

**Report to: Blackpool, Fylde and Wyre Economic Prosperity Board**

**Report Author: Rob Green, Head of Enterprise Zones, Blackpool Council**

**Date of Meeting: 4<sup>th</sup> December 2018**

## **1. Blackpool Airport Enterprise Zone: Progress Report**

### **a) Masterplan**

The Enterprise Zone masterplan has now been submitted to MHCLG, together with the EZ Marketing Strategy and the approved Delivery Plan. Feedback is now awaited from MHCLG who are expected to request a familiarisation site visit in the near future following a change of responsible personnel within the Ministry. The submitted plan included the seven substantive changes approved by Blackpool and Fylde Councils in February, and was also amended to incorporate the revised airport layout proposed by York Aviation, together with updates to reflect the latest as built position for the six new developments within the EZ since its inception. A copy of the updated plan is appended as Annexe 1.

A summary version of the masterplan has also been produced to assist marketing and engagement with prospective developers. Copies will be available on request.

Marketing Lancashire have been requested to upload the masterplan and summary onto the LAMEC web site.

The masterplan will be subject to a full review at five yearly intervals to reflect progress and changes to the economic and operating environment, and plans will be amended on a regular basis to reflect actual changes - with the detailed Eastern Access road design and the Sports Village likely to provide the next significant amendments.

### **b) Delivery (Implementation) Plan**

The EZ Delivery plan prepared in conjunction with GENECON LLP was approved by Blackpool Council as the Enterprise Zone's accountable body on the 18<sup>th</sup> July 2018 and was also approved by the Leadership Board of Fylde Council on the 12<sup>th</sup> July. The Delivery Plan, which is a commercially confidential and commercially sensitive document, has been approved by the LEP and submitted to MHCLG and feedback is awaited.

### **c) Enterprise Zone Outputs and Phase One Funding**

The Delivery Plan identifies the prospect of significant outputs from the Enterprise Zone including 4,989 additional jobs, 270,002m<sup>2</sup> of floor space and the potential to generate a cumulative £73.31m of retained business rates (net of baseline voids and reflecting deductions for optimism bias) as illustrated in Table 1 below:

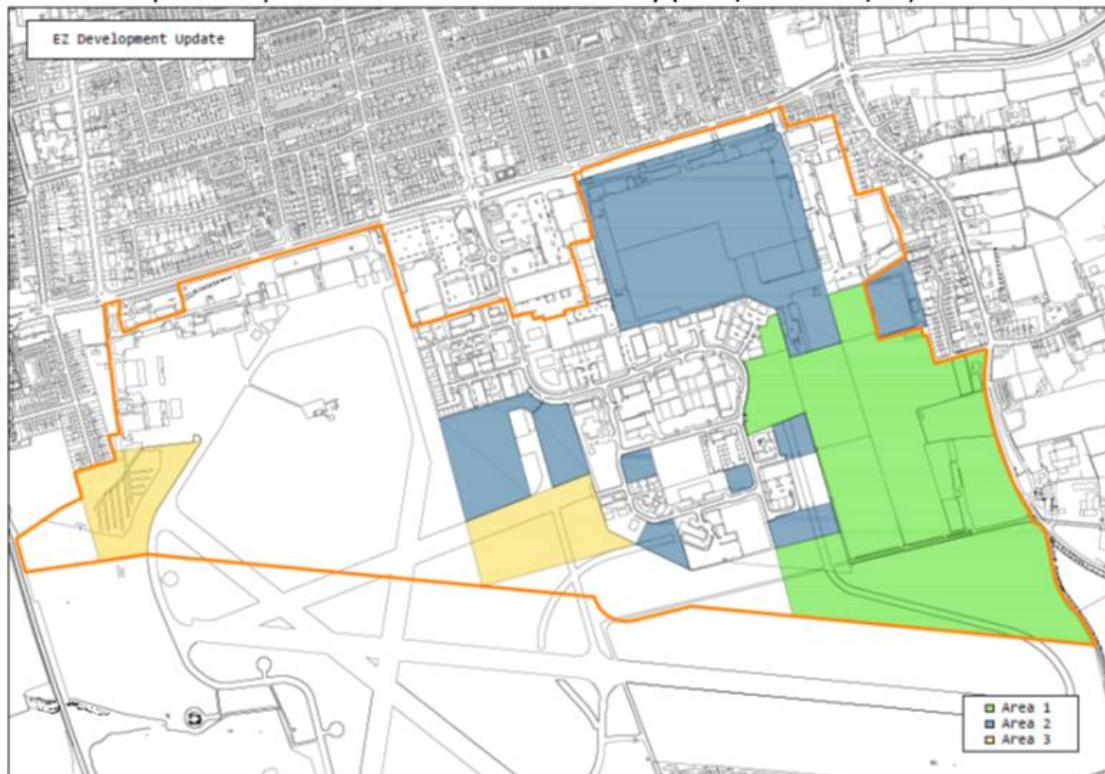
Enterprise Zone Outputs	Approved Masterplan	
	2018-22 1 <sup>st</sup> 5 years	Lifetime Total
Numbers of occupying businesses	133	284
Floorspace take-up (sqm)	95,518	270,002
Net Jobs profile	1,513	4,989
Generated annual business rates	£1.75m by 2022	£5.19m by 2038
Cumulative business rates generated	£3.60m	£73.31m
Cumulative Gross Value Added	£231.94m	£2.08bn

The Delivery Plan also identified that £72.2m of expenditure may be required to provide enabling infrastructure and related operational activity to deliver the Enterprise Zone over its 25 year life, including costs of strategic acquisitions to enable delivery of key operational infrastructure and facilities, particularly within the reconfigured Blackpool Airport to release land for economically beneficial development:

<b>ALL PHASES SUMMARY</b>	<b>Total</b>	<b>2018- 2020</b>	<b>2021- 2022</b>	<b>2023- 2027</b>	<b>2028- 2036</b>
Infrastructure	£36,922,293	£6,550,609	£9,264,397	£14,808,454	£6,298,832
Direct Development	£6,400,000	£3,450,000	£2,350,000	£600,000	£0
Consultancy / Fees	£1,430,000	£670,000	£260,000	£500,000	£0
EZ Delivery	£5,995,000	£1,055,000	£765,000	£1,750,000	£2,425,000
Other Costs	£7,055,000	£3,785,000	£650,000	£1,520,000	£1,100,000
Land Acquisition Costs	£14,210,000	£13,310,000	£550,000	£350,000	£0
<b>GRAND TOTAL COSTS</b>	<b>£ 72,012,293</b>	<b>£ 28,820,609</b>	<b>£ 13,839,397</b>	<b>£ 19,528,454</b>	<b>£ 9,823,832</b>

As illustrated in the table above the bulk of this expenditure will need to be incurred in the early years of the project between 2018 and 2020, when the projected income from business rates relief, short term rental income and associated land sales will be insufficient to cover costs. Blackpool Council has therefore committed to undertake prudential borrowing of up to £28.8M over the initial three years of activity to meet the costs of delivering the Enterprise Zone, with the cost of borrowing at the Council's pooled borrowing rate.

This funding will be focussed upon delivery of the first phase of the Enterprise Zone, but will also extend to include elements of the airport phase 2 relocations. In summary this phase one of development (illustrated in the plan below) will include the relocation of existing playing fields and associated changing rooms and facilities from the Common Edge Playing Fields, to adjacent greenbelt land within the Council's airport estate, releasing the Common Edge site for provision of new serviced development plots and the construction of a new Eastern Gateway access, on the areas shaded green. An outline planning application is in preparation for this area which is targeting submission to Fylde and Blackpool Councils in early 2019. Full design work and thereafter planning applications for both the Sports Village and the Eastern Gateway access road will be progressed in the first quarter of 2019.



**d) Retained Business Rates (NNDR)**

The primary source of revenue funding for the Enterprise Zone which will be used to fund prudential borrowing is derived from the retention of any new business rates generated, with each authority able to retain any such growth above an agreed baseline for the life of the Enterprise Zone. The anticipated lifetime gross income retained business rates income for Blackpool EZ is in excess of £70m.

The business rates baselines for the EZ were calculated and agreed by MHCLG in December 2016 and will remain fixed for the duration of the EZ (unless amended at a future date by primary legislation). The baselines are set out below and in their calculation, allowance was made to cover matters such as removal of existing premises from the rating list, (e.g. the Former Wellington Bomber factory), voids which would have a maximum impact of six months and successful appeals against rateable values, thus ensuring that there is a reasonable cushion against such “lost” income as the assumption is that any annual shortfall in business rates income against the established baseline would need to be met in the first instance from the from business rates growth before the such income could be utilised in respect of EZ investment. If the level of business rates income for the EZ falls below the baseline in any one year there is no payment due to the accountable body for the Airport EZ.

Where it is likely that existing property within the agreed baseline – will need to be demolished or otherwise removed from the rating list this has been fully reflected in the Delivery Plan assumptions and appropriate allowance made when determining anticipated income and cash flow.

Billing Authority	EZ Collectable Rates	EZ Transitional Protection	2017/18 EZ Baseline	Retained EZ Rates	Compensated EZ Relief	Total EZ Retained Rates
Blackpool Council (E2302)	£2,051,364	-£164,175	-£1,503,000	£384,189	£207,604	£591,793
Fylde Borough Council (E2335)	£1,029,923	-£119,230	-£ 870,000	£ 40,693	£137,330	£178,023
<b>Total</b>	<b>£3,081,287</b>	<b>-£283,405</b>	<b>-£2,373,000</b>	<b>£424,882</b>	<b>£344,934</b>	<b>£769,816</b>

*This information has been extracted from the 2017/18 NNDR3 return.*

The amount of retained business rates is calculated in May each year as part of the annual NNDR3 process. With six new developments joining the rating list in 2017/2018 and since the commencement of the EZ, this has amounted to **£591k** in Blackpool and **£178k** in Fylde, a total of **£0.769m**, which if maintained over the remaining lifetime of the EZ (i.e. with no voids etc) could generate a lifetime income in excess of £17m. The figure of retained business rates growth will inevitably vary from year to year.

The Memorandum of Understanding signed on the 9<sup>th</sup> November 2016, which covers the governance and operation of the Enterprise Zone, provided that all business rates growth is made available to the Accountable body (Blackpool Council) to enable the delivery of the Enterprise Zone. The £0.178m business rates growth raised by Fylde Borough Council in FY 17/18 will be paid across to Blackpool Council as the accountable body following completion of the NNDR3 process. The NNDR reconciliation process is normally completed by June and was completed by June and it is recommended that a formal agreement is now put in place between Fylde and Blackpool Councils which enables the transfer of any confirmed annual business rates growth to the accountable body within one month of the NNDR settlements – i.e. usually by June for each of the next 22 remaining years of the EZ.

In some instances additional income in the form of S106 and S278 (Highway) agreements will be generated from planning consents granted within the EZ. Where appropriate these funds will be retained by the collecting authority until such time as they are required by the accountable body to support appropriate specific qualifying investment/ physical development within the EZ, when they will be drawn down upon request of the accountable body.

#### e) Marketing Strategy

In compliance with the requirements of the MoU, a marketing strategy for Blackpool Airport Enterprise Zone has been prepared and submitted to MHCLG (Annexe 2). This strategy embraces and incorporates the overarching LAMEC branding and marketing approach adopted for Lancashire's four Enterprise Zones and is focussed on the detailed marketing activity for the Blackpool Airport EZ, particularly localised audiences and target sector engagement, with international and key sector marketing to be led via Marketing Lancashire and DIT.

