

Former Plymouth airport site

An assessment of the 'five tests'



February 2014

Introduction

Two and a half years ago in August 2011, Plymouth City Council, after carrying out its own independent evaluation, agreed with the leaseholder Sutton Harbour Holdings Plc that Plymouth City Airport had become financially unviable and the airport was closed in December of that year.

Almost a year later, on 30th July 2012, Plymouth City Council's new administration invited potential operators of the former airport to come forward in order to "clarify the future" of the site.

Council Leader Tudor Evans said in a council press release at the time: "...any new set-up would have to be run by the private sector, with real money behind the plans, not just good intentions. In the current climate and with substantial cuts to the Council's funding, we're simply not in a position to subsidise any venture in any way."

Writing in the Plymouth Herald on 2nd August 2012 Cllr Evans added: "We have to be realistic about the scale of investment that would be required for an airport to open again in this city. This is why we have the five tests to ensure any proposals are viable. The tests make it clear what an undertaking running the airport would be."

The council said any potential airport operator would need to address the following five tests:

1. Be able to acquire ownership of the airport and associated infrastructure
2. To operate without the need for public subsidy
3. Have an ongoing commitment to air services
4. Have a fully-funded long-term business plan
5. Clearly evidence demand for, and provision of, Plymouth air services

The council set no firm timetable around the five tests, other than saying that the future of the airport site needed to be considered as part of the Plymouth Plan, which it said "needs to make strategic planning judgements by summer 2013".

This was interpreted at the time as setting a deadline of one year for the private sector to come up with a sustainable solution to operating the airport.

Eighteen months later no such credible solution has emerged and none of the five tests has been met.

Test 1: Be able to acquire ownership of the airport and associated infrastructure

The facts: Sutton Harbour Holdings Plc had a 150-year lease on the former airport site granted to it by Plymouth City Council in April 2004. At the point of closure there were just over 142 years remaining on the lease. Sutton Harbour Holdings Plc cannot be forced by Plymouth City Council or anyone else to sell its interest at a price it does not find acceptable.

Sutton Harbour Holdings Plc has always been open to financially substantiated proposals from interested parties, including Plymouth City Council, and has had agents appointed since before the airport closed in December 2011 to receive and evaluate all enquiries.

Not one has been received. There has never been a formally submitted, financially substantiated proposal to purchase the site as an operational commercial airport facility.

This test has not been met.

Test 2: to operate without the need for public subsidy

The facts: All independent reports about the airport's viability to date (including Grant Thornton, Berkeley Hanover and Orien Advisors Ltd, all from 2011) identify the need for some level of public subsidy in order to support what would be loss-making routes.

The Berkeley Hanover report from 2011 concluded that for all options it considered **“the likelihood of commercial profitability is very low to non-existent”**, while Orien – based on interviews with 12 airlines capable of operating from Plymouth – concluded there were insufficient profitable routes that could be operated without public subsidy, and even these presented “high implementation risks”.

Berkeley Hanover identified a possible ‘break even’ option using small 19-seater aircraft, which campaign group Viable has seized upon as evidence that the airport could be made to work, despite Berkeley Hanover not being able to identify any airlines that would want to operate to Plymouth.

And what Viable omit to say is that even a break even operation assumes the continued use of the airport by Flag Officer Sea Training (FOST), which has already relocated to HMS Raleigh. Viable is also promoting an unlicensed aerodrome without scheduled air services as the first stage of its three-stage ‘plan’ to re-open an airport on the site.

The same Berkeley Hanover report also considers this option and highlights that “without military activity [this option] is expected to barely cover costs”.

The unlicensed aerodrome option presupposes that FOST would relocate back from HMS Raleigh, along with search and rescue helicopters and air ambulances which it is understood will be catered for by the proposed new helipad at Derriford Hospital from May this year. This means the Viable stage one proposal would have few if any revenue-generating customers.

It would also mean having an unlicensed airfield without on-site air traffic control operating within close proximity to people's homes.

It is difficult therefore to see how Viable's plans for even an unlicensed hobby airfield run largely by part-time volunteers could evolve to offer affordable, accessible and relevant air services to the people of Plymouth without substantial public subsidy, especially given the significant start-up costs.

But Plymouth City Council has been unequivocal in saying there is no public subsidy available to support an airport operation, with leader Tudor Evans saying on 30th July 2012: “we're simply not in a position to subsidise any venture in any way.”

Nor is there any prospect of a subsidy from UK Government. Transport Minister Simon Burns told a delegation from Plymouth City Council in January 2013 that there wasn't demand for an airport in Plymouth and that people should use Exeter instead. He also ruled out any chance that the Government would nationalise the former airport site.

This test has not been met.

Test 3: Have an ongoing commitment to air services

The facts: Evidence over the last 15 years or so demonstrates that no commercial airlines have achieved a sustainable operation out of Plymouth.

Despite this campaign group Viable claims it will “start its own airline” flying from Plymouth, which would suggest it accepts independent evaluations that no other operators would fly from the city without significant public subsidy.

It also ignores the commercial history of operating from Plymouth, and the changing dynamics of regional aviation and passenger behaviour.

This includes the withdrawal of British Airways and Isles of Scilly Skybus operations, the start-up of Air Southwest, the introduction and then withdrawal of scheduled services by Air Wales and the acquisition and subsequent closure of Air Southwest by Eastern Airways, followed by Eastern's complete withdrawal from Plymouth.

If Sutton Harbour Holdings Plc had not bought out British Airways' interest in the airport in 2000 and set up Air Southwest in 2003, the airport would have closed then given the **absence of any other airport or airline operator interest**. Despite early success Air Southwest was ultimately loss making because of poor passenger numbers, and it was financially backed by Sutton Harbour Holdings Plc.

