

REPORT TO: CITY GOVERNANCE COMMITTEE - 27 FEBRUARY 2025

REPORT ON: DUNDEE TO LONDON PUBLIC SERVICE OBLIGATION

REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 87-2025

1 PURPOSE OF REPORT

- 1.1 To outline the savings proposal in relation to the Dundee to London Public Service Obligation (PSO) and consider whether to implement this change from end of the current contract period on 29 October 2025.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee consider the removal of the Council's contribution to the Dundee to London PSO on 29 October 2025 when the current contract ends.

3 FINANCIAL IMPLICATIONS

- 3.1 This would result in savings of £133k being made from financial year 2025/2026 and £320k annually thereafter. However, this would result in the loss of grants from UK and Scottish Governments.
- 3.2 Grant Aided Expenditure (GAE) Funding for Air Services is directly linked to expenditure incurred on this investment. Therefore, there is a risk that any decision to cease support for the PSO may lead to a corresponding reduction in funding.

4 BACKGROUND

- 4.1 A Public Service Obligation has operated since 2014, maintaining the air route between Dundee and London. Loganair was awarded the contract to operate the PSO contract following a procurement process in 2023. This contract is awarded on a 2+1+1 basis, with the initial 2-year period in place from November 2023 to October 2025.
- 4.2 The PSO has been recognised as important to economic development in the Tay Cities Region. It supports the attraction of investment and talent, business growth and brings visitors to the city through the connectivity provided by point-to-point passengers and now through hub (Heathrow) connectivity.
- 4.3 It is unlikely that the financial support for the PSO from UK and Scottish Governments would be available should the Council withdraw its financial contribution. Loganair have indicated that if the PSO ended due to withdrawal of subsidy, the airline would simultaneously cease to operate the service.
- 4.4 The Dundee-based aircraft used for the PSO also operates on other routes, namely the seasonal services to the Shetland and Orkney Islands. Without the PSO, these services would not operate, and wider connectivity would be lost.
- 4.5 The withdrawal of the PSO, and other commercial routes which are made possible by this aircraft, would see the cessation of all scheduled air services at Dundee Airport. This may lead to uncertainty around the viability of Dundee Airport.
- 4.6 As part of the Budget Consultation views were sought regarding this discretionary expenditure. There were 2,883 responses in relation to this option with the average impact rating suggested as average (2.08/5.0). More detailed narrative feedback was received from 880 people and common themes included:

- a several respondents highlighted the benefits of the air service for business travel, tourism, and maintaining Dundee's connectivity;
- b respondents stated that the Council should not subsidise the service, citing high costs and limited use; and
- c others argued that subsidising air travel contradicts environmental goals.

5 POLICY IMPLICATIONS

- 5.1 This report has been subject to an Integrated Impact Assessment to identify impacts on Equality & Diversity, Fairness & Poverty, Environment and Corporate Risk. An impact, positive or negative, on one or more of these issues was identified and is noted within Appendix 1. An appropriate Senior Manager has checked and agreed with this assessment. A copy of the Integrated Impact Assessment showing the impacts and accompanying benefits of/mitigating factors for them is included as an Appendix to this report.

6 CONSULTATIONS

- 6.1 The Council Leadership Team have been consulted in the preparation of this report and are in agreement with its content.

7 BACKGROUND PAPERS

- 7.1 None.

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19 February 2025



Integrated Impact Assessment

Committee Report Number: 87-2025

Document Title: Dundee To London Public Service Obligation

Document Type: Service

Description: To outline the savings proposal in relation the City Events Budget as part of the 2025/26 Budget setting process

Intended Outcome: Cease Council's contribution to the current public service obligation

Period Covered: 27/02/2025 to 28/02/2025

Monitoring: Through existing Service Revenue Monitor with Corporate Services

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EQUALITY, DIVERSITY AND HUMAN RIGHTS**Impacts & Implications**

Age: No Impact

Disability: No Impact

Gender Reassignment: No Impact

Marriage & Civil Partnership: No Impact

Pregnancy & Maternity: No Impact

Race / Ethnicity: No Impact

Religion or Belief: No Impact

Sex: No Impact

Sexual Orientation: No Impact

Are any Human Rights not covered by the Equalities questions above impacted by this report? No

FAIRNESS & POVERTY**Geographic Impacts & Implications**

Strathmartine:	No Impact
Lochee:	No Impact
Coldside:	No Impact
Maryfield:	No Impact
North East:	No Impact
East End:	No Impact
The Ferry:	No Impact
West End:	No Impact

HOUSEHOLD GROUP IMPACTS AND IMPLICATIONS

Looked After Children & Care Leavers: No Impact

Carers: No Impact

Lone Parent Families: No Impact

Single Female Households with Children: No Impact

Greater number of children and/or young children: No Impact

Pensioners - single / couple: No Impact

Unskilled workers or unemployed: No Impact

Serious & enduring mental health problems: No Impact

Homeless: No Impact

Drug and/or alcohol problems: No Impact

Offenders & Ex-offenders: No Impact

SOCIO ECONOMIC DISADVANTAGE IMPACTS & IMPLICATIONS

Employment Status: Negative

Dundee Airport is a key component of the region's transport infrastructure contributing directly and indirectly to the economy by providing connectivity to key business and leisure markets, enhancing the regions competitiveness. An Economic Impact Assessment of Dundee Airport undertaken pre-pandemic (2019) found that it supports around 170 full-time equivalent (FTE) jobs within the Tay Cities Region and around 180 FTE jobs in Scotland as a whole, with the potential to increase this further continued support of commercial air activity and further investment from Tay Cities Deal.

