Your questions answered

Foreword

Durham Tees Valley Airport is at a crossroads. Its future depends on implementing measures which must happen if we are to create a stable business which can sustain aviation services.

No regional airport can survive without sustainable income streams. Durham Tees Valley is not immune from that reality. That is why we prepared the airport Master Plan, published in 2014, setting out a new strategy aimed at concentrating on those routes which are viable through local market demand and align with the strategies of the airlines. At the same time, the Master Plan sets out a range of initiatives to create new sources of revenue, especially through development of the airport's land assets.

The Peel Group which currently owns 89 percent of the airport's shareholding – the remainder is shared between six local authorities – is a private investment group with a strong presence across the North of England in transport, logistics, retail and leisure, land and property, energy and media. Peel has a proven track record of delivery with projects that have achieved a cumulative GVA (gross value added) of £27 billion and supported 70,000 jobs through a total investment of over £5 billion.

Since becoming a majority shareholder in 2003, Peel has had to shoulder significant financial burdens as a result of the total transformation of the air transport industry resulting from the impact of the global recession which has led to the closure of a number of other regional airports in the UK. Overall Peel has invested over £36 million in meeting losses and capital infrastructure spending.

Peel is passionately committed to regeneration of the North of England. We strongly support the ambitions of the Northern Powerhouse to rebalance the economy of the UK and believe Durham Tees Valley Airport can play a significant part in raising the economic performance of the area. At the same time we are at the point where it is vital that key elements of the Master Plan have to be delivered. This cannot be achieved without support from our partners.

This briefing prepared for key stakeholders provides an insight into the complex issues facing the airport industry in general and Durham Tees Valley in particular. It also addresses common misconceptions and underlines why the measures set out in the Master Plan have to be implemented without delay.

Robert Hough CBE
Chairman, Peel Airports

Durham Tees Valley Airport today

Regional airports in the UK have faced a decade of unprecedented challenges and many have not survived.

Durham Tees Valley Airport (DTVA) today reflects the impact of massive changes which have affected the whole of the aviation industry as a result of the global recession and which have led to a catalogue of airport closures. Many private companies have withdrawn from the regional airports market whilst others such as Cardiff and Glasgow Prestwick only survive as a result of nationalisation by the Welsh and Scottish Governments.

The difficulties are far from over. Despite a range of cost-saving measures introduced over recent years, DTVA continues to operate at a significant loss. Pre-tax losses in the year to March 2016 stood at £2.1 million and this has to be addressed in order to sustain the future of aviation services.

The scale of the challenge is clear for all to see; between 2007 and 2014 airports in the North of England lost over 3.6 million passengers, with almost 600,000 lost at DTVA. In the North East people fly less than any other region in the country and the area has one of the poorest levels of economic performance in the UK.

The industry and business landscape has changed dramatically since passenger numbers peaked in 2006. Many of the airlines operating from the airport in that era are no longer in business and the carriers that have survived now concentrate their operations at a relatively small number of bases and larger airports.

In common with a number of other regional airports, DTVA lost its long-established service to London Heathrow as a result of airlines concentrating available slots at Heathrow on more lucrative international routes.

The reality is, that as a result of on-going economic difficulties facing the industry, in the main small UK regional airports are not seen as attractive business opportunities. This was demonstrated clearly when in 2012 Vantage Airport Group (formerly Vancouver Airport Services) put its 65 percent share in Durham Tees Valley Airport up for sale. Continued operation was only secured through the intervention of Peel Investments (DTVA) Limited, a wholly owned subsidiary of The Peel Group. The sale attracted no other viable bidders.

The financial burden, which has been shouldered by The Peel Group alone since becoming majority shareholders in DTVA in 2003 is significant. Cash losses and capital expenditure requirements of over £36 million have been invested in the airport and infrastructure. The shareholdings of the six local authorities have been diluted from 25% to 11%.

The critical need to develop a strategy for addressing the continuing losses and putting the airport on track to a sustainable future as a profitable business resulted in the publication of the airport Master Plan in April 2014 (www.dtva-master-plan.co.uk).

This included proposals to create a new business model for aviation services, aimed at sustaining scheduled services important to the local business community, at the same time as expanding business and general aviation services. It was recognised that, in the short to medium term, it would not be possible to attract economically viable high volume leisure services.

The Master Plan also included wide-ranging proposals to maximise the site's assets and resources through other activities which could support aviation services, capitalising on one of DTVA's most important assets, the large areas of land within the airport site.

Progress has been made towards the Master Plan objectives, in securing a new airline Loganair, a significant terminal refurbishment and planning permission secured for the northside residential development to provide a key revenue stream to help safeguard the airports long term future. The airport has seen an increase in general aviation activity and launched an in-house ground handling operation, Consort Aviation, handling a mixture of private, business and military aircraft.

What is crucial now is that other aspects of the Master Plan are able to move ahead as a matter of urgency – especially developments on the northside of the airport which will provide capital for the investment needed to maximise the employment and revenue-generating potential of the airport's land holdings.

DTVA timeline

1941	RAF Middleton St George opens
1964	Teesside International Airport is born
2003	Peel Group purchase a 75% share in the business with the six local authorities retaining 25%
2004	Airport renamed Durham Tees Valley 787,000 passengers
2005	901,000 passengers
2006	Peak traffic of over 910,000 passengers bmibaby withdraw services citing poor performance
2007	Global recession begins 734,000 passengers
2008	Flyglobespan enters administration 645,000 passengers
2009	BMI withdraw Heathrow Service 288,000 passengers
2010	Vancouver Airport Services purchase a controlling share in Peel Airports 224,000 passengers
2011	DTVA is put back up for sale 190,000 passengers
2012	Peel Investments acquire an 89% share in DTVA 164,000 passengers
2013	Master Plan is drawn up Thomson's charter programme ends 159,000 passengers
2014	Master Plan is adopted 142,000 passengers
2015	Progress is made towards the implementation of the Master Plan Continued KLM passenger growth 140,000 passengers
2016	Sustained fall in oil and gas sector activity 132,000 passengers

The journey so far

There is no doubt that the past decade has seen a difficult journey for Durham Tees Valley Airport. Looking back to 2003, The Peel Group brought about a transformational new deal with bmibaby and in 2006 the airport enjoyed its busiest ever year. With over 900,000 passengers, few would have predicted the turbulent times that lay ahead.

Those began with low cost carrier bmibaby, which in 2004 had undertaken to have a base at DTVA for ten years. In late 2006, after just two years, bmibaby withdrew its entire operation. The BMI Group reneged on its contractual obligation, citing poor performance as the reason for this. There were hopes that the impact of this shock setback would be cushioned by the arrival of the relatively new low-cost operator Flyglobespan but these hopes were short-lived as the airline went into administration in 2009.

With the recession now starting to bite, 2009 saw the loss of the flagship link to London Heathrow resulting from a strategic decision by BMI to use valuable Heathrow slots for more profitable long haul opportunities. BMI also cited Air Passenger Duty (APD) as a factor. Passenger numbers fell from 645,000 to 288,000 in just 12 months.

This was followed by a period of uncertainty culminating in a 65% investor in the business, (Vantage Airport Group) putting its shares up for sale in 2011, having purchased them in 2010. DTVA's immediate future was only secured when Peel Investments stepped in to once again become the majority shareholder when no other purchasers came forward.

By this point it was clear that the vision of ever-expanding passenger numbers which seemed so certain in 2006 had gone forever as a result of the massive transformation in the aviation industry which had been driven by the global recession and its impact not only on the airport but the whole region.

Today, a decade after the recession took hold, the Tees Valley region still continues to struggle to regain its strengths. Key economic indicators play a major factor in airline decision-making. The major driving force behind an airline's decision is statistically evidenced demand, competition in the market and the likely yield that can be attained. Yield or profitability are crucial aspects – airlines will only operate what promises to be the most lucrative of routings.

The airline has to be convinced that the Tees Valley region presents a better opportunity than others, often across Europe and not only the UK.