The market which might exist for operators of small aircraft capable of operating out of the airport without public subsidy was also independently evaluated by Plymouth City Council's advisors, Orien, in 2011. It concluded there were insufficient profitable routes that could be operated without public subsidy.

Since that time the regional aviation market has continued to change considerably and market conditions are even more difficult. There has been further consolidation into low cost carriers and a move towards larger jet aircraft which are unable to land at Plymouth, in addition to increases in Air Passenger Duty.

By ignoring several independent reports on the matter and attempting to replicate what amounts to a failed commercial model that targets niche markets, Viable offers no evidence – financial or otherwise – that it could commit to providing sustainable air services from Plymouth for the people of Plymouth and its surroundings

This test has not been met.

Test 4: Have a fully-funded long-term business plan

The facts: To date, no potential alternative operators have come forward with a robust and fully funded business plan.

The only group that has shown any interest in operating the former airport site as an airport is the campaign group Viable.

However no evidence of the financial capabilities of Viable has ever been demonstrated.

Despite Sutton Harbour Holdings Plc meeting with Viable and requesting a financially substantiated proposal on a number of occasions over the past two and a half years, and requesting a detailed business plan, nothing has ever been received.

In fact it is noticeable that Viable has never published a detailed business plan, despite requests by Sutton Harbour Holdings Plc and others, including the media.

This test has not been met.

Test 5: Clearly evidence demand for and provision of Plymouth air services

The facts: Although a certain base level in-principle demand for air services from the public and businesses in Plymouth can always be demonstrated, experience over the last 15 years has proved that in reality demand is unsustainably low.

In 2010, the last full year of trading before the airport closed, 128,603 passengers used it, which was 19% down on the year before. This included passengers arriving and departing, and transit passengers who did not leave the aircraft.

The airport only earned income from departing passengers, which numbered 48,859 in 2010, or an average of 134 per day. The airport's average charge per departing passenger was £7.43, which was less than £1,000 per day.

Had the airport remained open, chargeable passenger numbers were forecast to fall to less than 100 per day. In 2010 the number of scheduled passengers per year at Plymouth represented 0.5 people per head of city population compared to 6.33 at Exeter and 13.42 at Bristol.

From April 2000 until its closure in 2011, Plymouth City Airport did not make an operating profit except in the first three years, and this was attributable to a revenue guarantee from British Airways.

In asserting that there is sufficient demand to sustain scheduled air services, Viable overlooks the fact that **wanting an airport and using an airport are two entirely different things.**

And in citing a petition of support to re-open the airport, Viable fails to understand that **support for an airport does not automatically translate into patronage of it.** Re-opening an airport is also a far cry from establishing credible, affordable and sustainable air services for the people of Plymouth.

But one of the biggest obstacles to providing sustainable air services from Plymouth are the physical constraints. Plymouth had the shortest regional airport runway in the UK and the most stringent noise boundary conditions of any UK airport.

These factors did not allow the airport to engage in any meaningful way with the low cost airline market, which has become the model for regional air travel

The three-stage Viable proposal says Plymouth's runway is "long enough for it to be re-opened successfully and two new runway extensions will enable it to meet its full potential".

The truth is that the Civil Aviation Authority (CAA) dispensations that the airport used to enjoy have been **rescinded**. And if the former airport re-opened commercially the CAA would insist on longer safety areas at each end of the runway, and a wider runway if it was extended significantly.

Even with Viable's "modest" 80 metre extension these safety areas would **reduce the usable runway length by some 40 metres**, placing further restrictions on aircraft type or performance (eg shorter range and/or restricted passenger numbers) than were there when the airport was open. Viable also makes no mention of the cost of this extension, land acquisition and associated works that would be required.

Viable says its longer term plan is to extend the runway by 259m towards Estover to 1,419m to accommodate jet aircraft serving European destinations. According to CAA regulations, such a length would mean the width of the instrument runway strip would have to be **doubled** from 150m to 300m.

To widen the runway strip, around **90 houses** would have to be **purchased and demolished** along Plymbridge Road, Blue Haze Close, Durriss Close, St Marks Road, St Johns Close, Combley Drive and Rothbury Gardens.

At the same time a number of **commercial properties in Estover** would have to be **acquired and demolished**, including the HQ offices of the Una Group and The Range.

Viable makes no mention of this, saying the work "will not cost millions" and be largely self-funded.

In fact such a runway extension alone is likely to cost in the order of £20m, **before multi-million pound property acquisition costs are taken into account**, and require a **further £20 million** investment in upgrading airport facilities (including a new terminal) to cater for the scale of operation that Viable envisages. Viable have provided no evidence how this £40m cost would be met.

Landing jet aircraft in a densely populated residential area would also create a large public safety zone because passenger jets have a much greater potential area of destruction, which could include large parts of Southway, as well as Oakwood Primary School.

Under phase three of the Viable plan, research shows there would be almost **6,000 people in almost 2,400 dwellings** exposed to noise levels at or above the level Government guidance classes as the onset of "significant community annoyance".

Of these, around 1,000 people in around 450 dwellings, and the local primary school, would be exposed to a level of noise where the Government **expects airport operators to offer financial assistance towards acoustic insulation**.

The most exposed people, around 100 in approximately 40 dwellings, are predicted to be exposed to even higher levels of noise where the Government expects airport operators to offer households assistance with the costs of moving.

Consequently further restrictions would be expected to be placed on airport operations. These would be in addition to those already in place which include noise boundary conditions that are extremely onerous and **are unworkable for a commercial airport.**

This test has not been met.

**Sutton Harbour Holdings Plc
February 2014**