Removal of funding will have an impact on these levels Education & Skills: No Impact

Income: No Impact

Caring Responsibilities (including Childcare): No Impact

Affordability and accessibility of services: No Impact

Fuel Poverty: No Impact

Cost of Living / Poverty Premium: No Impact

Connectivity / Internet Access: No Impact

Income / Benefit Advice / Income MaximisationNo Impact

Employment Opportunities: No Impact

Education: No Impact

Health: No Impact

Life Expectancy: No Impact

Mental Health: No Impact

Overweight / Obesity: No Impact

Child Health: No Impact

Neighbourhood Satisfaction: No Impact

Transport: No Impact

ENVIRONMENT

Climate Change Impacts

Mitigating Greenhouse Gases: Not Known

The PSO between Dundee and London is specifically designed to permit business day return trips that are not possible by more sustainable means of transport.

The Dundee PSO operates into London Heathrow operates utilising the ATR-42 aircraft which is the most fuel efficient in its class, generating the lowest fuel burn per seats for commuter / regional aircraft on the route.

In addition, the proposed airline operating the service, Loganair, has a Greenskies initiative that offsets all of the CO2 emitted from its flights to achieve carbon neutrality which it works on a longer term plan to fully decarbonise its operations. The initiative involves a mandatory surcharge of Â£1.74 on each ticket to allow the purchase of high grade carbon offsets.

In the absence of the Dundee - London Heathrow service, it is likely that a significant proportion of journeys would still be made, involving travel by road to alternative airports to use air services.

Therefore the impact is not known at this stage

Adapting to the effects of climate change: Not Known

The proposed operator, Loganair, has committed to achieving Net Zero by 2040 as part of their Greenskies programme which includes 100% carbon offsetting as the airline / industry transitions to Net Zero. The Airline reviews its fuel planning and operations to reduce the environmental impact of its operations. The airline is also involved in work to advance the understanding of Aviation sectors indirect impacts including active involvement in assessing, testing and supporting new, low and zero emissions technologies including involvement with UK Future Flight programme and sitting on the UK Government's Jet Zero Council

RESOURCE USE IMPACTS

Energy efficiency & consumption: No Impact

Prevention, reduction, re-use, recovery or recycling of waste: No Impact

Sustainable Procurement: No Impact

TRANSPORT IMPACTS

Accessible transport provision: No Impact

Sustainable modes of transport: Not Known

Cessation of the air service may have some impact in reducing demand for air travel, it is likely that much of the demand will transfer to services operating from other main Scottish Airports involving car and air travel. There would also be an adverse impact on the regional economy through the loss of air connectivity and the impact, both directly and indirectly on jobs.

NATURAL ENVIRONMENT IMPACTS

Air, land & water quality: No Impact

Biodiversity: No Impact

Open & green spaces: No Impact

BUILT ENVIRONMENT IMPACTS

Built Heritage: No Impact

Housing: No Impact

Is the proposal subject to a Strategic
Environmental Assessment
(SEA)?

No further action is required as it does not qualify as a Plan, Programme or Strategy as defined by the Environment Assessment (Scotland) Act 2005.

CORPORATE RISK**Corporate Risk Impacts****Political Reputational Risk: Not Known**

The loss of scheduled air services from Dundee, and potential wider implications for the future of Dundee Airport, could have a political impact. However, it is recognised that it may also be viewed positively by some in terms of a response to the climate emergency

Economic/Financial Sustainability / Security & Equipment: Negative

The loss of Council support for the air service will see loss of financial support from both UK & Scottish Governments as well as Grant Aided Expenditure (GAE) Funding for Air Services is directly linked to expenditure incurred on this investment. Therefore, there is a risk that any decision to cease support for the PSO may lead to a corresponding reduction in funding to the Council

Social Impact / Safety of Staff & Clients: No Impact**Technological / Business or Service Interruption: No Impact****Environmental: No Impact****Legal / Statutory Obligations: No Impact****Organisational / Staffing & Competence: No Impact****Corporate Risk Implications & Mitigation:**

The risk implications associated with the subject matter of this report are "business as normal" risks and any increase to the level of risk to the Council is minimal. This is due either to the risk being inherently low or as a result of the risk being transferred in full or in part to another party on a fair and equitable basis. The subject matter is routine and has happened many times before without significant impact.