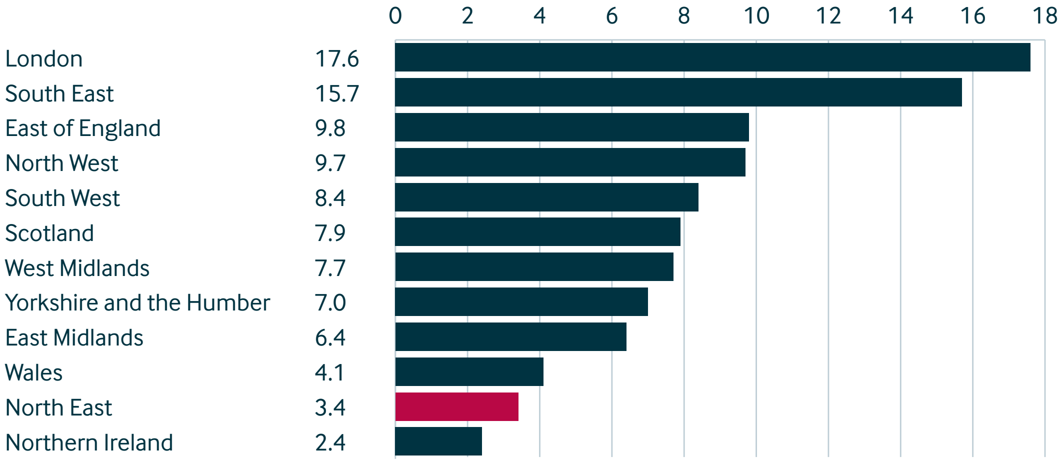
Of the 39 Local Enterprise Partnerships (LEPs) in England, The Tees Valley had the sixth lowest average annual growth rate between 2007 and 2015, falling to fourth lowest across a longer period between 1997 to 2015. Source ONS (Office of National Statistics). Others LEP areas in the bottom six included Cornwall and the Humber, within these regions Plymouth airport has closed and Humberside has a similar level of scheduled flights as DTVA.

The Tees Valley has made positive promising strides in recent years such as in 2014 when it grew above national average (Source: TVCA 2016 Economic Assessment). The Tees Valley Combined Authority strategic economic plan is now targeting delivering 25,000 additional jobs and an extra £2.8 billion into the regional economy for which the airport's Master Plan can be a major enabler in delivering these targets.

The population of the North East has one of the lowest propensities to fly. On average, people in the North East of England fly 1.15 times per year compared to a national average of 1.6.

Unemployment is another key economic indicator. In the three months ending August 2017, the North East as a whole saw the highest unemployment rate in the UK at 5.8% (Source: ONS). Over the last year, the rate of unemployment in Tees Valley has increased from 3.8% in September 2016 to 4.0% in September 2017.

Share of UK total gross disposable household income (%)



Source: ONS

In the North East gross disposable household incomes stand at just 3.4% versus the South East reporting 15.7%. This is a telling story indeed when compared to the assignment of airline capacity post-recession.

Job seeker claimants in the Tees Valley for September 2017 were reported at 4% more than double the UK average of 1.9% (Source: Tees Valley Combined Authority Unemployment Claimant Count, September 2017).

And whilst regenerative plans are in place, it still remains that in recent times, notable companies in the region have announced significant direct job losses and in some cases full closure of operating sites which continues to contribute to uncertainty in the Tees Valley economy.

Sometimes it is suggested that we are not doing enough to secure new airlines. What has to be recognised is that when selling an aviation opportunity to an airline, it is the market opportunity that determines success, the airport's operational capability is taken as a given. It is not a runway and a terminal we are selling – we are selling access to a market, a population and a desire to travel.

Over the course of its thirteen-year history, The Peel Group has delivered nine new carriers to DTVA and twenty-seven new routes. (See appendix).

The upheavals have not just been felt at DTVA. Many private sector interests have withdrawn from the regional airports' sector and recent years have seen the demise of a significant numbers of airports across the country, including Plymouth, Coventry, Manston and Blackpool. Others such as Cardiff and Prestwick were nationalised to secure a future as private investors walked away.

Over 80% of the operating costs of an airport are fixed, meaning that, regardless of the passenger throughput, the airport operation has a significant cost base. Furthermore the ACI (Airports Council International) reports that in Europe 73% of airports handling fewer than one million passengers, and 59% of those handling fewer than three million passengers are loss making.

There was clearly a need for a major change of direction in order to prevent DTVA from becoming another casualty, recognising that restoring passenger numbers to pre-recession levels was not a realistic prospect in the near to medium term and that aviation services could only be sustained by driving down costs and looking at new ways of generating business and revenues. In time, we hope that the Teesside economy recovers sufficiently to support aviation growth and that the UK aviation industry as a whole expands sufficiently to look favourably upon the distinct opportunity Durham Tees Valley Airport presents.

It was recognition of these challenging times which led to development of the airport Master Plan published in 2014, designed to chart a path for DTVA to 2020 and beyond.

The strategy set out in the Master Plan offers the best way of securing the airport's future. Some elements have now been put in place, but only full implementation will deliver a long-term business.

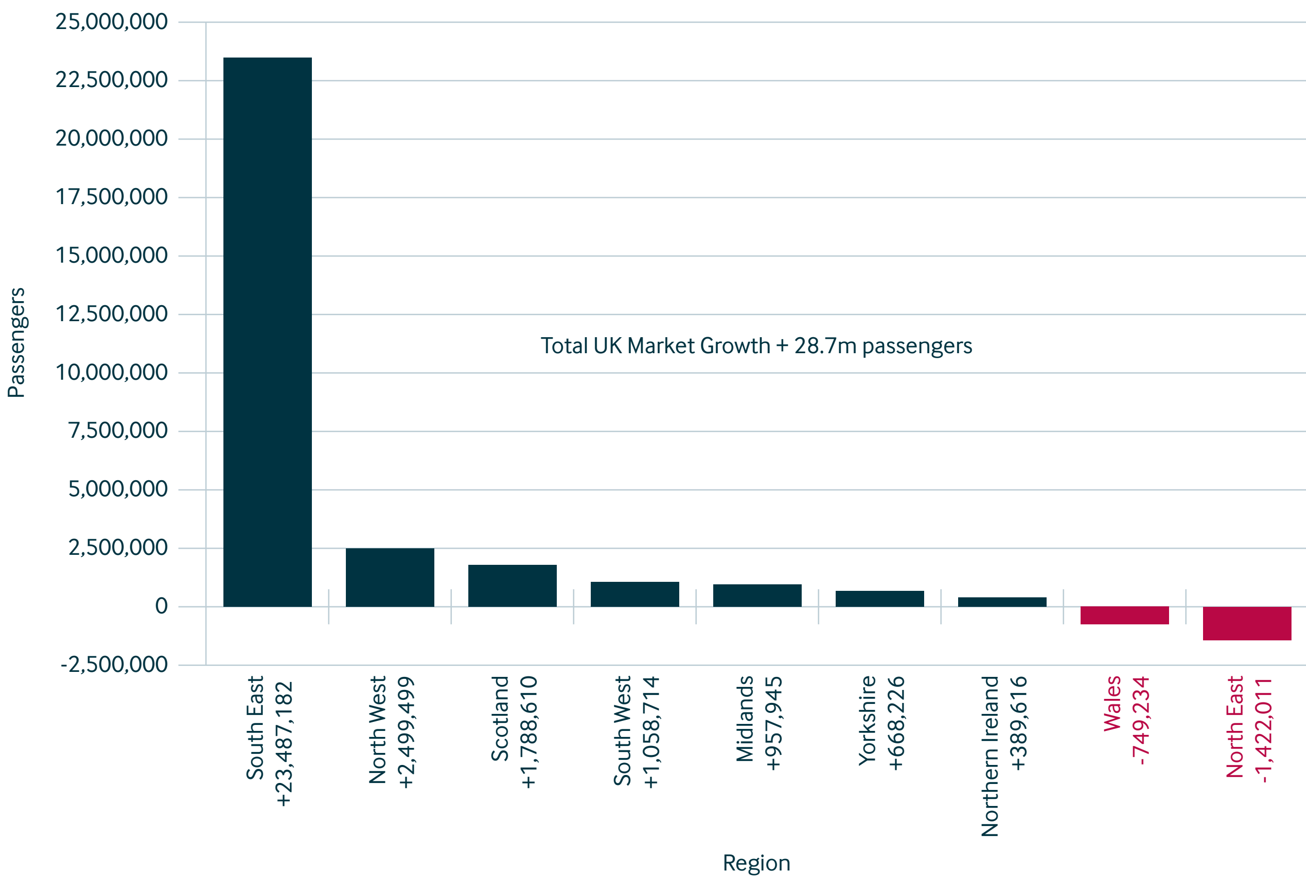
The UK aviation industry

The Northern Powerhouse illustrates the UK Government's acceptance of a need to boost the northern economy. This disparity between north and south is evident in the context of UK aviation today.