The intention is to work closely with Marketing Lancashire to develop and implement the Marketing Strategy and to ensure full cooperation and sharing of enquiries and generated leads.

#### f) Marketing activity



Blackpool Council has recruited a specialist marketing officer to focus on promotion marketing and enquiry handling activity across both Blackpool Airport and Hillhouse Enterprise Zones and she has produced a range of new literature to assist in the promotion of the Enterprise Zone, including a summary of the EZ Masterplan. A significant number of press releases have been issued gaining widespread coverage in local and trade media and active Twitter, Facebook and LinkedIn social media accounts have been established.

The Enterprise Zone was also showcased at MiPiM UK in October 2018 as part of the Marketing Lancashire presence at the national property and development event held at London's Olympia. The primary objective for attending was engagement with potential investors and developers and a number of good contacts were established.

New site signage has been installed at four locations around the EZ boundary, promoting the central LAMEC Enterprise Zones web sites which went live at the beginning of May. The existing EZ domain of [www.blackpoolez.com](http://www.blackpoolez.com) has been retained and patches seamlessly through to the LAMEC site.

Additional development work is urgently required to the web sites to add content and functionality. A newsfeed page has now been included but key personnel and administration rights need to be agreed to ensure immediate upload of information. Timely posting of news is critical for a credible and informative website. Key documents including brochures and EZ rates relief information fact sheets are now available for download. There is a functional enquiry handling process although this still requires all enquiries to be forwarded by Lancashire County Council and we are continuing to work for direct enquiries feeds for both Blackpool and Hillhouse EZ's.

It is intended to appoint joint local agents to assist in the marketing of the site, proposals have been invited for a joint agency from the main agents currently active on the EZ. Lancashire County Council/LEP will lead on the appointment of a single agent to lead international marketing activity for all four LAMEC EZ's.

#### **g) PIN Notice**

A process to identify potential investment and development partners has commenced with the issuing of a PIN notice inviting expression of interest from developers, consultants, investors and design and build contractors. The non-binding PIN closes on the 30<sup>th</sup> November and will better enable a decision on the nature of partnership best suited to each of the elements of the EZ. The responses will be evaluated and a formal procurement process launched in the New Year.

#### **h) Risk Register**

The Risk Register for EZ Project will be circulated at the meeting – it is a commercially confidential document and is continuing to be evolved. This is utilised to identify critical issues to be monitored and also to assist in devising appropriate mitigation strategies.

#### **i) Blackpool Airport**



York Aviation has now produced its report outlining recommendations for the future development of the Airport, this was approved by Blackpool Council on 5<sup>th</sup> November and the summary of the report is appended as Annexe 3. The report confirms there is no immediate prospect of a sustainable return of international charter traffic, identifies that future business focus should be on executive/corporate aviation and general aviation and pilot training activities, with retention of the current Spirit Contract to support off shore gas production crucial to the long term sustainable future of the airport.

York has proposed revised layout options for the operational airfield facilities to enable the release of land along Squires Gate frontage for EZ related development and these have been incorporated in the revised version of the Masterplan issued to MHCLG.

SGAOL is now developing a detailed operational business plan on the basis of the York recommendations and commitment has already been made to renew the Instrument Landing System (ILS) which will act as a positive signal to the aviation industry.

## **j) Enquiries and Development**

The level of enquiries and applications for business rates relief has declined slightly in recent months reflecting both the reduction in the availability of premises for business and general uncertainty prior to BREXIT. Work is ongoing to deliver several confidential bespoke development proposals including two international enquiries which remain under discussion. However the ability to respond to interest is restricted in the short term until enabling infrastructure opens up new development plots, with only a few smaller serviced development plots in third party control remaining at Blackpool Business Park.

The majority of recent new entrants to the EZ have been accommodated within existing third party owned premises having been drawn from growing local companies. Five new build developments have been completed since the commencement of the EZ, the most recent being the 20,000 sq ft Dakota Court on Amy Johnson Way, which in part is occupied by its developer AC Electrical who located 50 jobs to the EZ in March. One new 20,000 sq ft unit for ARC is due for completion by the end of the year and a new Electricity Generation facility will be completed in the first quarter of 2019.

To date:

- A total of 220 enquiries have been received since commencement of the EZ.
- Some 53 businesses have located to the Enterprise Zone since April 2016 with two additional businesses scheduled to take occupation of premises within the next two months, the most significant recent arrival being TMLS who have relocated 70 jobs to Viscount house and are looking to recruit another 90 staff – 60 of whom are now in place.
- A total of 693 jobs have located to the Enterprise Zone of which some 160 are considered to be completely new jobs.

## **2. Forthcoming Activity**

### **a) Phase One Development**

A comprehensive piece of work has been completed by BWB Consulting examining Highway issues on, and in the region of the EZ and the information this has generated is now being utilised to assist a team led by consultants Cassidy and Ashton in preparing an outline planning application for phase one of the EZ. The outline planning application is centred on the Common Edge Playing Fields which will be submitted to Fylde and Blackpool. A public consultation event in respect of the proposed outline planning application will be held at South Shore Cricket Club on the 6<sup>th</sup> December, giving local residents and businesses an opportunity to comment on the proposals and engage with the EZ delivery team on a wide range of issues and concerns. Subject to the outcome of the consultation, the outline planning application will be submitted in the first quarter of 2019.

### **b) Project Team**

The second meeting of the reconstituted Blackpool Airport EZ Project Team was held on the 9<sup>th</sup> November at Lancashire Energy HQ, receiving a progress update and considering the Risk Register. The next meeting will take place in January 2019 when inter-alia it will review the phase one outline planning application prior to formal submission.



**BLACKPOOL AIRPORT  
ENTERPRISE ZONE  
LANCASHIRE**  
PART OF THE LANCASHIRE ADVANCED  
MANUFACTURING & ENERGY CLUSTER

## Annexe 1

### Updated Enterprise Zone Masterplan







## Annexe 2

### Blackpool Airport Enterprise Zone Marketing Strategy



**BLACKPOOL AIRPORT  
ENTERPRISE ZONE  
LANCASHIRE**

*PART OF THE LANCASHIRE ADVANCED  
MANUFACTURING & ENERGY CLUSTER*

## **BLACKPOOL AIRPORT ENTERPRISE ZONE**

### **MARKETING STRATEGY**



**October 2018**

## BLACKPOOL AIRPORT ENTERPRISE ZONE MARKETING STRATEGY

### OVERVIEW

Submission of the Delivery plan to MHCLG is to be accompanied by a brief marketing strategy proposal identifying how the Enterprise Zone is to be promoted.

Marketing and promotional activity for the Enterprise Zone will be undertaken by Accountable body Blackpool Council working in partnership with Marketing Lancashire, who on behalf of Lancashire LEP will be undertaking international marketing of Lancashire's four Enterprise Zones under the Lancashire Advanced Manufacturing and Energy Cluster (LAMEC) branding which encompasses Blackpool's sister site at Hillhouse Technology EZ and the two British Aerospace /Lancashire County EZs at Samlesbury and Warton:

The LAMEC branding and it's common logo style will be adopted for the Blackpool Airport Enterprise Zone – utilising a tangerine accent colour for all marketing and promotional material to maintain a common thread in promoting opportunities to a predominantly international audience where there would likely be little recognition for any of the four locations –although Blackpool would have a slightly greater international resonance given its association with its international tourism offer.

#### 1.1 – LAMEC Brand



#### 1.2 – The Four Enterprise Zone Brands

<b>Sector focus:</b> Advanced Manufacturing & Engineering <i>The UK's newest Advanced Engineering and Manufacturing site immediately adjacent to a manufacturing centre for BAE Systems, one of the world's most advanced, technology-led defence, aerospace and security solutions companies.</i>	<b>Sector focus:</b> Energy, Chemicals & Polymers <i>Hillhouse Technology Enterprise Zone offers full COMAH status and provides facilities for the chemical sector on an existing, internationally recognised business park.</i>	<b>Sector focus:</b> Aviation, Energy & Advanced Manufacturing <i>Blackpool Airport offers bespoke aviation solutions and other commercial airside activities including helicopter and private flights, and the flagship Lancashire Energy HQ will act as a training base for the national energy sector.</i>	<b>Sector focus:</b> Advanced Manufacturing & Engineering <i>The site offers opportunities for companies to locate alongside BAE Systems' Military Air and Information Division, which has developed some of the most advanced engineering and manufacturing capability anywhere in the world.</i>

All international marketing and promotion including attendance at international events such as MiPiM, Farnborough and Paris Airshow's will be undertaken under the LAMEC banner as part of the Invest in Lancashire initiative run by Marketing Lancashire working in close collaboration with the Department of International Trade (DIT) [www.investinlancashire.com](http://www.investinlancashire.com)

LAMEC activity will encompass the overarching host LAMEC web site, providing extensive background on the broader Lancashire /North West England offer, as well as providing direct links to individual sites for the four individual Enterprise Zones and a centralised enquiry receiving service.

Marketing Lancashire will employ an international practice of commercial property agents (awaiting appointment) to assist in overseas promotion of the locations, to secure and negotiate occupier leads.

Marketing Lancashire will also work closely with Lancashire County Council to respond to Inward Investment enquiries presented via DIT and UK embassy staff overseas, articulating the Lancashire offer and directing enquiries to the most suitable of the four EZ locations.

The bulk of the marketing activity will be managed at a local level within the Blackpool Council Growth and Prosperity Team, with a dedicated marketing officer appointed 1<sup>st</sup> May, working solely to support the Marketing of Blackpool Airport and Hillhouse Enterprise Zones and providing the day to day liaison with Marketing Lancashire.

A critical early task is taking the commercial proposition and refine the EZ offer to suit target sectors and occupiers, creating a set of unique selling propositions around which the marketing strategy has been developed (recognising that the initial offer in terms of accommodation choice is limited).

Building on existing activities the marketing strategy will:

- set out clear marketing objectives linked to target outcomes
- define key messages and benefits to target occupiers with particular emphasis on bottom line cost and profitability advantages for locating at Blackpool Airport EZ
- establish the appropriate marketing channels, mechanisms and materials (web site, brochures, direct marketing, events and networks etc.) which will be utilised to generate leads and enquiries.

It is accepted that as part of this process, Blackpool Council and key stakeholder will need to determine their specific roles in marketing and communications, particularly the relationship between place marketing at a local authority/LEP level and interaction/engagement with Department for International Trade (formerly UKTI) and other strategic marketing partners - including retained commercial agents and intermediaries such as sector/employer organisations and potential ambassadors for the EZ.

## **PROPOSED EZ MARKETING PROGRAMME**

This action relates to the delivery of the agreed marketing and communications plan, recognising that existing arrangements with Blackpool Council handling enquiries will remain in place. Key actions (that require further in depth strategic planning) will include:

### **Media Relations**

Identifying topical and tactical opportunities for the local press, regional business media and national property press to promote good news stories within the EZ including planning milestones and key developments within the site. Individual case studies and feature articles will also be placed where appropriate, and where the relevant opportunities arise, in target sector journals and publications communicating good news stories from occupiers on the site e.g. industry awards, expansion plans, new facilities, job creation etc.



