frequent travel requirements.

Regular meetings are held and meeting reports created following sales meetings with corporates and Travel Management Companies in order to identify opportunities and ensure effective follow-up.

Regular monthly meetings take place with regional sales representative from both KLM and Eastern Airways.

Corporate sales collateral has been produced focussed on USP's and key airline and airport messages such as Frequent Flyer Programs, Airport Loyalty Schemes and global connectivity.

Familiarisation visits have been held with KLM and Eastern allowing potential users and travel management companies to see the benefit of using DTVA and our airlines.

The business travel survey delivered 286 responses. It was well supported by the various intermediary organisations such as TVU, NECC etc. Analysis has delivered 26 strong new leads to target through corporate sales efforts.

Terminal improvements have been undertaken with refurbished toilets, improved passenger flows, a new lounge product and improved food / beverage offering.

Income producing opportunities for use of excess space in the terminal for alternative use under consideration. As above, marketing efforts have been focussed on the retaining, stabilising and growth of these services which have performed extremely positively.

Market data is regularly shared with both KLM & Eastern identify areas of opportunity to identify marketing opportunities, improve performance or add capacity

CITS and Newmarket Holidays have retained services and added a number of ad-hoc flights, within the operational capabilities of the airport business plan.

Business Survey

A business comprehensive business survey was undertaken during the first quarter of 2015 reaching out to regional corporates in order for our business to better understand the travel habits and demands of the businesses within the region.

Passenger Experience

A series of development plans have been developed to improve the passenger experience and in order to make the most efficient use of space within the terminal building.

Aviation Development

Retention and development of existing KLM & Eastern services through ensuring strong sales performance, regular provision and sharing of market data and a proactive partnership relationship.

Retention of Newmarket Holidays and Channel Island Travel service programs.

Identify viable opportunities for Air Service Development and work with the airline community to encourage DTVA development.

Submission for route support via the Regional Air Connectivity Fund

General & Business Aviation

A General & Business Aviation strategy has been developed with the intention of positioning DTVA as the focal point of GABA in the North East. This includes:

- New pricing strategy for GA/BA
- Identify and remove barriers to GA/BA growth
- Develop use of existing hangar stock
- Attract new based aircraft tenants
- Utilising the Aero Centre brand, pursue new Hangar tenants that will generate aircraft movements, either through based aircraft or attracting visiting aircraft

Conducted independent study with RDC Aviation to identify the top 6 route development opportunities based around the airport's current business plan of regional routes with business demand. Identifying Belfast, London, Paris, Southampton and Bristol as key markets.

Meetings have been held and are ongoing with a range of airlines that could serve these markets.

DTVA submitted a bid for a Belfast City service working with LinksAir and Belfast City which was successfully shortlisted in August 2015 for further discussion. The bid only partially met criteria due to EU State Aid restrictions regarding competition routes within 100km. However, the submission was made based on strong local demand for the service within the Tees Valley's distinct regional economy.

New GA/BA tariff introduced in January 2015 including the introduction of landing cards and discounts for regular users.

A tactical plan focussing on the removal of key barriers to growth in GA/BA has been developed and is currently being implemented.

Assumed management of Hangar One and developed a range of new tenants over the past 24 months including IAS Medical, NALJets, GW Microlights and Durham Tees Valley Airports.

Revised agreements with existing tenants and new business growth means

Additional appointments have been made in the Aviation Development Team to facilitate Passenger and GABA growth

SECTION2
STRATEGY AREA: Site Development

OBJECTIVES: Maximise the entire asset generating additional revenue generation opportunities through the development of land supporting the on-going viability of the airport.

INITIATIVES & PROGRESS

SUCCESS MEASURES

Marketing

The brand development of Aero Centre Tees Valley will include;

- Development of the proposition
- Development of a creative styling.
- Design and build of a bespoke website.
- Design and production of a bespoke.
- Aero Centre printed collateral.
- A dedicated Aero Centre marketing plan targets the various target markets.

The intention is that the brand will be strong, recognisable and develop investment momentum.

Business Development

Increase the range of aeronautical and non aeronautical tenant's across the DTVA site making use of existing available property and new build opportunities.

Aero-centre.com website launched April 2015.

Promotional marketing material has been developed and is now available for dissemination via all available channels details of which will be outlined in the Aero Centre marketing plan available from September 2015.

Aero Centre has been featured at the AP&M property exhibition and Multimodal this year.

A Commercial Director has been employed dedicated to the development of Aero Centre Tees Valley.

A tactical development plan has been presented to and approved by the Peel board. The plan includes detailed market segments including the associated supply chain opportunities.

Property agents Sanderson Weatherall and Lambeth Smith Hampton have been appointment for the purpose of promoting the Aero Centre site.

The developed tactical plan will be deployed.

Office accommodation has been developed and let in the terminal with Aviation tenants taking space.

Planning

DTVA to develop detailed planning applications for Northside and Southside opportunities.

Enabling Development Plan submitted to Darlington Council and now being assessed by consultants on behalf of the Local Authorities (CAVU and York Aviation).