Below is how other UK regions have suffered as a result, the north east seeing the greatest level of impact at each of the region's airports.

"Between 2007 and 2015 the total UK aviation market has grown by 28.7 million passengers overall, but passengers have increased by 23.5 million in the South East of England."

UK airport passenger growth (2007–16)



The above demonstrates how the South East of England has not only won the growth, it has also grown at the expense of the rest of the UK.

Airports with critical mass (above five million passengers) pre-recession generally fared much better through the recession, retaining greater proportions of traffic and recovering traffic more quickly. Conversely, the most severely impacted airports were those such as Durham Tees Valley Airport. Those airports entered the recession with approximately one million passengers or less and suffered the heaviest loss. A return to growth for these airports has been an impossible challenge and a number of them have now closed (See appendix).

Out of the UK's 60 airports, the top six: Heathrow, Gatwick, Manchester, Luton, Stansted and Edinburgh, account for more than 70% of the total flights taken each year.

The competition for airline capacity is significant and this means it can come at a high cost particularly for regional airports that can be seen to present a higher risk. Prior to the recession many of the low cost carriers were not troubled by margin. The focus was on market share. That is no-longer the case with airlines becoming very risk averse.

For regional airports, capacity can come at a cost. It is not unusual to find an airport that outwardly appears to be thriving in terms of passenger numbers but in terms of EBITDA (earnings before interest, taxes, depreciation and amortization), the reality can be quite different. Similarly, an airline route can appear to be doing well with healthy volumes of passengers but the yield paid by the passenger might be poor. There are numerous airports across the UK, some of which have been established for many years that have plummeted into a loss making position during the recession (See appendix).

Aviation timeline

1998	The low cost carrier boom begins with unprecedented growth across the UK
2007	Signs of a global recession Air Passenger Duty was doubled by the government
2008 – 2010	Aviation industry feels the impact of the global recession Leading tour operators consolidate operations and reduce traditional holiday traffic across the UK Bristol Filton airport closes
2010	Coventry Airport closes with debts of over £25m
2012	Plymouth Airport closes With debts of over £30m, the Scottish Government nationalises Prestwick Airport – the purchase price is just £1 With debts of over £25m, Humberside Airport is sold to Eastern Airways by Manchester Airport Group
2013	The Welsh Government nationalises Cardiff Airport Leeds Bradford Airport reports EBIT loss of £4.3m (Earnings before interest and tax)
2014	Manston Airport (Kent) closes with £30m debts Blackpool Airport closes to passengers

What is the future for the airport?

Securing the future of aviation services at Durham Tees Valley Airport is dependent on accepting the realism and rationale set out in the Master Plan.

A realism that we need to concentrate on the kind of aviation services where we have strength, including maintaining and hopefully developing those key scheduled services which are so important for the region's business community, such as the thrice daily KLM service to Amsterdam Schiphol which opens up access to the global air network.

The synergies between the Tees Valley and Aberdeen remain strong and Eastern Airways' four daily flights are of paramount importance to industry with twin bases and the transit of employees between the large oil and gas centres. Loganair's arrival to DTVA offers additional capacity on this key route and a new daily route to Norwich, another major energy centre.

A well-established general aviation centre also offers scope for growth and, indeed, since the launch of the Master Plan new companies have been attracted to the airport, reflected in significantly increased flight movements.

DTVA Master Plan, 2014

Building on our strengths also requires an acceptance of those activities which, at this point, are not viable. In particular, it is recognised that seeking to compete in the large-volume leisure sector is not achievable until such a time that the Tees Valley economy recovers sufficiently to compete across the UK and Europe and until the UK aviation industry returns to sufficient growth and recognises the opportunity that the airport and region presents.

Aero Centre

In the summer of 2015, we launched Aero Centre Tees Valley which is the umbrella brand showcasing the development opportunities available throughout the site at the airport. Aero Centre Tees Valley is the natural second phase to the Master Plan creating a holistic approach to marketing the site to potential investors.

Aero Centre has already been nationally and internationally marketed to the aviation and general business community through exhibitions, presentations and through partnerships with national property agents and specialist aviation organisations.

Aero Centre offers a wide range of land and property opportunities for businesses of all types and sizes. We are marketing opportunities for aircraft hangarage of 290,000 sq ft and general employment space of 3.5 million sq ft.

With flights to over 200 worldwide destinations and a wealth of corporate aviation services, Durham Tees Valley Airport as part of Aero Centre helps the region's leading companies take care of business all over the world and also entices them to bring their business to our site. Aero Centre is also a logistical dream, we have rail connectivity, the UK's largest exporting port nearby and one of the fastest-moving commuter road networks on our doorstep.

Aero Centre is already home to a number of businesses including freight forwarders, engineering companies, aircraft dismantling and recycling experts, training schools and extreme sports. And it is within these specialisms we wish to create a stronger hub of activity.

Working closely with Tees Valley Combined Authority and the local authorities we can assist in helping new businesses and relocating businesses access grant funding and offer the support to make their move go smoothly.

Find out more at aero-centre.com/tees-valley

The Master Plan has the potential to deliver over 6,000 new jobs that the economy so badly needs and the potential to deliver in excess of £348 million GVA to the regional economy.

Central to the strategy for aviation operations is the need to look at all possible means of generating other income streams by exploiting the potential of one of DTVA's main strengths, its extensive land holdings. Other airports that have succumbed to closure have not had this option, as without it, closure would almost certainly have become a necessity.

The Master Plan includes a range of significant developments on both the north and south sides of the airport with opportunities for a range of business activities, including logistics, industrial and aviation, covering around 1.9 million square feet. Planning permission has been secured to allow an access road to be constructed between the two sides of the site.

The development plans will require considerable levels of investment in terms of infrastructure and facilities. Crucially plans can only be undertaken once market demand allows, particularly for the larger developments suited to the southside. For example the construction of new hangars will be dependent on attracting prospective tenants.

In order to help finance the investment, the Master Plan sets out provision for a housing development on land on the northside of the airport. This development will generate proceeds from the sale of land which will be reinvested in helping to provide the services and facilities which can attract more business, more companies, more revenue and more jobs as well as supporting the on-going operational losses that The Peel Group, as the majority shareholder, has to bear alone.