Trade media publications will be key in delivering a targeted messages relating to the needs and requirements of each specific industry and helping to identify and target priority key audiences.

Protocol will be agreed between brands and marketing facilities for PR related activities to ensure no duplication or contradiction occurs and messages are clear and defined from all departments.

Developing stock phrases and stakeholder soundbites to be used across all marketing literature and platforms.

A comprehensive resource library for each target sector would be highly beneficial to help identify business leads in specific industries that may require new sites, locations or design & build opportunities.

### **Branding**

Implementing the LAMEC and MHCLG Enterprise Zone branding maintaining a cohesive, strong brand across all literature.

All local marketing will be co-ordinated and provide a complement to the national and international branding and messages of the Department for International Trade and Marketing Lancashire.

### **Investment Market Research**

Marketing research has been commissioned by Mickledore into the business investment perceptions of Blackpool as a place to invest, the current investment offer, perceived barriers to investment and identification of priorities and recommendations for the development of an in depth Blackpool Investment Marketing Strategy. The Enterprise Zone will be a key element in this business focused strategy.

An external marketing agency has now been appointed to implement an overarching business investment strategy and communications campaign, the new contract due to commence January 2019 and will be co-ordinated by the Enterprise Zones Marketing Officer at Blackpool Council.

### **Photography & Audio Visual Media Library**

Commissioning photography to portray a high quality and professional image for the zone and exploring the opportunities surrounding videos, time-lapse footage and aerial footage of the site. Compilation of a comprehensive library of professional visual aids is being built and will be maintained to use across multi-media platforms over the lifespan of the development.

This currently includes:

- a selection of professional photography
- fly through video showing the realised visualisation of the Enterprise Zone Masterplan [www.blackpoolez.com/flythrough](http://www.blackpoolez.com/flythrough)
- supporting We Are Lancashire promotion video [www.investinlancashire.com](http://www.investinlancashire.com)

Where opportunities arise, photocall opportunities will be arranged for the local media on site to promote key development stages of the site for example ground breaking ceremonies, new occupiers on site, occupier news, open days, property agent networking events and launches etc.

## **New EZ Website**

**Phase 1** - A website has been developed to promote the Blackpool Airport EZ [www.blackpoolez.com](http://www.blackpoolez.com) as part of the LAMEC collection. The website is fully branded with the LAMEC theme and reinforces the strength of the brand throughout the site. An enquiry contact page has been added and enquiry handling is being co-ordinated at County Council and Blackpool enquiries forwarded to the local Blackpool team.

**Phase 2** – Further to website workshop on 10<sup>th</sup> September, development plans are in place to introduce more interactive elements and dynamic content to position the new websites as the central hub for all information relating to the EZs and which will help to push up the website through the Google search ranks and improve the EZ's SEO ratings. This is being co-ordinated by Marketing Lancashire on behalf of the LEP and Richard Barbers is implementing the changes according to their brief.

Proposed features include:

- owner/occupier directory on the site
- interactive property search – using the live feed from Evolutive
- visual map of all property and land availability
- downloadable information brochures e.g. Masterplan Summary - supplied to Barbers for inclusion
- fiscal incentives and information – a downloadable pdf brochure on business rates relief and links to information on Enhanced Capital Allowances - this has been supplied to Barbers for inclusion on the download tab of the website
- joint agency contact details
- live news feed – this has now been implemented with administrator rights currently with Barbers.
- links to a dedicated EZ Twitter account @blackpoolez
- video fly through imagery – this has now been added <http://blackpoolez.com/flythrough/>

Enquiry contact points and a dedicated freephone telephone number will be easily found and accessed throughout the site, enabling quick replies to customer enquiries.

The website will also provide links to LAMEC, Invest in Lancashire and DIT and other supporting partner websites such as universities and government economic strategies.

## **Social Media**

Utilising social media platforms enables a daily, informal, news feed and provide an invaluable way to connect, chat and communicate developments with various EZ stakeholders including the general public, business leaders and key business influencers, the commercial property network and various networking groups. Each account is fully branded and in line with the LAMEC and Enterprise Zone brands.

Twitter - @blackpoolez

Facebook - [facebook.com/Blackpool-Airport-Enterprise-Zone](https://facebook.com/Blackpool-Airport-Enterprise-Zone)

Linked In - [linkedin.com/company/28656296/admin/updates/](https://linkedin.com/company/28656296/admin/updates/)

Each platform has its own individual merits:

- Twitter encourages open dialogue and small digestible newsbytes
- LinkedIn provides a business platform that is tailored to making professional connections
- Facebook is a platform that can work as an extension of a public consultation and is a vehicle for the local community people and stakeholders to voice opinions, ideas and promote feedback from the general public

All social media accounts were created from new in May 2018 and are updated regularly with relevant news and local interest information. Followers/connections are growing organically as awareness of the sites as a source of EZ information increases.

### **3<sup>rd</sup> party property forums**

Where appropriate and after consideration of costs, other third party forums, property databases and blog posts will be considered to add value to the promotion of the EZs for example Zoopla Pro, Rightmove Commercial, Costar, Novaloca and EGi. However, joint commercial property agents will already advertise their properties on several of these third party websites and it will be the EZ marketing team's job to make sure the marketing particulars are branded Enterprise Zone property and have the relevant financial benefits and contact details included.

### **Field Study of the Enterprise Zone & Database of Occupiers**

Surveying the Blackpool EZ site, identifying existing occupiers and creating a database of owner/occupiers. This will be updated regularly and will be used to build relationships with the EZ existing users and providing an open dialogue and opportunities to disseminate future EZ marketing literature such as e-newsletters or project updates. Once implemented this could be managed through liaison with the appointed third party estate management team for Blackpool Enterprise Zone.

A list of newsletter recipients is being developed with a view to the first newsletter being issued Jan 2019.

### **Survey of Current Vacancies**

Similarly to identifying existing occupiers, a full survey of the site would be undertaken to identify property voids and land availability within the site, identify commercial property agents marketing each empty unit, and feed this information back through the website. This will become a central point of reference for all availability for property and land within the site.

### **Evolutive CRM – Enquiry Database Management**

Developing a comprehensive, regularly updated enquiry database, exploring existing leads and tracking live property requirements, will be key to the future development of the EZ sites. This will be done by utilising fully the existing Evolutive CRM system which will feed the EZ property database through to the new website so that enquirers can access the information, download the brochures and access agent's contact details to arrange viewings etc. New features and associated costs are being explored and discussed with LCC.

## Appointment of joint commercial property agents

Commercial property agencies have been appointed to market all vacant space and available plots of land to the local, regional, national and international markets. The joint agents, Duxburys Commercial, Robert Pinkus & Co LLP and other key development partners will help to identify potential owner/occupiers and to speed the development of the zone/make available design and build packages.

## Creative literature and promotional materials

All promotional literature will be made as flexible as possible so that it can be used across multi-media platforms. All literature and promotional material will include all the relevant branding and key messages. Promotional literature currently includes:

- Marketing brochure
- Masterplan Summary
- A5 double sided flyer
- Fact sheets for business rates and ECAs
- 2 x pop up exhibition stands
- EZ branded Blackpool rock

Other options surrounding i-brochures and infographic-led marketing material will be explored on its merits to communicate and promote the wider benefits surrounding the Enterprise Zone e.g. investment in housing and infrastructure, creation of new highways to increase accessibility to the site, investment in education, creation of new, landscaped public spaces. i.e. complex infrastructure development presented visually and simply.

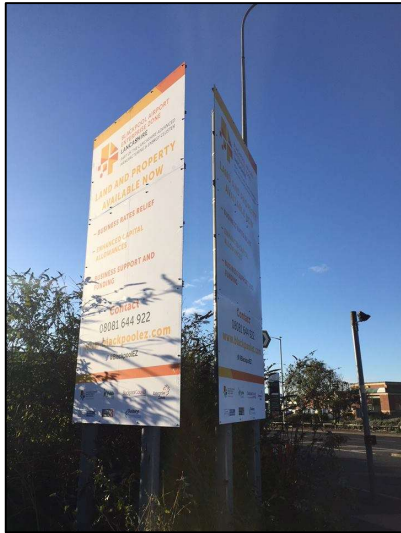
Case studies and human interest stories that promote the wider benefits of conducting business from this location could also be presented in a flexible design that can be adapted to suit different sectors and updated on a regular basis.

## Marketing Boards

Marketing boards at strategic locations around the site are in situ. The boards are clearly branded and include the website address and a telephone number for all enquiries. They also carry Council branding and logos of joint agents.







Consideration will also be given to internal signage i.e. 'way finder' signs within the zone to direct interested parties to new developments and areas of interest.

### **Direct Marketing**

Where appropriate, the EZ enquiry database will be used to contact applicants with a live requirement to new property and land availability. Direct marketing i-brochures, marketing particulars and e-flyers will also be issued to the commercial property agents both regionally and nationally, mainly through joint commercial property agent networks.

For key plots or significant properties specific sectors or postcodes could be targeted using third parties services such as mailing houses to buy in targeted lists based on sector, postcode, number of employees, turnover etc depending on criteria and level of activity planned.

### **Advertising**

Advertising would be considered on a case to case basis. It can be costly with not much value added return on investment and each opportunity would be considered on its own merits.

An advertising package was recently placed in Estates Gazette, the leading commercial property publication to reinforce Blackpool EZ's presence at MIPIM UK and the message that Blackpool Council are searching for developers, joint venture and construction partners to bring forward the first phase of development. The advert was placed in the edition that was circulated at MIPIM UK, thus providing great targeted reader numbers. The advert included online banner advertising on egi.co.uk and a developer e-flyer was issued to the EG subscriber mailing list. A good response to the advert was received and leads are being followed up.

### **Events**

Events specific to key target sectors and audiences will be considered for their value, reach and return on investment, on an ad hoc basis. Participation in some events have already taken place targeting specific audiences and delivering key EZ messages:

- Meet & Greet the EZ Team – local relationship building exercise on the EZ, making connections with local stakeholders, owner occupiers and local businesses
- MIPIM UK – national commercial property audience, part of the We Are Lancashire/Invest In Lancashire delegation to promote the EZ and to launch a search for developer/JV partners to bring forward the delivery of the EZ.

### **Sponsorship Opportunities**

Sponsorship opportunities will be considered on a case by case basis as events arise, as with advertising, these opportunities can be costly with little return. Events to consider may include regional business delegation or sponsorship of a conference, tradeshow or event within a priority target industry. The suitability and relevance of the audience will be taken into consideration alongside overall exposure of the brand and against the cost of the activity.

Sponsorship has been secured for the Lancashire Business View Nov/Dec Launch Event – Regional Focus – Fylde Coast. The event is being held at Energy HQ, Blackpool Airport and will attract up to 80-90 Lancashire businessmen and women. There will be a panel discussion, Q&A's with a key member of the Growth & Prosperity Team, branding in print, online and at the event.

### **Aero.com URL**

The Aero.com is a domain name exclusively reserved for the aviation industry. The url has been purchase on an initial 12 month contract to help promote the Blackpool Airport Enterprise Zone within the aviation sectors and to exploit any database information and existing relationships within the industry in order to generate more business leads for the airport site.

