



**BUSINESS PLAN UPDATE 2021 – 2029**  
**EXECUTIVE SUMMARY**

## CONTEXT

### BACKGROUND

In March 2019, Tees Valley Combined Authority (TVCA) acquired the majority shareholding in Teesside International Airport (TIA), which had been on the brink of closure. The acquisition was identified as critical to Tees Valley in securing the future of the airport as an essential component of the region's underpinning economic infrastructure.

The TVCA decision to acquire the airport was supported by a full 'green book appraisal' entitled 'Full Business Case: Securing the Future of Our Airport'. The business case set out a comprehensive strategic, economic, commercial, financial, and management case for the purchase.

In addition, the decision was supported by a detailed ten-year 'Durham Tees Valley Airport Business Plan' prepared by aviation specialists ICF. Importantly, the business plan set out the growth and associated financial plans for the airport to become financially independent and self-sustainable.

### Progress to date

Since acquiring TIA, TVCA has driven significant developments at the airport on route and commercial development, terminal improvements, business engagement and marketing and communications.

One of the first projects undertaken was the rebrand of the airport to its first, most well-known and enduring name of Teesside International Airport. This full redevelopment of the airport's identity has supported the airport's commercial marketability with a strong but familiar brand that is instantly recognisable, locally popular and more widely known across the UK than its previous title.

In January 2020, 12 months after it was agreed that TIA would be brought back into public control, direct flights to London were established for the first time in 11 years. Working with Eastern Airways, London was one destination in a package of routes including a revised Aberdeen schedule, new flights to Belfast City, Cardiff, Dublin, Southampton and seasonal Isle of Man service. This commercial relationship developed to include a year-round Cornwall Airport Newquay connection and, in August 2020, the reintroduction of flights to London Heathrow, the UK's biggest airport, after more than a decade. A summer service to Alicante was also agreed ahead of the outbreak of coronavirus.

A new five-year deal was struck with the airport's long-standing partner KLM Royal Dutch Airlines, to continue its service to Amsterdam Schiphol. The connection to the hub, which serves more than 100 destinations across the globe, saw its highest passenger numbers in 14 years in September 2019.

Other routes secured or expanded include the return of TUI, the UK's biggest holiday company, offering flights to Majorca in summer 2022, nine years after its last departure from the airport. JetsGo Holidays is flying to Majorca in summer 2021 and, after a successful year in 2019, Balkan Holidays will offer an expanded summer season to Bourgas, Bulgaria in 2021. In November 2020, Loganair joined the airport, with flights to Aberdeen, Belfast City, Dublin, Cornwall Airport Newquay from early 2021, increasing competition on these routes. It is also flying to Jersey from summer 2021.

Terminal developments to enhance the customer experience include a significant redevelopment of the security area, with state-of-the-art body and baggage scanners. This means passengers do not need to remove electronic items and liquids out of bags, which will make the security process smoother and quicker than ever. It also aligns TIA's processes with connecting hub airports including Heathrow and Schiphol, removing the requirement for onward passengers to go through their security.

This is alongside the Arrivals Hall renovation with new walls, signage, flooring and paint, to make the airport more welcoming to passengers as their first impression of the area, and easier to navigate.

Existing businesses located on site at the airport have been secured for the next five years, while new companies have been welcomed. Cobham Aviation Services, which operates and maintains a fleet of specially modified Dassault Falcon 20 aircraft (and whose presence at the airport had been at risk) has announced a new long-term deal with the Ministry of Defence, keeping them stationed at TIA for the foreseeable future. It has also led to a 25% increase in local jobs over the past 18 months which include many key skilled positions, as the base has secured new long-term contracts and made significant investment in infrastructure and technology.

An extensive renovation of Hangar 1, including electrical upgrades, roof repairs and other essential maintenance, prompted Willis Asset Management Limited to choose TIA as its location for a European aircraft maintenance base. After considering locations across the continent, the global aviation company chose to lease Hangar 1 and Hangar 1A for its operations. It will house aircraft and parts at the hangars while carrying out maintenance, storage and disassembly on aircraft. Phase 1 of the development could see the creation of approximately 20 highly skilled engineering and management roles, with further opportunity for expansion in Phase 2.

Work has now begun on the infrastructure to support the airport's Southside development. The £200million major logistics, manufacturing and commercial business park will cover 34million sq ft across 270 acres of the land at the airport's southside. Once complete, it has the potential to create 4,400 jobs, delivering extra revenue of up to £3million per year over 10 years, to reinvest in the airport.

To amplify the message of TIA, a series of successful engagement events with travel agents, local stakeholders, businesses and Government departments were held, promoting the advantages of using the hub as it expands its domestic and international links. Marketing agreements have been reached with partner airports and businesses to promote TIA's growing schedule and turnaround plan.

Local businesses have been engaged to provide their services for IT, security, waste management and professional financial support, ensuring, where possible, any money spent stays in the area and benefits the Tees Valley. TIA continues to champion and support local causes, including football sponsorships, annual Lourdes pilgrimages and has signed up for the Hidden Disabilities Sunflower Scheme to help support those passengers whose disability may not be immediately obvious.