Economic benefits of the Master Plan

Construction phase

Circa
£280m
Will be spent across the construction phase of the development

4,477
Jobs created (person years)

450
Full time equivalent construction jobs

£12.2m
GVA Economic output uplift

Operational phase – commercial

Almost
4,000
Full time equivalent jobs could be created

£3.9m
Business rates revenue per annum, of which the councils could retain 50%

£348m
GVA Economic output uplift, annually

Operational phase – residential

£3.5m
Annual household retail expenditure in the local economy

New Homes Bonus to Darlington Council upon completion

Set out below are key aspects of the development plans:

Northside

- Approx 350 houses, including family and executive housing within a high quality environment
- Areas of open space, access to playing fields, children's play areas, landscaping and informal recreational space
- A local services centre including children's nursery, doctors, dental surgery and opportunities for small scale retail uses
- Site planned for development of two high quality showrooms, indicatively for automotive, caravanning or aviation usage with external display frontage
- A business centre within the airport that includes an initial phase planned for six offices ranging from 75 sq ft to 320 sq ft
- Plans for creation of 100,000 sq ft of B1 office space
- Larger requirements able to be accommodated by merging of plots
- Industrial, distribution, storage and warehousing units ranging from 8,500–50,000 sq ft
- Commercial leases on purpose built solutions or long leasehold land deals available
- Long-term vision to reposition the train station
- Section 106 contributions towards affordable housing, education, road infrastructure, street lighting and footpath improvements

Southside

- Construction of 1.8 km access road from the northside
- 1.9 million sq ft of logistics, industrial and aviation related buildings can be constructed through a phased approach
- Road to commence construction at appropriate stage
- Potential to accommodate seasonal aircraft parking and maintenance
- Significant landscaping and woodland planting around the southern boundary totalling 16.6 hectares

Getting the facts straight

The strength of support for Durham Tees Valley Airport in the Tees Valley region is evident and The Peel Group shares in this passion to find a sustainable future for the business.

The Peel Group has a long track record of working alongside communities to create economic activity and employment across the north of England. In the past twenty-five years Peel's overall investment in the north has created around 70,000 new jobs.

However, we cannot succeed alone.
It is by working together and through the support of the region, backing our vision and utilising services that we will succeed.

Here we address some of the most commonly asked questions and the misconceptions which do nothing to safeguard the airport's future.

Why have passenger numbers dropped since The Peel Group took charge in 2003?

Shortly after Peel became the major shareholder in 2003, the airport secured a contract with bmibaby which held out the promise of significant growth. Indeed passengers numbers subsequently peaked at 910,000 in 2006 but bmibaby only two years in to the ten-year contract the airline withdrew it's services from the airport.

This instantly undermined the business plan for the airport and was followed by the global recession which brought with it fundamental changes to the aviation industry. After years of growth, suddenly carriers sought to consolidate traffic to major airports and prioritised regions that could deliver wealthy passengers or those that had been less severely affected with high levels of joblessness and stretched household incomes such as Tees Valley.

The aviation industry is still in slow growth in the UK with the majority of growth post-recession going to airports that had critical mass (circa 3 million passengers pre-recession).

UK aviation capacity grew by 27 million passengers between 2010 and 2014.
Just 0.5% of this overall growth has gone to regional airports in the North of England. The largest proportion of the growth has gone to the UK's major airports including, all London airports, Birmingham, Edinburgh, Glasgow and Manchester.

Peel has only ever been interested in the land and has deliberately driven the passenger traffic down to build houses on the runway. Is it true Peel will make millions from housing?

Far from threatening aviation services, the plan for housing on a relatively small area of the northside is vital to the future of DTVA. The northside residential properties will not jeopardise the infrastructure and capability of the airport in any form, as the land earmarked for development is unsuitable for aviation purposes. DTVA is not alone in doing this, with residential developments in similar proximity planned at other UK airports.

The residential development is an essential component of the airport Master Plan.
The funds raised from this development will be ring fenced by an agreement for it to be re-invested in order to sustain a viable commercial passenger airport.

Why are airlines not interested in coming to DTVA now, is it true the airport charges are not competitive?

Airlines are commercial businesses and aircraft are mobile assets which can be positioned where they can achieve the greatest margin. Airline considerations include;

- The level of demand in a given region
- The key economic indicators of the region
- The likely yield that can be achieved
- Competition at other airports or from competitor carriers
- If economies of scale can be achieved. For example, some airlines have a strategy of only operating multi-aircraft bases, so that the cost base to operate is low. This means the airline has to have the confidence to place larger volumes of traffic in a short period of time.
- There has to be new available aircraft capacity to operate or the case has to be made why they should move capacity from one airport to another.
- The commercial terms offered by the airport have to be acceptable to the airline. DTVA offer exceptionally competitive commercial terms for growth.

Is it true that the airport is not interested in developing holiday flights and that Thomson was forced to leave?

In 2012, The Peel Group assessed the status of the business at DTVA and in 2014 launched a new Master Plan designed to support a sustainable future. The process of implementing a new business model meant there was a requirement to cut the operational costs of the business. Unfortunately, the nature of charter traffic is both seasonal and ad-hoc at regional airports. This means that facilitating the aircraft can cost the business more than it makes. This was the case with Thomson and Balkan Holidays. The business had a longstanding and strong relationship with TUI and Balkan Holidays but it was agreed with those partners that DTVA could not operate their ad-hoc departures without continued losses.

The business made the decision to focus on safeguarding the scheduled services with KLM and Eastern Airways which are essential for the regional economy. Both KLM and Eastern Airways operate a number of times throughout the day, all year round. It was possible to restructure the staffing requirements of the airport and revise technical capabilities to facilitate these flights and improve the financial position of the business. The removal of the measures reduced annual losses by almost £1 million.

We are not ruling out more leisure focussed routes in the future but they must be commercially viable and fit with the strategies airlines are pursuing for them to be deliverable. A full aircraft does not mean that a route is profitable and therefore sustainable.

What is the point in having the airport if it doesn't have holiday flights?

DTVA remains of paramount importance to the region, supporting 600 jobs and contributing £37 million GVA to the Teesside economy. It is a catalyst for economic prosperity in the region and a fundamental part of the region's appeal to prospective investors. Having an operational commercial passenger airport on the doorstep is, for many businesses, a unique and necessary selling point and a huge driving force in providing connectivity to the vast range of businesses in Teesside particularly in the oil and gas and petrochemical sectors.

Furthermore, following implementation of the airport's Master Plan and the development of the southside business park the site has the potential to create 6,000 new jobs and the GVA contribution could be in excess of £348 million annually to the Teesside economy.

Why did you introduce a Passenger Facility Fee? Hasn't this driven passengers away?

The passenger facility fee (PFF) was introduced as a necessity. Reduction in passenger traffic and increased operational costs meant new revenue streams were required in order to minimise the impact of increased losses.

When the cost to travel from DTVA is compared to other UK airports, passengers will consider the whole cost of travel such as fuel, convenience and time saving.

Each time one of our passengers purchases a passenger facility fee ticket they are contributing to securing their local airport.

Is it true that Peel got the airport for "next to nothing"?

At the point of acquisition by The Peel Group in 2003, DTVA was making a loss of circa half a million pounds per annum. In addition, the business was carrying significant historic cost burdens including large pension liabilities. This would of course be reflected in the value of the business. And the value was set by the local authorities at the time.

Airports are renowned for their large capital expenditure requirements. At DTVA, The Peel Group has invested in:

- Fire vehicles
- Airfield resurfacing
- Air traffic control radar enhancements
- X-ray security equipment
- Car park extensions and surfacing

This list is far from exhaustive. In addition to £26 million in capital investment, much of which is not necessarily obvious to the travelling public, the business has borne the entirety of the annualised financial losses creating an investment of over £36 million, relieving the local authority and taxpayer of this burden.

If Peel pulled out of the airport, other businesses could operate the business and would surely be willing to do so?

The reality is that, as a result of on-going economic difficulties facing the industry, the main UK regional airport's are not seen as attractive business opportunities. The Peel Group chose to reacquire its full shareholding in 2012 following efforts by the incumbent shareholder at the time to sell its stake. This effort to sell was unsuccessful and in other regions we see private investors walking away. Airports such as Cardiff and Prestwick have recently been nationalised. Other airport investors have chosen closure such as Manston and Plymouth. Coventry has stopped all commercial scheduled services for passengers and Blackpool Airport, after closing, has since reopened but with a firm commitment to not operating scheduled passenger flights.

Is it true that nobody supported the Master Plan?

An extensive consultation of the Master Plan was launched in November 2013. The consultation included a media launch, bespoke Master Plan consultation leaflets, a dedicated website, leaflet distribution to local residents, public exhibitions in Stockton, Darlington and Middlesbrough, and display stands in the airport terminal building. Approximately 900 people attended the various events and the dedicated website received over 1,400 visits.