### **Connections with Local Educational Facilities**

Local marketing would focus on relationship building with Blackpool & Fylde College and other local educational institutions to build a catalogue of case studies to use to promote the site and the local investment in a future skilled workforce. This will in turn help to generate interest in the Fylde Coast as a place to do business in the future due to a skilled, highly trained, local workforce.

### **Business to Business Networking**

Establish contacts with specialist business developers and relocations experts to generate leads for expansion and relocations requirements to the Fylde coast.

Identify and explore business lead opportunities through networking with CIPR and other local marketing networking events and established business groups such as the Chamber of Commerce.

### **Conclusion**

All the activities discussed in the above marketing strategy will be subject to further scrutiny depending on the relevance of each activity, perceived added value and the cost of each activity considered against budgetary restraints.

Each activity delivered will aim to:

- promote the Enterprise Zones and support the Economic Prosperity Board
- raise the profile and awareness of the economic opportunities at the Enterprise Zones
- attract new and sustainable long terms business to the Fylde coats

- support new development and diversity of businesses on the Fylde coast
- advance vocational training and skills for the future local workforce

## Annexe 3

### York Aviation Report Summary on Blackpool Airport





**York Aviation**



**BLACKPOOL COUNCIL**

**BLACKPOOL AIRPORT STRATEGY AND BUSINESS PLAN**

**SUMMARY REPORT**

**September 2018**





**York Aviation**

**Originated by: Richard Connelly**

**Dated: 27<sup>th</sup> June 2018**

**Updated: 29<sup>th</sup> August 2018**

**Summary Revised: 11<sup>th</sup> October 2018**

**Reviewed by: Louise Congdon**

**Dated: 7<sup>th</sup> September 2018**

**Summary: 12<sup>th</sup> September 2018**

**BLACKPOOL COUNCIL**  
**BLACKPOOL AIRPORT STRATEGY AND BUSINESS PLAN**

**Contents**

**EXECUTIVE SUMMARY ..... |**



## EXECUTIVE SUMMARY

### Background

1. Blackpool Council (BC) re-acquired Blackpool Airport, through acquisition of Squires Gate Airport Operations Ltd (SGAOL), Blackpool Airport Property Ltd (BAPL) and the holding company Regional and City Airports (Blackpool) Ltd from Balfour Beatty in September 2017. The acquisition was primarily in order to secure the Airport's long term future as part of the Blackpool Airport Enterprise Zone (EZ). The Master Plan for the EZ<sup>1</sup> identifies, in broad terms, the facilities that would need to be relocated to facilitate development of the non-aviation component of the EZ and the zone safeguarded for the airport uses. Nonetheless, the EZ Master Plan makes clear the specific need for a more detailed Master Plan and Business Plan for the Airport area to enable BC to secure the growth and expansion of the Airport now that it is under its direct ownership and control<sup>2</sup>.
2. Accordingly York Aviation LLP (YAL) was appointed in late February 2018 to undertake an independent review with the aim of developing a strategy for delivering a sustainable long-term future for Blackpool Airport within the context of the EZ. We were asked to report on the following matters:
  - Review the findings and outline proposals included within the Blackpool Airport EZ Master Plan in so far as they relate to Airport operations and future potential infrastructure;
  - Examine the market potential of aviation-related development opportunities;
  - Review the existing operating model and recommend any improvements to the current management approach, including future custodians for Aerodrome operational licenses and employment of key personnel to minimise the Council's exposure to risk and create an incentivised culture for the operator to maximise growth, drive income and provide an economically stable future;
  - A high-level overview of requirements for renewal and upgrading of operational infrastructure, including control tower, navigation aids, hangar accommodation, apron and aircraft stands, terminal and security facilities, taxiways and the needs costs and benefits of maintaining a paved cross-wind runway;
  - Provide a high level estimate of capital and annual revenue expenditure likely to be needed to support implementation of all recommendations;

---

<sup>1</sup> Mott MacDonald, Blackpool Airport Enterprise Zone Master Plan, Draft for Consultation, November 2017

<sup>2</sup> Ibid, Section 9.

- Provide recommendations to resolve immediate issues with availability of hangar space for aircraft maintenance and storage and, thereafter, provision to meet anticipated medium and long term requirements;
  - Propose a forward strategy, setting out recommendations for investment and an indicative implementation timetable.
3. In essence, this study has been required to:
- establish the market for the Airport;
  - identify the infrastructure requirements to support the identified market and enable growth opportunities to be brought forward as they arise;
  - set out how best to deliver the strategy, including ongoing management of the Airport, to minimise risks to the Council and to facilitate growth.
4. Our work has comprised the development of a strategic Business Plan and land use Master Plan for the Airport operational area within the EZ. We recognise that a phased approach to delivering this Master Plan will be required, in large part driven by the broader requirement to develop the EZ. This report sets out the strategic potential for the Airport and what would be required to optimise the potential over the medium to long term. We do not seek to determine the optimum sequence for development as this will, in large part, be driven by the requirement, including timescales, for the implementation of the EZ and the specific needs of users as they come forward.

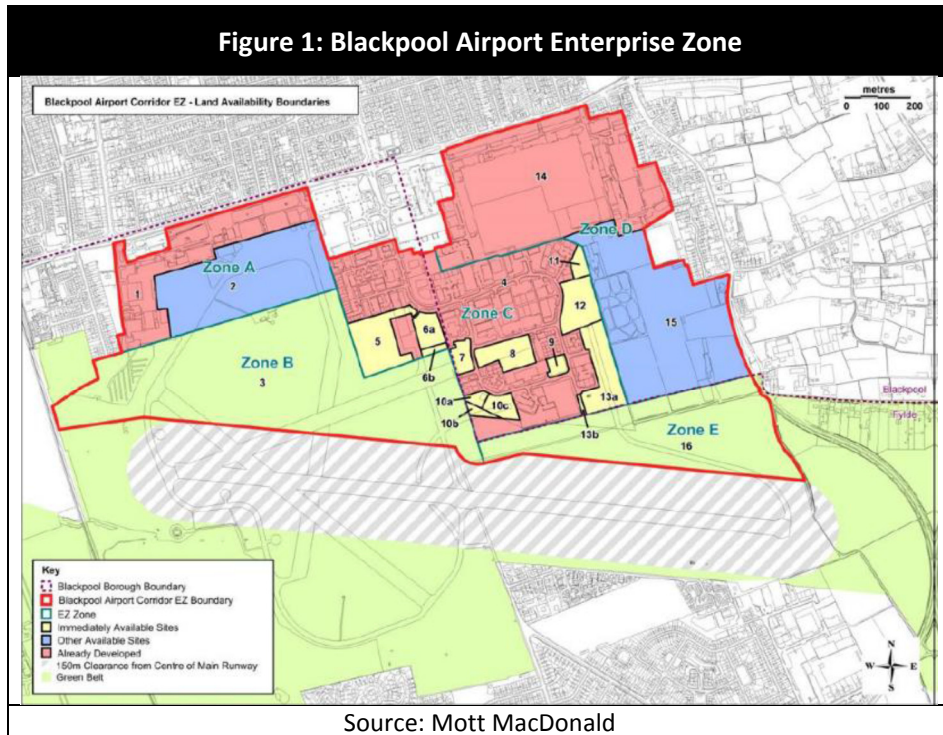
### **Contextual Review**

5. At the outset, we set out a number of key contextual aspects which have framed our work. These comprise both the relationship to delivering the EZ Master Plan and a number of shorter term issues which have the potential to impact on delivery of any growth plan. Our work has focused on identifying the strategic options for the medium to long term rather than short term operational issues. However, we have necessarily had to take these shorter term issues into account as the delivery of the long term strategy will be affected, to some degree, by the outcome of these shorter term considerations.



EZ

6. The Enterprise Zone, designated in 2016, comprises the entire site of Blackpool Airport to the north of the runway strip<sup>3</sup>, which is within Fylde District, along with neighbouring brownfield land within Blackpool. Much of the Airport site, south of the developed strip along Squires Gate Lane that is already designated as an employment site, is contained within the Fylde Green Belt. The EZ area can be seen in **Figure 1**.

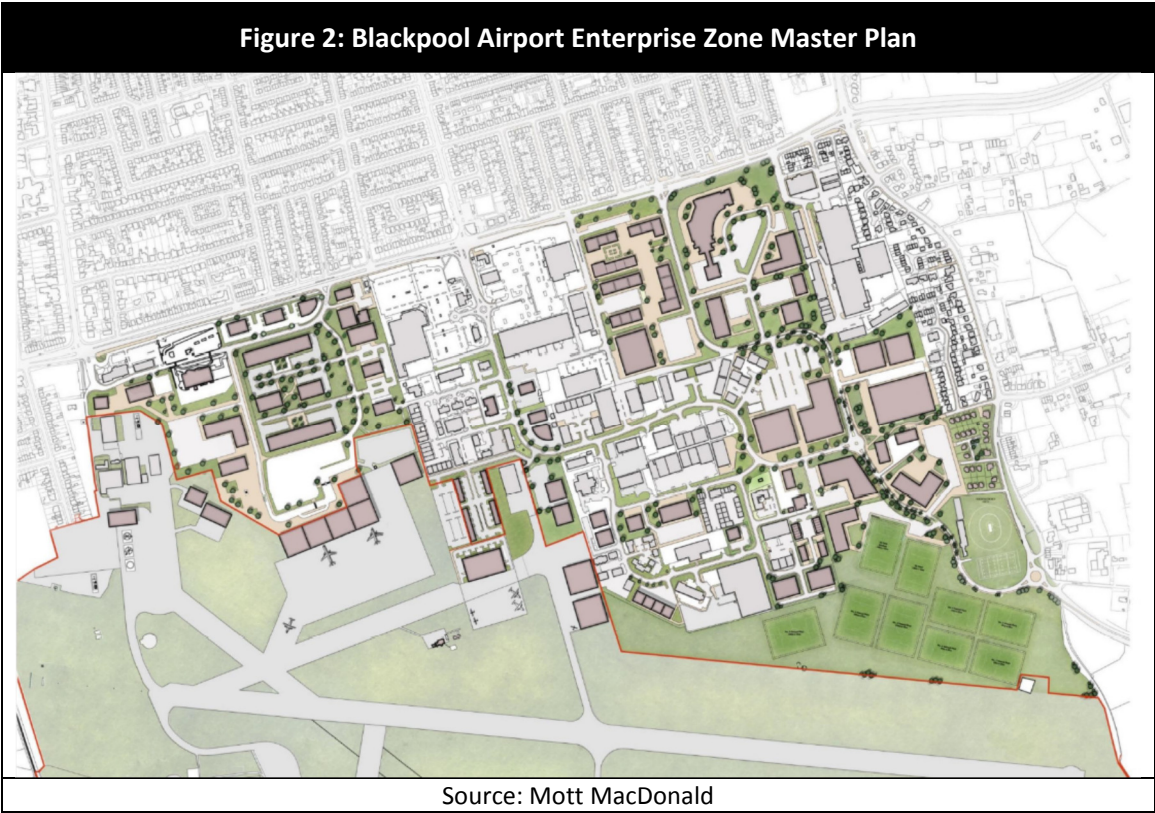


7. The Master Plan for the EZ sets out the framework within which development of the EZ area will be carried out. Otherwise, proposals for development within the Green Belt area, including areas to the south of the Airport runway, would be required to demonstrate that there are special circumstances which justify an exception to strict policies restricting development within the Green Belt.
8. Within the current Airport area, the EZ Master Plan proposes the following zonings:
  - Zone A – EZ development zone in accordance with defined sector targets and/or for the purpose of enabling development to support the continued operation of the Airport.

