

**REPORT TO: POLICY & RESOURCES COMMITTEE – 14 MARCH 2016**

**REPORT ON: DUNDEE AIRPORT UPDATE**

**REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT**

**REPORT NO: 109-2016**

## **1 PURPOSE OF REPORT**

- 1.1 To provide an update on matters relating to Dundee and seek approval for financial support in relation to air services between Dundee and Amsterdam

## **2 RECOMMENDATION**

- 2.1 It is recommended that the Committee
- a Notes the various actions that are ongoing to secure and increase the services using Dundee Airport.
  - b Agree the one-off contribution in 2015/16 of £200,000 to Highlands and Islands Airports Ltd from an allowance within the General Contingencies revenue budget to support the start-up costs associated with the establishment of a new six day a week service between Dundee and Amsterdam; and
  - c Agree to contribute a maximum of £100,000 in total over 3 years from 2016/17 from the City Development revenue budget towards a package of funding to support co-operative marketing activity associated with the establishment of the Dundee to Amsterdam service

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The Executive Director of Corporate Services has confirmed that the commitments outlined in this report can be contained within the allowances identified in Recommendations b and c above.

## **4 BACKGROUND**

- 4.1 Dundee Airport, operated by Highlands and Islands Airports Limited, is important to the future economic development of the region. Over recent months, partners with an interest in Dundee Airport, including Transport Scotland, Scottish Enterprise, TACTRAN, Dundee City Council and HIAL, have been pursuing opportunities to increase the use of the Airport and secure its long term future.
- 4.2 At present the Dundee to Stansted route is the only scheduled service operating from the airport. This service is supported by the Department for Transport, Dundee City Council and Transport Scotland through a Public Service Obligation that operates until 30 June 2016. Negotiations are currently ongoing between the funding parties and Loganair to seek to extend this PSO contract for a maximum period of two years.
- 4.3 In addition to this service, the Department for Transport has agreed to support, through the Regional Air Connectivity Fund, a bid from the airline Flybe to operate a new service between Dundee and Amsterdam (DND-AMS). The Fund supports the establishment of new routes to airports with fewer than 5 million passengers per year. The Fund assists routes that are not currently commercially viable to be introduced, giving time for airlines to build passenger numbers and deliver a more sustainable service. The Regional Air Connectivity Fund will provide support of up to £924,000 for the route over three year period, following which it is anticipated that the route will be commercially viable.

- 4.4 Although the bid was submitted by Flybe, Dundee City Council and its partners provided a broad range of supporting information. Strong support for the route has also expressed by local and national politicians, local businesses and members of the public.
- 4.5 In addition to the support through the Regional Air Connectivity Fund, in order to make the DND-AMS route a reality, it has been necessary to negotiate a package of additional funding. This comprises a contribution of £200,000 from Dundee City Council, payable this financial year, to support Highlands and Islands Airport Limited with start-up costs associated with this route. This is part of an overall package agreed between Flybe and HIAL and includes provision for the repayment of a proportion of the support should the route cease to operate during the three year period of the RACF.
- 4.6 Discussions are ongoing with a range of partners, including Transport Scotland, Scottish Enterprise, VisitScotland and TACTRAN in relation to a co-operative marketing campaign for this new route. The campaign will also be supported by Flybe. Although the route will be marketed locally, much of the focus of the campaign will be on attracting in-bound passengers to Dundee and the surrounding area to maximise the impact of the route on the local economy. The contribution of Dundee City Council towards this campaign will be a maximum of £100,000 over the initial three years of the service.
- 4.7 Over recent years, Dundee Airport has seen an increase in the number of private aircraft. This is associated with golf, culture and other leisure and business activities. Summer charter flights to Jersey will operate again in 2016 and scope for other services is being explored. The potential to support the growth in businesses associated with the Airport is also being considered by partners.

## **5 POLICY IMPLICATIONS**

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

## **6 CONSULTATIONS**

- 6.1 The Chief Executive, the Executive Director of Corporate Services and Head of Democratic and Legal Services have been consulted and are in agreement with the contents of this report.

## **7 BACKGROUND PAPERS**

- 7.1 None

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GH/MS

3 March 2016

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