Of those people who engaged in the process, 71% agreed with the airport's vision to reposition the airport to create a mixed use neighbourhood and an overwhelming 87% supported the development of the southside business park and the associated job creation.

Will you change the name of the airport back to Teesside?

The name Durham Tees Valley was born out of a commercial agreement that brought on board bmibaby. The reasoning behind this at the time was primarily to attract inbound passengers to the airport and region.
There would need to be a sound business case associated to changing the name back to Teesside, ie a quantifiable and tangible rationale for making the change that would more than cover the cost required to undertake such a change.

This would also need to be aligned with the region's thinking. The Local Enterprise Partnership (LEP) and the Tees Valley Combined Authority have both been seen to embrace the Tees Valley brand and this is further endorsed by the devolution powers coming to the region.

Working together

Across the area there is great pride in Durham Tees Valley Airport and a widespread recognition of its importance to the region's economy. The Peel Group has been and continues to be committed to doing everything possible to sustain aviation services and maximise the revenues which can support those services.

The support of local people and organisations is vital in taking forward the plans for its future. The most obvious and indeed essential way in which that support can be expressed is, of course, through using its services.

Today, businesses in the Tees Valley increasingly find themselves competing in a global marketplace and the gateway to the international air transport network is the airport. The KLM link to Amsterdam Schiphol already enjoys enormous support from the local business community and every flight booked helps to ensure that this crucial service can be maintained.

Last year, we introduced a new initiative to reward the loyalty of customers through our Privilege Club. The Privilege Club is completely free to join and members benefit from savings and exclusive offers on parking, admission to the airport Executive Lounge and accommodation, conference facilities and food and drink at the St George Hotel.

The Privilege Club is simple to join through the airport's website (dtva.co.uk/privilege).

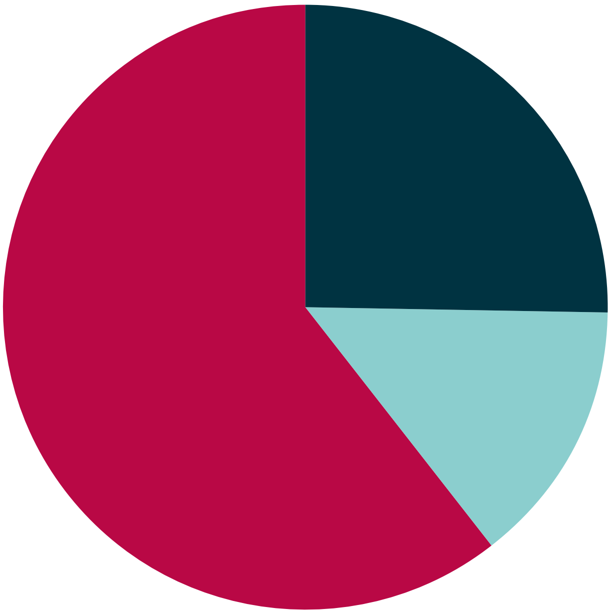
Local businesses and other stakeholders can play a vital role as advocates and ambassadors for the airport – for example in supporting the case for a fairer deal on APD (Air Passenger Duty), ensuring that expansion of capacity in the south east delivers greater access for services from other regions and ensuring that the contribution and importance of air services is recognised within the Government's Northern Powerhouse devolution agenda.

Key to the airport's future will be attracting new businesses to the site and, with the proposed development of the southside business park and plans for a range of facilities on the northside, the airport offers great opportunities for companies large and small.

The airport is here to serve local people and support the economic regeneration of the area. If it is to continue fulfilling that role it needs support at every level, from those whose decisions can help ensure its future and those who use its services to all those local people who can help promote the positive message that there is a way forward for Durham Tees Valley Airport.

Appendix

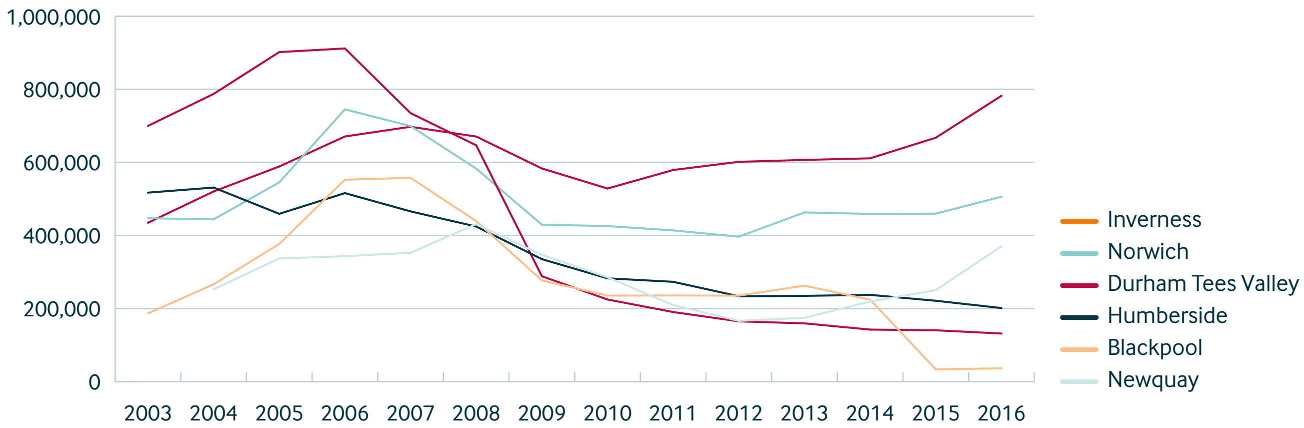
DTVA capital investment 2003–2016



	Land and buildings	£15.4m
	Runway, lighting and car parks	£6.5m
	Plant, machinery, vehicles and fixtures and fittings	£3.6m
		£25.5m

UK airport passenger traffic 2003–2016

Average annual passenger figures at airports with less than 1 million per annum



Source: CAA

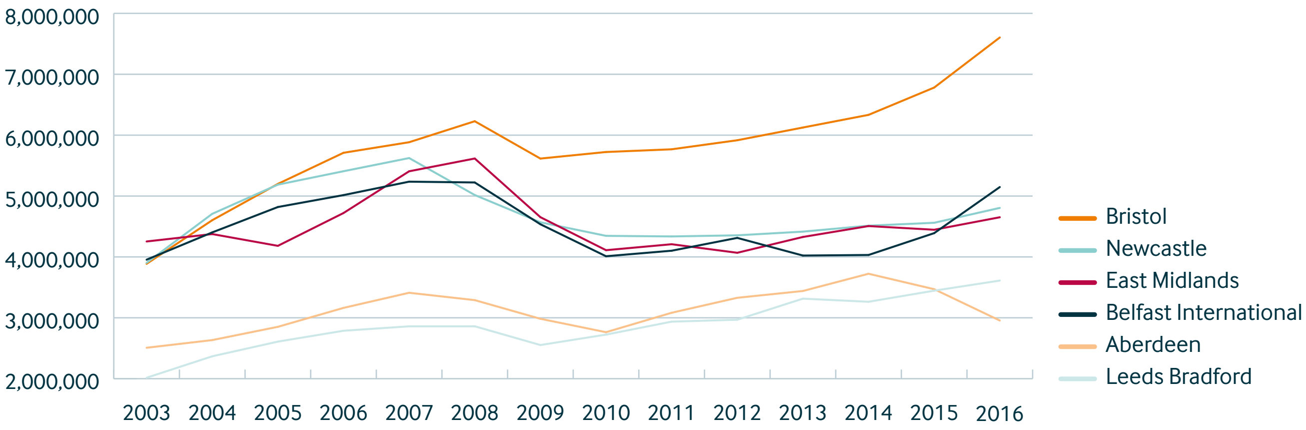
When it comes to passenger numbers, it is evident that many regional airports in the UK have followed a similar trend to that of Durham Tees Valley Airport. During the boom of the low cost or no frills carriers in the late nineties and early millennium, growth in the market across the UK was considerable. And in fact much of this boom in low-cost growth took place in regional or secondary airports rather than the UK's top 10 larger airports which initially resisted growth at any price. The low-cost model was built around low operating cost and that meant they favoured airports that were willing to offer low landing fees.