<sup>3</sup> The safeguarded strip of land either side of the runway to enable safe operation of aircraft. The runway is a Code 4 instrument runway requiring a 150m strip either side of the runway to be kept clear and with transitional surfaces limiting the heights of buildings either side of the runway.

- Zone B – Airport operational zone, including relocated facilities essential to the operation of the Airport.
  
- Zone E – sports and recreational activities.

A key consideration is that facilitating the development, in particular, of Zone A of the EZ will require a number of existing airport facilities to be relocated into Zone B and, possibly part of Zone C (currently outside of the Airport). These zones can be seen in **Figure 2**, the original EZ master Plan, and **Figure 3**, the more recently revised version based on airport layouts developed as part of this study.





**Figure 3: Blackpool Airport Updated Enterprise Zone Master Plan**



***Lessons from Other Airport EZs***

9. We considered if there were lessons to be learnt from the implementation of other EZs associated with airports. None of these required the relocation of core airport facilities. Overall, we do not believe that there is compelling evidence that there are synergies between the various airport-related enterprise zones nor significant direct competition between EZs for the location of specific aviation related opportunities. By and large, the uses attracted appear to be location specific rather than fully mobile investments. Other than at Manchester, it would appear that the rate of take-up of sites has been relatively slow across the EZs, notwithstanding the financial incentives but this may, in part, relate to residual planning issues.

***Contractual Legacy from Balfour Beatty***

10. When the Airport re-opened in late 2014, the company was split by Balfour Beatty into Squires Gate Airport Operations Ltd (SGAOL) and Blackpool Airport Properties Ltd (BAPL), with the latter owning all of the estate. Both companies operated under a holding company, named Regional and City Airports (Blackpool) Ltd. An operating contract was put in place with Regional and City Airports Management Ltd (RCAM), which has formerly been owned by Balfour Beatty but had, itself, been sold in 2013. This management contract was due to expire at the end of June 2018 but has now been extended to allow time for the optimum future management arrangements to be put in place.

11. The management contract expressly provides for both the CAA Aerodrome Licence<sup>4</sup> and Air Navigation Service Provider (ANSP) Certificate to be held by the Operator, i.e. RCAM, and for all staff to be employed by SGAOL except for the Accountable Airport Manager and SATCO<sup>5</sup>, who are to be provided from the Operator’s personnel. The split in employment of staff is unusual as are the absence of provisions in the original management contract to transfer key staff and licences at the end of the contract period, albeit this has been rectified in the agreed contract extension. We consider it essential that a new contractual arrangement can be put in place with clear accountabilities, responsibilities and liabilities. This would probably require a formal tender process if a new contract is to be let.

### ***Operational Land and the EZ***

12. It will be important for the future that there is a clear definition between airport operational land and non-operational development land. We recognise that the land considered operational will vary over time as existing airport facilities are relocated closer to the runway and land released for other uses. Whatever the future operating arrangements, there need to be clear protocols covering the transfer of land from the airport operation area to the non-operational part of the EZ.

### ***Short Term Issues***

13. Whilst BAPL is the freehold owner of this land, there are outstanding tenancy related issues covering a number of properties within the Airport operational zone. It will be important to the realisation of the release of land for the broader EZ development that these issues are resolved otherwise the rational reconfiguration of the airfield could be impeded.
14. A key issue is the number of hangars on very long term leases, which is significant compared to other airports with a high level of general and business aviation activity. Moreover, rental levels paid by occupants is low and this will create challenges to viably replacing these older hangars by relocated new build hangars to facilitate the development of the EZ given the cost of hangar construction.

---

<sup>4</sup> The Airport should have transitioned to an EASA (European Aviation Safety Agency) Certificate in 2016 but this was not completed. The transition would be required if commercial services were to be re-introduced.

<sup>5</sup> Senior Air Traffic Control Officer

### ***Spirit Energy Contract***

15. Currently, the offshore helicopter activities at Blackpool are operated by Babcock under contract to Spirit Energy (Spirit). Spirit are now in the process of letting a single contract for all of their UK offshore operations and the outcome will not be known until later this year. The Babcock contract has been being extended to November 2019 as an interim measure. These operations are critical to the current financial position of the Airport, without which the Airport would be fundamentally loss making. Although there would be some scope to reduce operating costs if the Spirit operations were to relocate elsewhere, any savings would not be sufficient to prevent the Airport from falling into losses.
16. Whilst Spirit appear to be proceeding on the basis that the operation will remain at Blackpool, this is not an absolute given until the contract is let and there remains some risk that it could be located elsewhere. There are, nonetheless, relatively limited viable alternative options available to the helicopter operator. We understand that Spirit has requested an audit of Airport facilities and the renewal of the contract has to be considered under threat until this is resolved. This would have major implications for the ongoing viability of the Airport.
17. In summary, there are a number of complications regarding the occupancy of land within the overall Blackpool Airport site and in the management arrangements inherited from Balfour Beatty. These need to be resolved as a pre-cursor to enabling the rationalisation of the Airport operation and so that the development of EZ can proceed effectively. Resolving these issues is outside the scope of our assignment, the purpose of which is to set out a medium to long term Strategic Business Plan for exploiting the Airport asset within the context of the Master Plan for the development of the EZ.

### **Market Potential**

18. We considered the market potential for the Airport to identify the facilities that need to be safeguarded for the long term. We have found a largely mixed picture in relation to the scope for growth, with some operators believing that opportunities are restricted by the overall local market, whilst others, particularly those focused on the wider aviation market in the UK, are optimistic about the scope for growth in their businesses or more generally for Blackpool Airport.

### ***Light Aircraft and Need for Hangarage***

19. Generally, we see some scope for growth in light aircraft activity, including flying training. We would expect this to be driven principally by attracting more aircraft to be based at the Airport, which would, in turn, require more hangarage. Hence, our Master Plan layout proposals provide space for more hangarage, over and above simply replacing that displaced by the EZ. It would be expected that at least some of this hangarage would be constructed by third parties and not at the expense of the Airport.

***Business Aviation and FBO***

20. This market sector has not been showing particular growth at Blackpool and the market in the UK as a whole is heavily dominated by London. Business aviation activity is fundamentally driven by the local economy and the presence of local ‘high net worth’ individuals. Those on site, particularly Hangar 3, see some scope for growth if more and better hangarage was available.
21. Within this sector, the key issue is the lack of a formally designated ‘fixed base operator’ (FBO) or handling agent for such flights. Hangar 3 fulfils this role and is currently being issued with a formal license which will see an income from this passed to the Airport. RCAM had also suggested it could bring its XLR business aviation handling product to Blackpool. At present, the scale of activity, suggests that having two FBOs is not likely to be commercially viable but the current situation of the Airport earning no revenue, other than landing fees, from such operations is unsatisfactory. We recommend that in future, a competitive process should be put in place for the awarding of the license for FBO activities at the Airport either on a sole or dual operator basis to maximise the commercial benefits to SGAOL.

***Offshore Helicopter Support Activities***

22. As set out earlier, the continuation of these activities is critical to the commercial viability of the Airport operation. The contractual position for the next 5-10 years should be known shortly. However, in the medium to long term, it is expected that off-shore activities will decline, with only limited scope to replace the activity with windfarm related activity. It is vital, then, that other sources of profitable activity are pursued.

***Commercial Air Services***

23. We analysed the market for commercial air services to assess how likely it is that commercial services might be reintroduced and form part of a viable Business Plan for the Airport. We assessed the maximum scale of the potential market as being of a similar scale (c.250,000 passengers a year) as operated prior to the Airport closing in 2014 and when the Airport was not commercially viable. Given some evidence of consolidation of the aviation market back to more major airports, such as Manchester, in recent years, it is far from certain that Blackpool could achieve a market of the scale it previously attracted in the near future but we have used this high estimate to indicate the long term upside potential in order to scale the facilities that might be required and safeguarded within the Master Plan.



24. It is probably more realistic that the niche route to the Isle of Man and related Irish Sea operations with small aircraft (similar to those used previously by Citywing), might be attracted to recommence. Even these services would require additional facilities and increase airport operating costs so any decision to reintroduce such services would likely need to be made as part of a broader strategic objective by the Council to provide local access to commercial services. We go onto consider the potential impact on costs and revenues for the Airport but, prima facie, it is not clear that such operations would be commercially viable for the Airport given the cost of reinstating the infrastructure and operating a dedicated passenger facility. In many cases commercial passenger operations at airports are only profitable from around 2 million passengers per annum.

#### ***Other Opportunities***

25. We are aware of a number of potential opportunities to attract substantial aircraft maintenance activity to the Airport, related to smaller executive jet type aircraft in the main. The most significant of these is 'Project Midfield'. During our study, we have not been able to firm up the seriousness of these opportunities but, given the potential to generate substantial rental and flying related income for the Airport, we consider it essential to safeguard a site for a MRO hangar within the Master Plan and for realistic opportunities to be pursued.
26. It was suggested by some consultees that more could be done to attract BAE System's corporate and cargo flights from Warton and we are aware that some discussions are ongoing. Of themselves, however, these are unlikely to be 'game changers' for the Airport.
27. Other suggestions included a training academy and activities such as aircraft recycling but the market for these is very competitive across a number of the UK's smaller airports.

#### ***Business Plan Scenarios***

28. We used this analysis of the market to set out a number of business plan scenarios for the Airport. Given the uncertainty around most of the opportunities, it is not possible to set out a definitive Business Plan for the Airport at this stage. Hence, we have considered a Core Scenario comprising the following components:
- Continuation of the Spirit Contract – which is assumed for the time being to generate similar incomes as previously;
  - Incremental growth in Business/General Aviation back to 2013 levels (pre-closure);
  - No scheduled passenger services;
  - Project Midfield/MRO opportunity delivered, bringing rent and movement/fuel income;
  - Increases in hangarage/lease income from replacement hangars and expansion;

