

ITEM No ...6.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 13 MARCH 2017

REPORT ON: TENDERS RECEIVED FOR THE PUBLIC SERVICE OBLIGATION FLIGHTS TO LONDON

REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 99-2017

1 PURPOSE OF REPORT

1.1 To report on the tenders received for the Public Service Obligation Flights to London and to agree the necessary funding package for these flights.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee
- a agrees to award the PSO contract to Loganair Ltd to operate a service between Dundee and London Stansted as set out in this report; and
 - b approves the funding package as set out in this report and specifically agrees to a contribution of £400,000 over the two year contract period.

3 FINANCIAL IMPLICATIONS

3.1 The Executive Director of Corporate Services advises that a contribution of £100,000 in 2017/18 and £300,000 in 2018/19 can be contained within the revenue budget allowances for support of services from Dundee Airport.

4 BACKGROUND

4.1 Reference is made to Item X of the meeting of the Policy & Resources Committee on 9 June 2014, where it was agreed that Loganair be awarded the contract to operate the Dundee to London Air Route as a Public Service Obligation. This route has operated since 1 July 2014, funded by the UK Government's Department for Transport, the Scottish Government and Dundee City Council.

4.2 The current contract period ends on 25 March 2017. The Council advertised a new tender for this route in OJEU via the Public Contracts Scotland advertising portal, following which two valid bids were received from Loganair Ltd. The tender sought bids to operate a minimum service between Dundee Airport and any one of six London airports.

4.3 The two bids received were for services operating from Dundee to Stansted and Dundee to Southend. The subsidies required for the initial period of two years contained in the bids were as follows:

- Dundee/Stansted £3.672 million
- Dundee/Southend £4.403 million

4.4 After consideration of these bids, the tender for the service to Stansted was selected as the preferred bid due to it representing better value for money and offering greater convenience for passengers.

- 4.5 The service to be provided will consist of two return flights each weekday and one return flight on Sundays. The duration of the contract is two years with the option to extend for a further two years subject to agreement and funding.
- 4.6 Subsequent to the selection of the preferred bid, discussions were held with the UK Government's Department for Transport and Transport Scotland in relation to their funding support for air services between regions of the UK and London.
- 4.7 The Department for Transport has confirmed that the UK Government will fund 50% of the subsidy required for the initial two year contract period. Transport Scotland has confirmed that the Scottish Government is willing to contribute £1.436 million over the two year period. This leaves a balance of £400,000 that would be required from Dundee City Council to secure the air service link to London until March 2019. The Council's contribution can be back loaded such that £100,000 is required in 17/18 and £300,000 in 18/19.
- 4.8 The Tay Cities Deal includes a proposal for the further development of Dundee Airport including a request to the Scottish and UK Governments to provide revenue support to retain and develop routes from Dundee. As part of future negotiations on the Cities Deal, further financial commitments will be sought in order to ensure that our strategic connections are secured and expanded during and after the opening of the V&A Dundee. In order to achieve this the Council will need to demonstrate its commitment to support these services until they can become financially viable.
- 4.9 Maintaining and increasing air services utilising Dundee Airport is a key objective of Dundee City Council, Highlands and Islands Airport Limited (HIAL), Transport Scotland, Scottish Enterprise, TACTRAN and the Department for Transport. The importance of strengthening this key asset is recognised in the Tay Cities Deal where support from Government is sought for route development to grow passenger numbers and short, medium and longer term improvement of the airport's facilities.
- 4.10 Outside of any contract with Loganair to operate the Dundee to London service, efforts are being made to secure additional services. At present the focus of these is on Dublin, but the potential is also being explored for routes to Belfast and possibly Jersey.

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.

Mike Galloway
Executive Director of City Development

Gregor Hamilton
Head of Planning & Economic Development

GH/MS

2 March 2017

Dundee City Council
Dundee House, Dundee