The Enabling Plan provides a strategy and detailed cashflow illustrating that the housing receipts will be fully reinvested into the Airport.

The plan also details a number of tactical initiatives which aim to create additional income for the airport.

The airport is working towards submission of the planning application in September 2015

The Airport is in negotiations with Darlington Council in regards to the draft Section 106 which will require transparent arrangements in regards to evidence that the receipts are fully reinvested into the Airport.

DTVA announced 5 million match funded investment August 2015 alongside the submission of a planning application to open up land south of the runway for development of Aero Centre Tees Valley.

SECTION 3

STRATEGY AREA: Policy & Lobbying

OBJECTIVES: Work to ensure that...

- the importance of regional connectivity and regional airports to their local economy is understood
- that broader UK aviation strategy including SE Hub capacity protects capacity for regional airports such as DTVA
- that there is reform, reduction or removal of APD, that English airports are not affected by devolved powers in Scotland, and
- that support for regional airports is targeted in the right area and that DTVA and the Tees Valley are positioned to benefit from such support.

INITIATIVES & PROGRESS

Tees Valley Unlimited, DTVA and the 5 Local Authorities have worked together to make the case for the reinstatement of a London link in what is a challenging time for smaller regional airports, as recognised in numerous recent reports (including the Davies Commission and the House of Commons Transport Select Committee).

The Council and Tees Valley Unlimited support any work and lobbying (including to the Airports Commission and Transport Select Committee) to:

- Introduce differential APD for regional airports such as DTVA
- Secure route support funding and mandate those airports increasing capacity in London and the South East, to ring-fence a certain proportion of flights to regional airports e.g. DTVA
- Reduce landing charges at Heathrow for domestic flights.

TVU response to Transport Select Committee inquiry into Smaller Airports (Oct 2014) emphasised the need for policy change from government on APD, route support and reduced landing charges at Heathrow. Committee called for more route support for new flights and changes to APD policy.

The Davies (Airports) Commission report was published on 1 July 2015 recommending a new northwest runway at Heathrow and noting the importance of regional airports, citing the

SUCCESS MEASURES

- DTVA has been a founder member in RABA, the Regional and Business Airports Association and made submissions across a range of issues to a variety of forums, primarily focused on the SE Hub issue.
- Our work with RABA also seeks to highlight the importance of regional airports and the changing role of regional airports along with tackling issues of regulatory costs.
- TVU's response to the Transport Select Committee inquiry into Smaller Airports (Oct 2014) emphasised the need for a London connection and that any new airport capacity in London should come with ring-fenced slots for regional airports.
- TVU response to National Connectivity Taskforce consultation on 'Aviation Connectivity' (Dec 2014) made the same points, emphasising the importance of a London link, particularly for Tees Valley businesses.
- Response to the Airports Commission in 2014 made exactly

importance of international connectivity to the Northern Powerhouse.

Comments include:

- Citation of DTVA as an example of a regional airport lacking a London connection
- 60% of the economic impact of expansion may be felt outside London and the South East
- Welcomes the Regional Air Connectivity Fund (into which DTVA have bid for a new route to Belfast) and the £10M fund announced by Heathrow for new routes
- A call on Government to interpret the Public Service Obligations more flexibly & deploy them on an airport-to-airport basis, using them to support a widespread network of domestic routes to the expanded airport.
- As part of the summer '15 budget, the Government is reviewing potential options to help mitigate the impacts of the devolution of APD on regional airports.

As part of the review, the government is exploring the following three options in more detail:

Devolving APD within England; varying APD rates within England; providing aid to regional airports within England. TVU and DTVA are working on responses to the consultation calling for APD reductions, particularly for vitally important economic routes, and emphasising the importance of new route funding.

TVU and the local authorities are working with DTVA on what aviation asks can be built into the devolution proposals submitted to government (to inform HM Treasury Comprehensive Spending Review).

Support is sought from appropriate local MPs and MEPs in lobbying for changes covered in the proposals above.

- MPs have been briefed on developments at DTVA and have raised a number of questions in the House of Commons, including:
- Phil Wilson raised at Transport Questions in the House in July 2015 about the importance of London flights to regional airports, citing DTVA
- Phil Wilson raised the issue of APD at Transport Questions in February 2015 and

the same points.

- TVU support for DTVA's application to the Regional Air Connectivity Fund for a new route to Belfast (Mar 2015); it was announced in Aug 2015 that DTVA had made the next stage (to submit a full bid by Oct 2015).
- DTVA and TVU will make separate submissions to the HM Treasury consultation on APD will be submitted in September 2015

asked the Chancellor about the same issue, and the impact of Scottish devolution, in December 2014

- Tom Blenkinsop submitted a written question to DfT about start-up support for regional airports in March 2014
- Ian Swales submitted a written question to DfT about public transport links to DTVA in March 2014.
- Phil Wilson emphasised importance of Aberdeen flight from DTVA in a debate on Scotland and the North East in March 2014
- Andy McDonald asked the Deputy Prime Minister about how increased airport capacity in London could be linked to more regional flight access in January 2014.