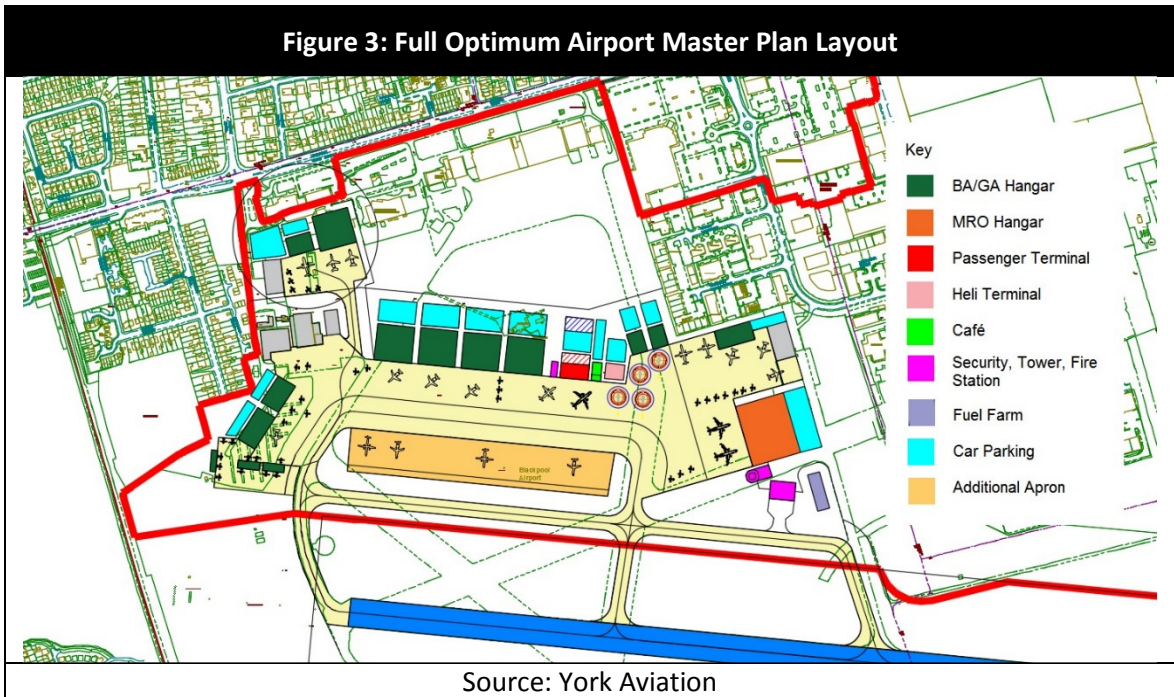
- Revenue from a single FBO/business aviation handler;
  - Provision of café with airside views.
29. We then tested some key sensitivities in terms of the implications on revenue and cost:
- Low level commercial services across the Irish Sea (60,000 annual passengers);
  - Move from management contract to in-house management;
  - Loss of the Spirit contract with limited windfarm related activity (as currently<sup>6</sup>);
  - Larger scale commercial services delivering a total of 250,000 passengers (including 60,000 Irish Sea) to replicate previous Jet2 operations; and
  - No Project Midfield/MRO opportunity delivered.

### **Infrastructure Requirements**

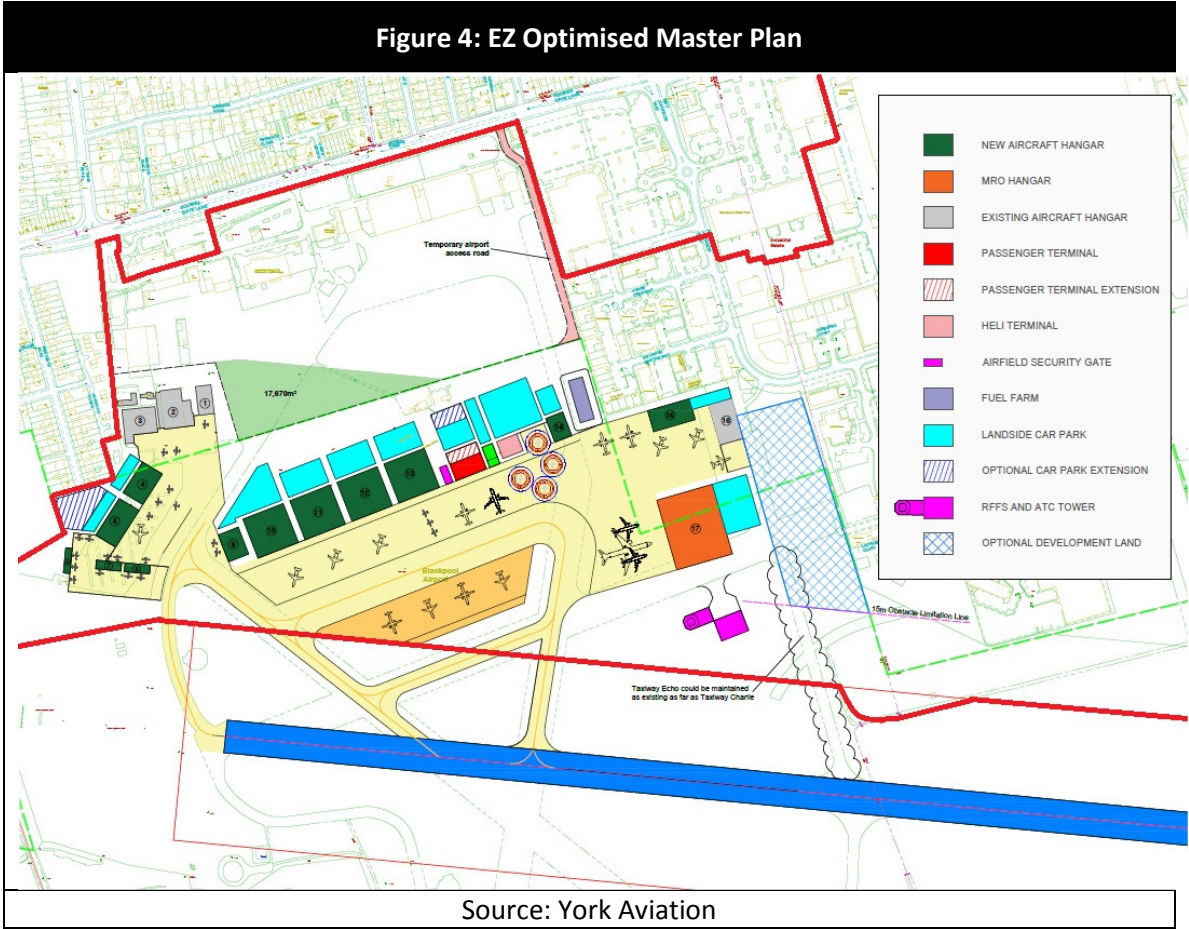
30. Drawing on our analysis of the market, we have set out two potential land use Master Plans for the Airport. The first identifies an Optimum Airport layout, which releases land for EZ development but preserves maximum flexibility to enable the Airport to exploit the full range of potential opportunities over the medium to long term. The second layout, EZ Optimized, releases the maximum amount of land for EZ development whilst still enabling the Airport to be able to exploit most of the identified opportunities.
31. Our proposed layouts are both focused on a key requirement of releasing land for the EZ, and if this was not needed then the best solution would likely be to retain the airport facilities in their current location. However, even retention of the current airport layout would still require expenditure to update the facility, including hangar refurbishments and improvements to the control tower among other aspects.
32. In our Optimum Airport Master Plan layout, shown in **Figure 3** overleaf, we have identified an appropriate layout, which we believe provides for all realistic growth opportunities at the Airport that could be realised over the medium to long term. This scheme provides the greatest level of flexibility for the future of the Airport under circumstances where the industry could change in ways which cannot yet be anticipated. The number of opportunities which have emerged throughout this study, coupled with the uncertainty over how many of these will be delivered and over what timescale, highlight the importance of safeguarding sufficient land for flexible development within the Airport Master Plan.

---

<sup>6</sup> The relocation of the activity back to Walney may make this less likely but effectively this sensitivity test replicates a situation where there is a major decline in off-shore gas related flying down to a minimal de-commissioning type level.



33. Nonetheless, we recognise the importance of maximizing the land available for EZ development as well as minimising the cost of replacement/new infrastructure. Hence, we have developed an alternative EZ Optimised Master Plan layout. This is illustrated in **Figure 4** overleaf. This layout delivers fewer hangars and will provide less room to flexibly develop the Airport site if future operators come forward with differing requirements from those we are aware of at this time.



34. In setting out these alternative Master Plan layouts, we have considered plans put forward for the development of hangars by other parties. On an individual basis, these developments could be beneficial and lead to additional activity at the Airport. However, as currently proposed, these developments are not consistent with an overall land use plan to optimise the Airport and its relationship to the EZ.
  
35. We recognise that redevelopment will need to be phased so that facilities are only relocated when they need to be to free up parcels of land for EZ development and/or that new facilities will only be provided when there is a clear requirement and business case. We have identified the minimum build requirements to enable the land adjacent to Squires Gate Lane to be made available at an early stage for EZ development. This triggers a number of consequential relocations to ensure that all users have the required access to the operational airfield.

36. We also considered a number of other potential infrastructure requirements:
- Cross runway and grass runway – although we understand there were concerns with closing the cross runway in the Master Plan Consultation, this may not be commercially viable given the implications of retaining this and based on our discussions with operators we do not consider there is a need to maintain the cross runway nor to provide a grass runway given the likely levels of usage;
  - Instrument Landing System – this is currently an essential requirement at the Airport for the Spirit contract and the existing equipment is in need of replacement. In the medium term, the need for an ILS may be replaced by GNSS equipment at a lower cost so we recommend that discussions take place with Spirit before a commitment to a full replacement of the ILS. In the meantime, it is essential that the existing system be maintained in use;
  - Radar – having a radar feed would enable the Airport to attract more business so we recommend that the option to obtain a feed from St Annes Radar, or elsewhere, is explored.

#### **Costs and Benefits**

37. We considered the costs of implementing the Master Plan layouts and how this might be phased to minimise the initial cost for opening up the EZ. We then considered the financial position of the Airport operation under our Core Business Plan Scenario and a number of variants. In so doing, we did not factor in the capital costs associated with the scenario as it is assumed that, in the first instance, relocation costs of existing airport facilities will be contributed to by the EZ. More specific business cases will need to be drawn up for other investments to secure growth, not all of which will need to be funded directly by the Airport.

#### **Capital Costs**

38. Overall, with a small passenger terminal and without the optional additional apron and the new hangar development shown in the north west corner of the Airport, the total capital cost<sup>7</sup> could be of the order of £52-55 million to realise the Optimum Airport Master Plan along with the release of sites for the EZ. It should be noted that this does exclude a number of additional cost items, such as for the ILS, radar or other ongoing maintenance work and day to day maintenance capex.

---

<sup>7</sup> This excludes the cost of buying out the existing hangar owners to facilitate EZ development. Costs were provided by Linesight.

39. Under the EZ Optimised scheme, the £52 million potential cost could be reduced to £47 million with the small terminal and no apron extension, and could be reduced further to £43 million if no passenger terminal were provided at all (i.e. no scheduled passenger services could be handled). This lower figure would be the cost for the minimum level of infrastructure required (over two phases) to support the Core Scenario for potential growth.
40. Some operators have indicated a willingness to fund their own hangar development. We have assumed for the Core Scenario, therefore, that 50% of non-MRO hangarage may be independently funded (excluding associated apron), reducing the redevelopment cost from £43 million to £38 million. The costs could be further reduced, for example if the MRO hangar were independently funded.
41. A very small commercial scheduled passenger operation, with aircraft of no greater than 19 seats similar to the recent Isle of Man services by Citywing, could be operated through a more modest facility than the terminal proposed due to differing security requirements, and it might even be possible to reach a commercial agreement to co-locate such services within the Spirit Heli-terminal. The small terminal illustrated could handle aircraft up to around 70-75 seats on a wider range of domestic services but jet operations would require a substantially larger building at an additional cost.
42. A summary of all of the option costs is set out in **Table 1** overleaf.