## **COVID-19**

During the first four months of the pandemic, UK airports lost just under £2billion, the equivalent of over £15 million each day. They are collectively projected to lose at least £4billion by the end of 2020. The implementation of the 14-day quarantine period for international arrivals in early summer, and the unpredictable nature of countries being taken on and off the travel corridor list, has meant that consumers have had extremely low confidence in booking international trips. Domestic travel was also significantly affected and, during the four months after lockdown, passenger numbers fell by up to 99% nationally, with the aviation sector completely losing its most profitable period of the year.

In relation to TIA, the decision was taken to close the terminal building to passengers and non-essential staff from 24<sup>th</sup> March 2020, following strengthened Government advice on avoiding all non-essential travel to slow the spread of coronavirus. Both KLM & Eastern Airways suspended all their scheduled services, and the airport senior management team took the decision to close the Jet Centre during this period (with a caveat to assist if any medical flights were required to operate).

A long-term, strategic decision was made to not close the airport completely, to ensure the continued support of key businesses, their operation in the short-term and to protect them from further disruption

due to the pandemic. While remaining closed to passengers, the airport did remain operational throughout for Cobham Aviation, who are contracted to carry out MOD defence training for national security; IAS medical, who support the NHS in carrying medical transplant teams along with repatriation of the seriously ill; and the Local Airspace Radar Service (LARS), which allows aircraft to pass through TIA's airspace. The safety of our staff was paramount when making the decision to remain operational, and robust control measures were put in place to ensure this.

The airport took advantage of the Government furlough scheme, with a number of staff furloughed where necessary. The Tees Valley Mayor made a commitment to protect the jobs and well-being of all staff at the airport, and as a result there have been no job losses. The airport has continued to pay those staff on furlough the extra 20% on top of the scheme's 80%, so staff receive 100% wages.

TIA began a phased reopening of the airport to passengers on 22nd June 2020, introducing enhanced safety and security measures, with all airport staff undergoing training. TIA also added hand sanitiser stations in all areas, implemented social distancing controls and the requirement to wear face masks, supplemented by the "six steps to staying safe" messaging. A new mobile phone-based food ordering system is now live at the departures café to make socially-distanced food and drink ordering possible.

## **ACTUAL PERFORMANCE TO DATE**

The 2019/20 results show that aeronautical revenue and passenger numbers exceeded the targets for the year as per the original Business Plan. This was largely driven by the launch of the domestic flights program with Eastern Airways in January 2020. Prior to the cessation of these commercial flights at the end of March due to COVID-19, passenger numbers were highly encouraging and were exceeding expectations at such an early stage of the development of the routes. Passenger numbers on the KLM flights were also performing extremely strongly prior to the lockdown period.

As a major scheme supported by the Tees Valley Combined Authority Investment Fund, TIA has been subject to an independent enhanced evaluation by economics consultancy firm SQW to feed into Government's five-year Gateway Review of TVCA. It noted the "encouraging progress" being made at the airport in terms of route development and the positive steps to begin infrastructure works on the Southside development.

The 2019/20 actual net loss of £2.6m (subject to audit completion) is exactly in-line with the target as per the original Business Plan. TIA has taken steps to mitigate the effects of the pandemic on performance during this challenging period. Some of these key measures are as follows:

- Continuation of the non-commercial flights, including Cobham, IAS Medical, and LARS;
- Securing new tenants at the airport site, including Willis Asset Management;
- Careful reworking of domestic flight schedules to maximise passenger numbers and revenues;
- Re-negotiation of domestic carrier contract to minimise on-going costs;
- Utilisation of the Government's furlough scheme; and
- Reduction in contracted costs in-line with the reduced flight schedules, e.g. security, handling.

Given the current uncertainty due to the pandemic, it is difficult to assess with accuracy what outturn for 2021 will be but these steps will assist in minimising the impact as much as possible.

## **FORECAST PERFORMANCE FROM 2021/22 ONWARDS**

The financial plan remains to achieve growth in revenues to £16.8 million by March 2025. Increased revenues are derived from both aeronautical and non-aeronautical income streams.

Due to the current uncertainty across the aviation industry worldwide, although the pandemic has inevitably resulted in additional short-term cash requirements in 2020/21 compared to the original Business Plan, based on the assumption that overall passenger numbers return to pre COVID-19 levels during 2021/22, it is not anticipated that additional funding will be required to support the airport's return to self-sustainability. Specific causes for optimism include the following:

- KLM signing a new 5-year deal with TIA in June 2020;
- Advanced on-going negotiations with a Low Cost Carrier;
- Contract signed in November 2020 with a second domestic airline, Loganair, to commence services in 2021;
- Seasonal routes secured or expanded with JetsGo, TUI and Balkan Holidays; and
- Cobham Aviation Services signing a new 5-year deal with TIA in September 2020.
- Increased property revenues through attracting new tenants

It should also be noted that the Business Plan update does not incorporate any future revenue streams from the Southside Business Park development, which is strongly expected to deliver significant and reliable levels of support for TIA.