The promise of high growth for any regional airport was very attractive, although it also presented a risk. Low-cost growth brought passengers but it also brought with it competition for legacy carriers and tradition tour operators. Often airports would win low-cost capacity only to find that they lost capacity with incumbent operators.

The above chart illustrates the journey of nine airports with under 1 million passenger throughput as the recession took hold. It illustrates that each of them followed a similar path of boom and bust. Each benefited from dramatic increases in passenger traffic from 2003, reaching a peak around 2006. Between 2008 and 2010 all suffered dramatic reductions in passenger throughput.

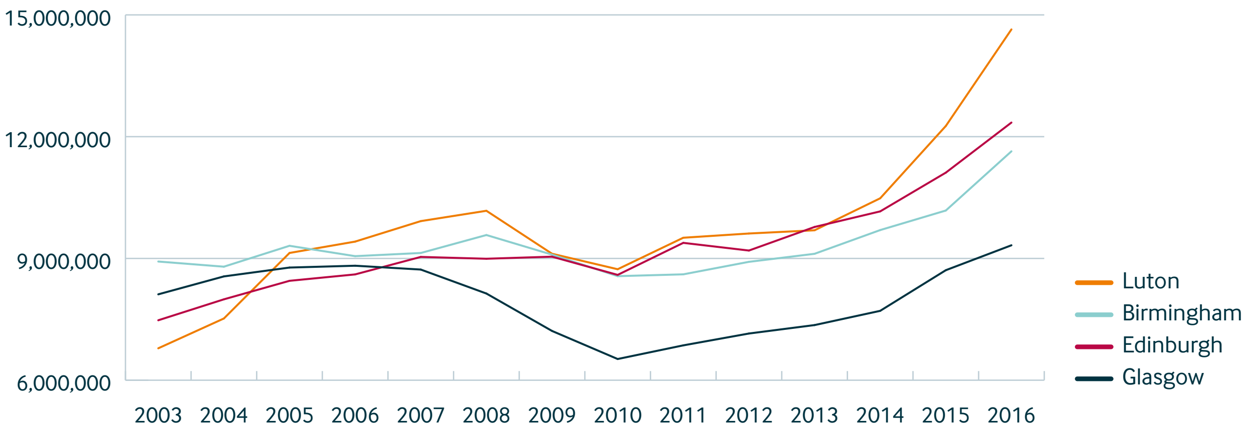
Other airports in the UK fared better. These airports entered the recession with critical mass (over 3 million passenger throughput pre-recession). In fact some of the larger airports benefited as carriers rushed to consolidate traffic in what were seen as relative 'safe havens' where they could serve large markets and achieve economies of scale. Of all regions in England, the North East has lost more traffic than any other. The region lost 26% of its overall traffic and 64% of this was lost at Newcastle Airport.

Average annual passenger figures at airports with 3–6 million per annum



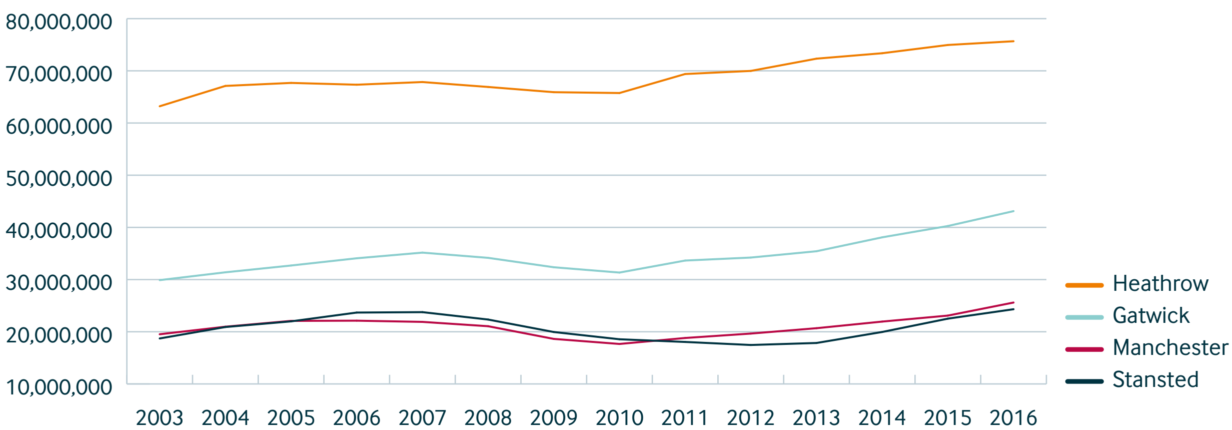
Source: CAA

Average annual passenger figures at airports with 6–12 million per annum



Source: CAA

Average annual passenger figures at airports with more than 12 million per annum

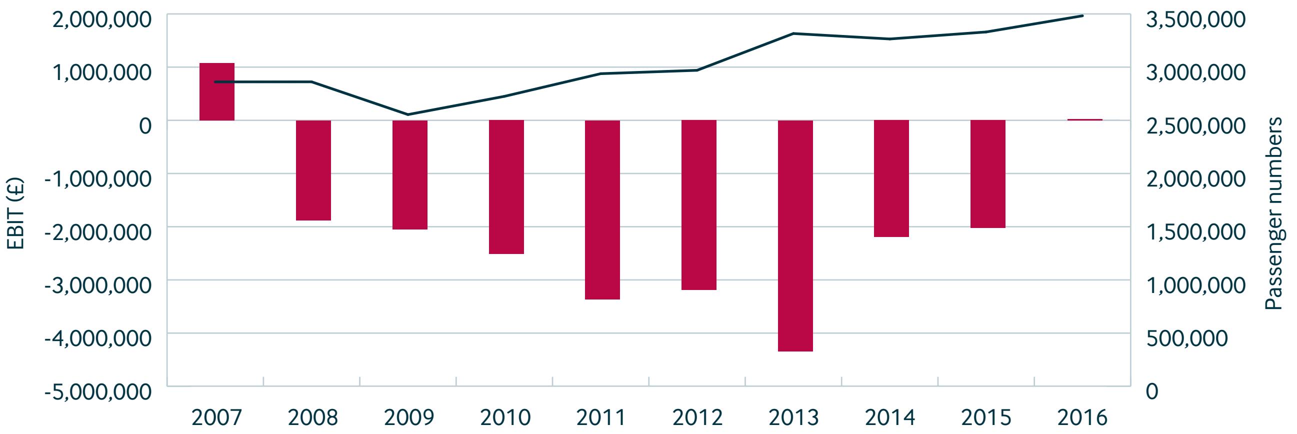


Source: CAA

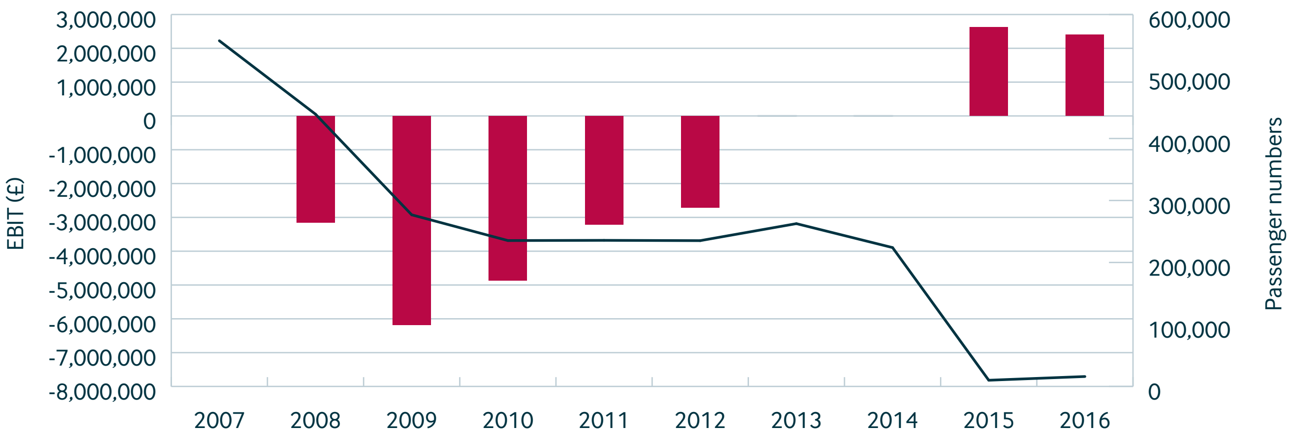
Airport peer group – passengers v profit (2007–2016)