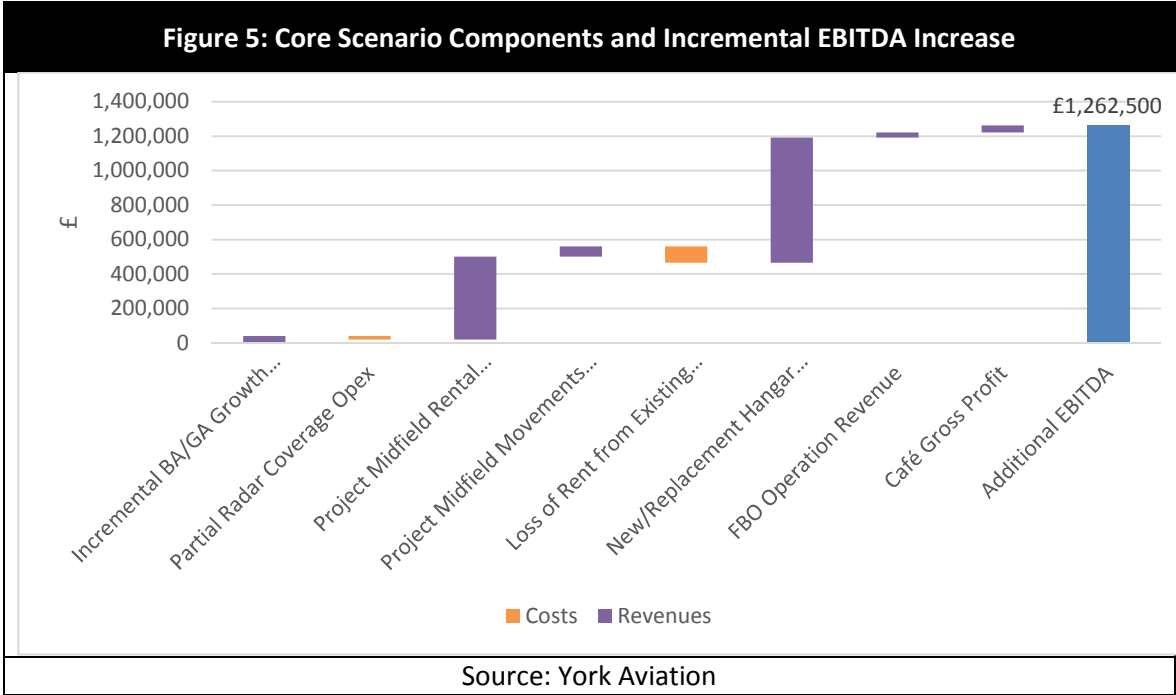
<b>Table 1: Scenario Development Cost Comparison to Core Scenario Capex</b>							
Description		Airport Optimised		EZ Optimised		Other	
		Cost*	50% Hangar Cost*	Cost*	50% Hangar Cost*	Cost*	50% Hangar Cost*
Small Terminal Only - Core Capex Scenario	As 'Full Development' above, but with only the smaller passenger terminal and car parking	£52-55 million	£47-52 million	£47-52 million	£42-47 million	n/a	n/a
Full Development	All proposed Optimum Master Plan, including large passenger terminal, but excluding the optional development to the north west corner, and excluding the additional optional apron to the south of the main hangar development	+£5 million	+£2 million	+£3 million	+£2 million	n/a	n/a
No Terminal	All proposed Optimum Master Plan, but excluding all passenger terminal options, the optional development to the north west corner, and excluding the additional optional apron to the south of the main hangar development	-£4 million	-£4 million	-£4 million	-£4 million	n/a	n/a
No Terminal, No Midfield	As 'No Terminal' above, but with no MRO hangar provided	+/- £0	+/- £0	£39 million	£35 million	n/a	n/a
Airport Optimum Additional Area	As 'Full Development' above, but with the optional area to the north west added	£58-63 million	£53-58 million	n/a	n/a	n/a	n/a
Minimum Relocation Cost, 50% Hangar Cost	The minimum development of hangarage and facilities required to directly replace existing operational facilities.	n/a	n/a	n/a	n/a	£32 million	£32 million
* Range indicates risk of MRO hangar costs being higher							
Source: York Aviation							



43. Whilst the estimates presented above represent the cost to accommodate reasonable prospective growth, there would be a minimum level of cost that would need to be incurred just to release the land required for non-aviation related development within the EZ. This is also set out in Table 1. Based on the EZ Optimised scheme, we estimate that this would be around £19 million for Phase 1 (excludes the terminal, associated car parking, MRO hangar and two hangars at 50% build cost) and £13 million for Phase 2 (excludes the additional optional apron area and assumes no development to the north west corner), all assuming that 50% of hangarage was independently funded. Therefore, the total cost to release the EZ land and replace the existing facilities on site would be around £32 million assuming 50% of replacement hangars are built by third parties and excluding the cost of the MRO hangar. Without releasing the land for the EZ, then the capex costs could be significantly less.

#### ***Business Planning Scenarios***

44. Whilst, at the outset of the project, we set out to develop a specific Business Plan, with associated revenues and costs alongside the capital cost estimates, we have been unable to do so at the present time due to the high levels of uncertainty around the potential opportunities available to the Airport and the timescales over which they may be delivered.
45. Rather, we have set out to present a broad brush indication of which opportunities would add (or destroy) value to the Airport. We consider each element or opportunity separately as variants to the Core Business Plan Scenario. These are not designed to represent alternatives as different permutations of the opportunities could emerge over time. A more detailed Business Plan would need to be produced once the achievability of the various opportunities is confirmed and each opportunity would need to be subject to its own business case assessment in more detail as further information becomes available. We set out this analysis in order to allow BC to be informed in their strategic thinking in terms of which options to pursue and which not.
46. We have developed our financial analysis taking the current 2018/19 budget as a baseline, onto which we have layered additional costs and revenues associated with different opportunities. The impact of each of these elements compared to the baseline can be seen in **Figure 5**. This shows that, in total, if all of the Core Business Plan Scenario elements are delivered, this has the potential to significantly increase the baseline EBITDA and add around £1.26 million per year.

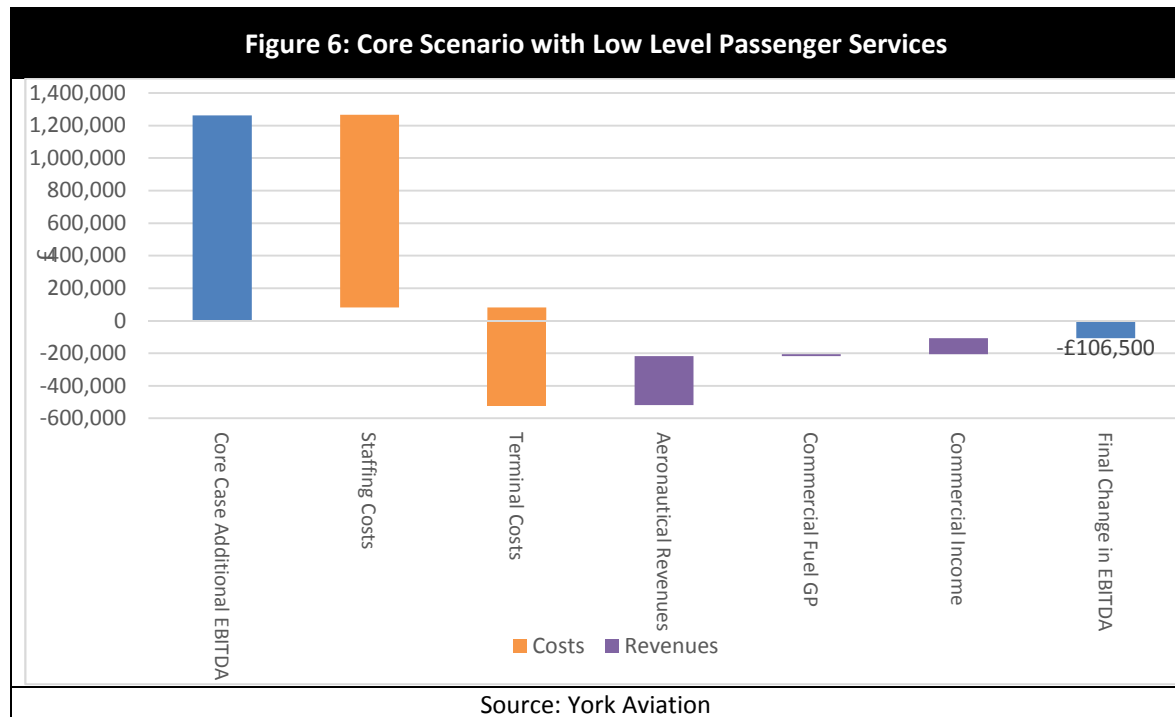


- 47. Achieving this scenario in full would require capital expenditure of at least £38 million (plus fuel farm and hydrants) and any additional interest payments and depreciation effects are not accounted for in our analysis as presented. Dependent on how the costs of relocating facilities to enable the development of the EZ is to be accounted for, either as a cost to the EZ or as a cost to the Airport, this could impact on the business case for this level of expenditure and each of the individual components contained therein. Until the allocation of cost is determined, it is not possible to assess whether the income earned from each component would justify the level of capital expenditure involved.
- 48. We estimate that some further improvement to financial performance could be made if SGAOL operated the Airport directly, increasing long term profitability by around £1.35 million over today.
- 49. We also considered the Airport’s vulnerability to the possible loss of the Spirit contract. By comparison with the Core Business Plan Scenario, illustrated in Figure 5, this would have a catastrophic impact on the EBITDA, which would see the Airport become loss making, and drop the EBITDA by nearly £360,000 from current. This clearly has implications for the business case for incurring the cost of relocating the facilities from the EZ if there is such a low income from the rest of the Airport operation.

50. Similarly if no MRO was delivered, this would have a negative impact on profitability compared to the Core Scenario, though would still see a positive EBIDTA change of around £720,000 from current, albeit the capex costs associated with the hangar would be saved. If all other opportunities could be delivered, then this does not push the Airport into a loss-making situation.
51. If the full Optimum Airport Master Plan layout was adopted and the full extent of hangar development delivered over time, this would further increase profitability by around £70,000 a year but we recognise that the increase in profitability is unlikely to justify the costs (real and EZ opportunity costs) of delivering the full Airport potential.

### ***Commercial Passenger Services***

52. We recognise that there may be strategic reasons why the Council may wish to see the reinstatement of scheduled passenger services (employment opportunities, business connectivity, potential for inbound visitors, commitments to improved wellbeing through improved local services etc.). In factoring in some of this activity, we have, in the first instance, allowed for reinstatement of low volume commercial services across the Irish Sea (60,000 annual passengers). Allowing for the likely revenues and the additional staff required to handle such services, this could see the EBITDA of the business fall by just over £100,000 per year, as can be seen in **Figure 6**, which shows the impact from the current EBITDA assuming all other initiatives are delivered. This would still leave the Airport profitable, but on a much reduced scale from both the Core Case and current position. Including the passenger terminal and car park would increase the capital costs in this scenario to around £42 million (excluding fuel system and hydrants). In other words, re-introducing small scale commercial passenger services is value destructive given the increased in costs that would be incurred without a substantial boost to revenue.
53. We also considered the implications of the reintroduction of commercial jet operations on a similar scale to those previously operated by Jet2. This builds on the analysis above and assumes a further 190,000 annual passengers could be carried with a low fares airline and with appropriate assumptions as to the revenue that might be earned based on UK regional airport averages. Allowing for further increases in staffing and other costs, the reintroduction of commercial jet services would result in a loss of around £590,000 per annum even with all other initiatives delivered. This is less than the losses historically incurred whilst operating wide scale passenger flights, but this is the result of the increased Spirit income now factored in as well as the MRO rental income, which would compensate past levels of loss to some extent. Developing a larger commercial passenger terminal would also incur a further £2.3m of capex over and above the cost for a terminal for smaller aircraft operations.



