

Title of Report: City of Derry Airport	Officer Presenting: Lead Finance Officer Author: Lead Finance Officer
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1 Purpose of Report/Recommendations

- 1.1 The purpose of this report is to provide Members with an update in relation to the current funding position for City of Derry Airport and endorse funding from the North West Air Access consortium for promotion of new and existing routes.

2 Background

- 2.1 Members will be aware that discussions have been progressing with DFT and NI Executive in relation to the funding of the London PSO route beyond May 2019. Securing this funding is obviously a critical component of the short and medium term funding plan for the airport given that Council does not have further funds available to contribute towards the PSO costs given its' already significant annual subvention.
- 2.2 It is pleasing to report that these discussions have now successfully concluded. DFT have confirmed that they will part fund the route from May 2019-May 2021. DFE have confirmed that, because they are working presently on a one-year basis, they will provide the remaining funding for year 1. Council Officers are committed to working with DFE to secure funding for year 2. This funding was to be awarded via a 2 year contract extension with the current provider, FlyBMI.
- 2.3 Unfortunately, on 16th February 2019, Members will be aware that FlyBMI entered into administration resulting in the cessation of the London route with immediate effect and posing significant challenges in terms of the sustainability of the airport.
- 2.4 In close liaison with DFT, Council embarked on an emergency tender exercise in line with Article 16(12) of EU regulation 1008/2008. Following approval from DFT and the EU Commission, the emergency tender process for an operator commenced on 17th February 2019 and concluded on 21st February 2019 with the appointment of Loganair for a 7 month period commencing on 27th February 2019. This appointment was approved by the Chief Executive under paragraph 2.3 of the Council Scheme of Delegation.

- 2.5 Immediately following the conclusion of this process, it is further pleasing to report that Loganair announced a further commercial service to Manchester commencing on 24th May 2019. Members will be aware that Loganair also operate a Glasgow service from City of Derry Airport. These developments have now provided connectivity from City of Derry Airport to 5 UK destinations (London, Manchester, Liverpool, Glasgow, and Edinburgh).

3 Key Issues

- 3.1 This is obviously a very positive outcome for the airport and Council, as the PSO will now be part funded by DFT for 2 years and at this stage the remaining balance will be provided by DFE for year 1. Officers are committed to working with DFE to secure funding for year 2. Officers will now immediately be engaging with DFT and DFE to commence an EU tender process for the remaining 17 months of the approved funding period until May 2021.
- 3.2 Members have previously been advised that it is anticipated that the current airport subvention of £2.145m along with any unused underwrite balance previously approved will be sufficient to allow the airport to continue in operation for this period. However, as previously advised this is subject to a number of factors including continuity of existing routes, potential impact of BREXIT and a full assessment of any loss incurred as a result of the recent loss in service.
- 3.3 Members will be aware of the North West Air Access Consortium fund which was set up by Derry City Council and a number of other stakeholders in 1999 to promote and develop air access to the North West of Ireland and actively support the marketing of inbound visitor traffic through the airport. A sum of £230k currently remains in this fund.
- 3.4 In order to ensure the success of these new routes as well as the continued success of the existing routes, it is important that a significant marketing effort is sustained. To this end, a sum of £65k is therefore requested for 2019/20 with a further £40k in 2020/21. This will be administered by Council in conjunction with its' wider marketing campaigns and priorities for the region.

- 3.5 In addition to progressing with the tender exercise beyond September 2019 and in line with the approved medium term strategy for the airport, officers will advance discussions with other key stakeholders, to include the UK Government, Northern Ireland Executive and Irish Government, not only to maintain existing connectivity but to ensure regular connectivity to a key airport hub in the North of England with international connections, for at least a further 5 year period beyond 2021 whilst critical transport infrastructure (A5 and A6) is progressed and completed and roads connectivity to the North West is significantly enhanced. This medium term strategy would involve further route development support and contributions towards the ongoing revenue costs from the other key stakeholders. This would allow Council's current £2.145m to reduce and these funds to be made available for other strategic priorities identified in the Strategic Inclusive Growth Plan e.g. strategic capital projects/ City Deal proposition.

4 Financial, Equality, Legal, HR, Improvement and other Implications

- 4.1 As noted above, it is anticipated that the current airport subvention of £2.145m along with any unused underwrite balance previously approved will be sufficient to allow the airport to continue in operation until May 2021. However, as previously advised this is subject to a number of factors including continuity of existing routes, potential impact of BREXIT and a full assessment of any loss incurred as a result of the recent loss in service.
- 4.2 The £105k marketing funds requested are available from within the North West Air Access Consortium and will be administered by Council. A remaining unused balance of £125k will remain in the North West Air Access Fund.

5 Recommendations

- 5.1 Members are asked to endorse the steps taken to secure the emergency PSO contract and to authorise officers to engage with DFE and DFT in relation to the medium term tender process.
- 5.2 Members are also asked to approve funding of £105k from the North West Air Access consortium for promotion of new and existing routes at the airport.

Background Papers