EBIT
Passengers

Leeds

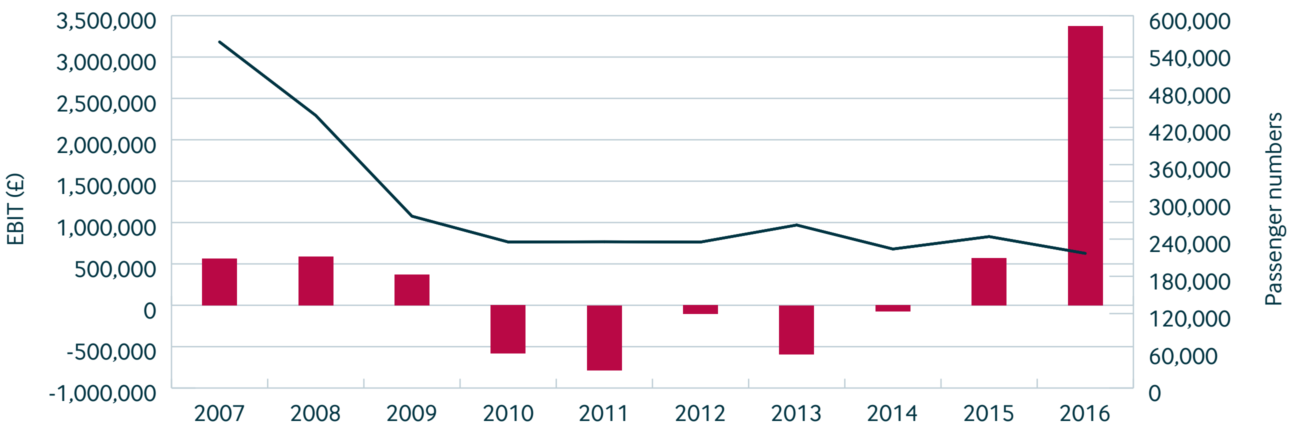


Blackpool

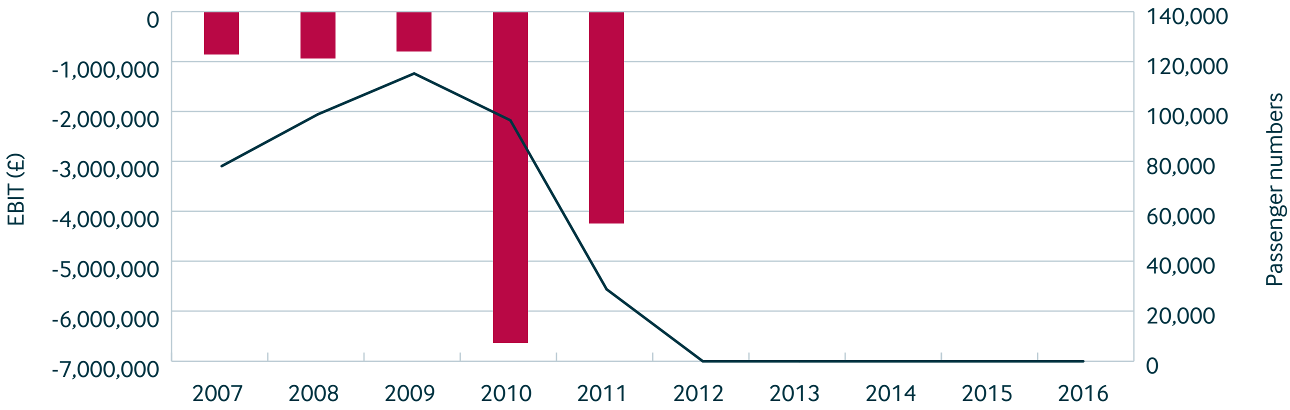


Humberside

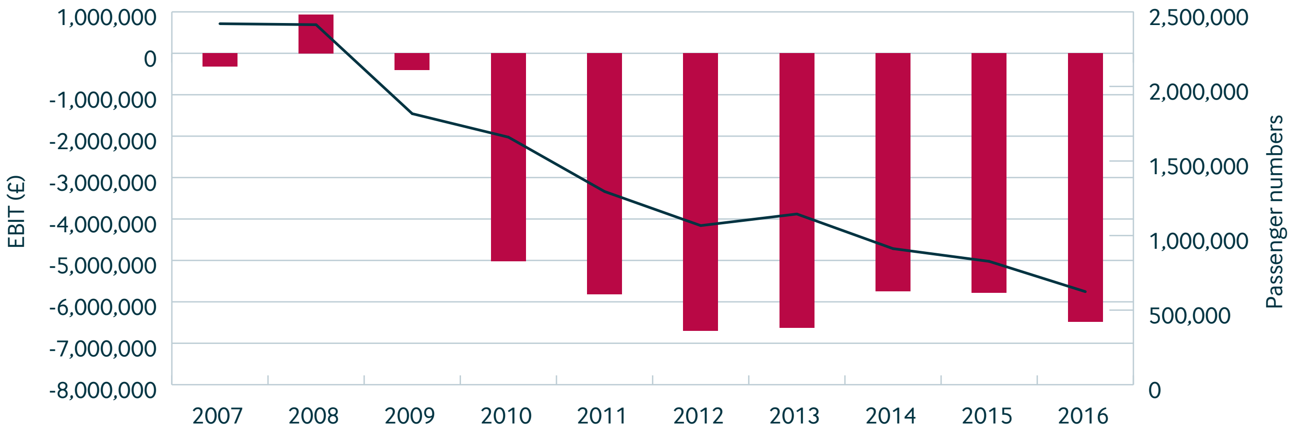
NB. In 2016, Humberside Airport undertook a property revaluation resulting in a one-off EBIT uplift of £2.7m



Plymouth



Prestwick



DTVA airline and tour operator history

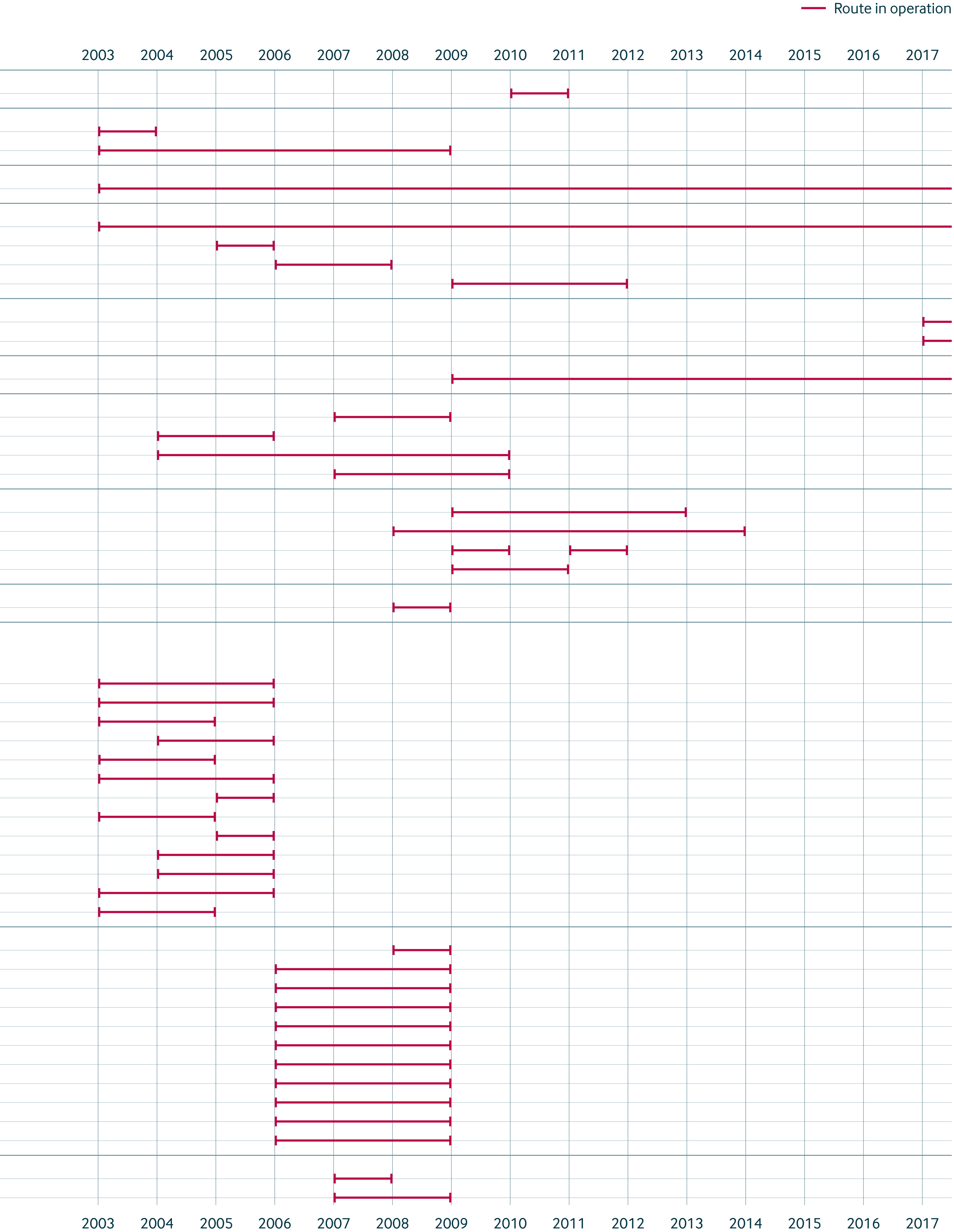
Throughout its years in ownership The Peel Group has brought nine new carriers to Durham Tees Valley Airport and 27 new routes.

Some, such as KLM and Eastern Airways have stood the test of time and others have come and gone as the result of a range of factors, the majority of which are completely out of the airport's control.

The aviation industry and the economy have changed considerably during this time and these changes have bought with them challenges that have affected carrier performance and viability.

Viability means the ability for an airline to operate from the airport and to do so profitably. This means profitable for both the airline and airport. Aircraft are expensive and sought after assets that will operate on routes whereby optimum profitability can be achieved.

Airline	Route
Aer Lingus	Dublin
BMI	Jersey Heathrow
KLM	Amsterdam
Eastern Airways	Aberdeen Bristol Brussels Southampton
Loganair	Aberdeen Norwich
Flybe	Jersey
Ryanair	Alicante Rome Ciampino Dublin Gerona
Thomson	Alicante Palma Sharm el Sheikh Tenerife
WizzAir	Warsaw
Airline / brand no longer operating	
bmibaby	Malaga Alicante Belfast Paris Geneva Jersey Gatwick Nice Knock Newquay Cork Palma Prague
FlyGlobespan	Lanzarote Malaga Alicante Faro Ibiza Jersey Mahon Nice Palma Croatia Tenerife
MyTravel	Lanzarote Reus


Route in operation
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

DTVA airline and tour operator history – continued

The below gives a brief overview of each of the carriers that have operated from the airport:

KLM

KLM has a long standing partnership with DTVA and has shown considerable commitment to the Tees Valley region. To this day KLM operates three daily services to Amsterdam Schiphol offering onward connectivity to hundreds of destinations around the world. The airline has recently renewed its commitment to the airport for a number of years to come.

Eastern Airways

Eastern Airways provide extensive connections across the UK and to selected European destinations. From DTVA there focus is on connecting with the oil and gas, petrochemicals and offshore sectors of the Tees Valley economy, connecting with Aberdeen. The oil and gas sector faces a challenging time however the airlines services from DTVA continue to thrive.

Throughout their time at DTVA, Eastern Airways have worked with the airport to grow their network and have over the years offered services to Brussels, Bristol and Southampton. Both Bristol and Brussels services enjoyed initial corporate support which was not sustained leading to the subsequent withdrawal of services.

Loganair

Loganair is a Scottish regional airline, serving over 40 routes across the UK, Republic of Ireland and Norway. It provides key connections between DTVA and the major energy centres in Aberdeen and Norwich. Services launched in October 2017 and have been widely welcomed by the region.

Through a codeshare with Loganair's sister company bmi Regional, Loganair provide onward links to Orkney, Shetland, the Danish seaport of Esbjerg and Norway's capital, Oslo serving important markets for the Tees Valley.

bmibaby

Upon acquisition of the airport by The Peel Group in 2003, the company delivered a transformational contractual commitment from bmibaby to base two B737 aircraft at DTVA, operating to a range of city and sun routes.

The bmi group reneged on their contractual obligation and withdrew their operation during 2006, citing poor performance as the reason for this. This was by far the most significant blow for the business. Significant efforts were made to replace the bmibaby route network and Flyglobespan began operations shortly after, operating low cost scheduled services to 11 destinations. These were subsequently withdrawn in 2009 as the recession hit, with the airline citing poor commercial performance before the airline ceased trading in 2010.

bmi – London Heathrow

One of the airport's most successful and longest established services, the bmi operated service to London Heathrow was withdrawn in 2009. The DTVA service was lost at the same time as other UK services including Leeds Bradford and Jersey. bmi made these strategic changes to their network as a result of the rising value of Heathrow slots and a desire to use these on long haul services that were deemed to be more profitable. The airline also cited APD as an issue, which was payable in both directions on domestic sectors.

Ryanair

Ryanair have operated a number of services from DTVA since 2003 to Dublin, Alicante, Rome and Barcelona Girona. Ryanair withdrew services to Dublin following the introduction of an Irish Tourism Tax, which led to a reduction in services to the eastern side of the UK, due to the taxation structure being distance based. Routes to Rome and Barcelona were short-lived. Ryanair have reduced or removed capacity in many UK regional airports since pre-recession.

Wizz Air

Central and Eastern European airline Wizz Air began services in 2007 following a period of growth in their UK operations, launching flights between DTVA and Warsaw. These services lasted around 12 months and Wizz Air also ceased services at Bournemouth and Coventry airports at a similar time.

Aer Lingus

Aer Lingus Regional were brought in following the withdrawal of the Dublin service by Ryanair, the launch of this route coincided with one of the worst periods of the economic downturn and the Icelandic ash cloud, which created very challenging trading conditions.

Thomson

Thomson began services in 2008, operating a handful of sun destinations with mixed success until 2014. Non-based flying will always be more costly for an airline. Passenger loads showed some promise during peak weeks but profitability was challenging and services were reduced to just one summer and winter route. As stated, the airport conducted a business review in 2014, changing its model and reducing the fixed costs associated with handling larger aircraft, as a result the airport was able to improve its financial position through removal of a weekly departure with the airline.

Balkan Holidays

Balkan Holidays operated successfully from the airport for a number of years intermittently with mixed success. Balkan were encouraged to return for Summer 2014 before the decision was taken to remove the costs associated with ad-hoc holiday flights.

Goldtrail and Holidays4U

Each of the Turkey specialists operated services from the airport, each were casualties of the recession and ceased trading.

Channel Islands Travel Service

Commenced seasonal summer services to Jersey operated by Flybe during 2009, these services continue to this day.

Durham Tees Valley Airport – Your questions answered

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