54. **Table 2** provides an overall summary of the scenarios outlined above. Retaining the status-quo would cost around £32 million in replacement facilities to free up the land for the EZ on the basis of the EZ Optimised layout. Beyond this, the Core Growth scenario would see EBITDA increase by over £1.2 million driven largely by the value of hangar rental including the MRO facility. This would also see capital costs increase by up to £6 million.

**Table 2: Summary of Costs and Returns by Scenario**

	Baseline	Core Scenario	Core Scenario - Optimum Layout	In-House Management	Loss of Spirit Contract	Low Level Passengers	Larger Scale Passenger Ops	No Project Midfield
Change to EBITDA	£0	£1,263,000	£1,332,000	£1,350,000	£-359,000	£-110,000	£-702,000	£-722,000
Cost to Achieve	£32 million	£38-43 million	£42-47 million	£38-43 million	£36-41 million	£42-47 million	£44-49 million	£33-38 million

Source: York Aviation



55. The potential medium to long term value destructive properties of passenger services is clear and increases significantly if a low fares airline, such as Jet2, were to be attracted back, driven both by the cost of operations, but also by the much lower level of income that carriers such as this would be willing to pay. However, we recognise that there may be broader economic and strategic reasons why re-establishing scheduled services would be attractive (employment opportunities, potential for inbound visitors, commitment to improved wellbeing through improved local services etc.).
56. In many cases, the returns are relatively weak and, on this basis, it would be difficult to justify any reconfiguration of the site on a standalone basis. Clearly, however, the benefits which could be attained from the development of the EZ need to be factored into the justification for redesigning the site as, without this, it would not be possible to realise the benefits of the EZ for wider development.
57. Given the significant uncertainties around growth opportunities, the most appropriate scenario for growth over and above the baseline can only be determined over time. This highlights the desirability, therefore, of safeguarding as much as possible of the site to give the greatest level of development flexibility possible, so long as this is without detriment to the EZ, and allowing businesses cases to be developed to consider specific growth opportunities on a case by case basis. It is for this reason that we have continued to present both the Airport Optimum and EZ Optimised layouts.

## **Governance Options**

### ***Relationship to the EZ***

58. Developing out the EZ, in line with the approved plan, will require the relocation of a number of activities closer to the runway, as shown in our Master Plan layouts. Our analysis of the costs and benefits would suggest that the revenue to be earned from the Airport operation is highly unlikely to justify the cost of the relocations on purely airport operational grounds. There are two alternative approaches to these relocations:
- retain the full land ownership of BAPL as a single integrated property business<sup>8</sup> with revenues from EZ developments covering the cost of the necessary reconfiguration of the airfield and relocation of businesses (principally those housed in hangars along Squires Gate Lane) and with EZ related revenues providing for an ongoing operating subsidy to the Airport for as long as necessary;
  - carve out the land which forms the operational Airport into a separate company, potentially merged into SGAOL, with the relocated buildings effectively 'gifted' to the Airport when the relocation takes place.

---

<sup>8</sup> This could also incorporate other land within the EZ owned by the Council.

59. We understand that the majority cost of the required relocations is likely to be borne by the proposed EZ development. We estimate that, initially, this will cost £19 million to achieve a minimum opening up of the EZ site and then a further £13 million to release the maximum land for EZ development without jeopardizing the longer term potential of the Airport. We recognise also that each relocation decision will need to be subject to a business case at the time when a specific development is proposed. Consequently, this may require several readjustments of the area devoted to Airport operational uses over time as the operation transitions from the existing to a new configuration.

***Options for Operation and Management***

60. We considered a number of models for the future operation and management of the Airport, including:
- Direct operation by BC/SGAOL
  - Management Contract
  - Concession
  - Partnership
  - Privatisation/sale
61. In reviewing the options for the future operation and management of the Airport, we considered a number of approaches (including meeting with some of the parties) received by BC over the last year from partners wishing to develop/operate the Airport. None of these approaches was mature enough in terms of its Business Plan for us to be able to evaluate properly the risk and reward for BC nor the implications for the future of the Airport operation. Based on what we were told, we do not believe that any of the potential private sector partners have an interest in investing in the Airport as a free-standing operation, without at least some share in the proceeds of the broader development of the EZ. This may well be an acceptable option for BC but consideration of any of these proposals would require substantially more worked up Business Plans to be in place that would be properly scrutinised as part of a formal due diligence process, including a specific demonstration that there was a plan in place to secure the future of the Airport operation.
62. There would, as we have identified, need to be clear safeguards in place to prevent a partner extracting the benefits of EZ related development and leaving the operation of the Airport stranded as loss making. This would appear to us to be a high risk and, as such, we are not persuaded that there is a credible private sector partner for the development and operation of the Airport at the present time. This could, of course, change should any of these proposals be developed further and clearly demonstrate how a viable future for the Airport is to be attained. Any emerging Business Plan would need to be carefully scrutinised if brought forward.

63. In the short to medium term, there are, in essence, only two viable options for the operation and management of the Airport:
- Direct operation by BC; or
  - A Management Contract.
64. There is a relatively fine balance between these two options, assuming a full risk and reward approach to a management contract, as both would require BC to put in place resources to act as an informed shareholder to provide appropriate challenge to the Board and Management, which should operate at arms’ length from the Council, (in the former option) and/or to the Contractor in the second. Nor do we believe there would be a substantial difference in overall financial liability to BC when all costs and revenues are taken into account, although on paper a direct operation could be delivered at lower cost. There are factors which favour both approaches, set out below.

**Direct Operation**

Enables BC to directly control the operation of the Airport to deliver broader strategic objectives  
 May better facilitate the transition of facilities across to the EZ  
 May be delivered for lower operating costs

**Management Contract**

Provides access to broader airport management expertise  
 Allows for some of the risk inherent in operating the Airport to be shared  
 Possible small reduction in level of management oversight required by BC

65. At the present time, we tend to favour the direct operation and management route. Once the decision on the Spirit Contract is known, a final decision as to whether to tender a management contract or to confirm direct operation could be taken. We estimate that the procurement process would take of the order of 6 months.

**Recommendations and Next Steps**

66. At the present time, it is not possible to set out a definitive Business Plan for the Airport due to the high levels of uncertainty surrounding the market opportunities, including the risk (however minimal) that the contract for helicopter flying for Spirit Energy will not be renewed.

***Core Scenario***

67. We have identified a ‘Core Scenario’ that sets out what we believe are the key components of growth that BC should aspire to for the Airport. This comprises:
- Continuation of the Spirit Contract – which is assumed for the time being to generate similar incomes as previously;
  - Incremental growth in Business/General Aviation back to 2013 levels;
  - Project Midfield delivered for MRO;
  - Increases in hangarage/lease income from replacement hangars and expansion of hangarage to increase based aircraft, with half of the hangarage funded directly and half by third parties;
  - Revenue from a single FBO/business aviation handler established;
  - Provision of café.
68. We believe that these elements should be attainable but there is currently insufficient clarity as to when each element might be delivered to feed into a Business Plan as such at the present time.

***Impact on Profitability***

69. We have identified that delivery of these opportunities would increase operational EBITDA by around £1.26 million a year from current. This excludes the impact on depreciation and borrowing of the cost of constructing a terminal and other new facilities necessary to deliver the relocation of existing airfield facilities as an intrinsic part of delivering the aspirations for the EZ as set out in the overall EZ Master Plan.
70. Should low level commercial services be attracted, then the ‘Core Scenario’ would continue to be profitable, but EBITDA would be reduced by around £110,000 per year, assuming all other elements are delivered, mainly as a result of increased staff costs and the costs of operating a dedicated terminal. However, should the decision be taken that there are wider social and economic benefits to Blackpool and neighbouring areas from seeking to attract a broader range of commercial air services, including potentially services to London in the longer term, the costs associated with handling such operations would push the Airport into losses, and reduce the current EBITDA by around £720,000 per annum because of the costs associated with handling larger aircraft operations and the relatively low income that would be earned from such flights. This excludes the capital costs of re-providing the facilities necessary for commercial services to be handled.

### **Capital Costs**

71. We have also examined the capital costs of delivering each of these elements within the context of a framework plan to optimise the potential of the Airport within the context of the overall EZ Master Plan. A large part of the capital cost relates to the relocation works necessary to facilitate the delivery of the EZ and to ensure a functional airfield in the new configuration. Assuming the EZ Optimised scheme is pursued, then the costs associated with these relocations amount to some £19 million at a first phase and £13million to complete a second phase of the necessary relocations (approximately £32 million in total to facilitate the EZ Master Plan). Even these costs assume that some of the replacement hangarage will be funded by third parties and does not include any compensation costs associated with the relocations. The timing and business case for these relocation works will need to be worked through as part of the EZ implementation plan as this will drive the timescales to a large extent but this represents the cost to maximise the extent to which the EZ can be opened up for other development opportunities.
72. We would expect that some or all of the relocation works would see upgrading of facilities and, in so doing, help to secure delivery of some of the uplift in revenue expected under the 'Core Scenario'. The additional cost for delivering the entirety of the 'Core Scenario', by comparison to the minimum relocation cost of £32 million, might only amount to £6-11 million dependent on precise build costs for hangarage or £10-15 million with provision for a passenger terminal. Enlarging the passenger terminal to accommodate the operation of larger aircraft would only cost around £2 million.

### **Implementation Programme**

73. The pace of delivery of these opportunities is, in large part, indistinguishable from the overall timescale for implementing the EZ as the proposed new developments need to be delivered in locations that fit within the overall Master Plan, which will drive the need to relocate existing airfield facilities. We have set out a land use framework for delivery of the 'Core Scenario' on a phased basis and identified where there are options to go beyond this core. However, the business case for incurring these costs has to be as much driven by the potential value of any site released for other uses as part of the EZ implementation as by the prospects for increased revenues from the Airport operation.
74. We are, hence, unable to set out a fully worked up phased implementation plan as there is currently a lack of clarity as to when any relocations would need to take place to facilitate the EZ and, indeed, the timing when enhanced facilities would be required to be delivered for the Airport is not clear pending firmer commercial proposals for each of our identified opportunities.
75. What we have set out is a coherent land use framework which would allow for opportunities to be optimally located within the airfield as they come forward, accepting that realising these opportunities may need the early building of new apron, taxiway or other infrastructure.

***Governance and Management***

76. We have examined the various models available for management and operation of the Airport and have concluded that, currently, the viable options are direct operation or a management contract. Both of these will require strong governance arrangements to be put in place by way of a defined ‘shareholder’ function to agree and monitor performance against a Business Plan. We believe that the direct operation model would give BC greater control over the operation and management of the Airport and could deliver some cost savings, even allowing for additional commercial expertise to be brought in to cover for that currently provided by RCAM. It may also provide greater flexibility in terms of delivering the changes required to facilitate the EZ more generally. However, this would require SGAOL to become the licence/certificate holder and would result in BC effectively absorbing all risk of non-compliance. If this route is followed, it will be important ensure that SGAOL operates as an arms’ length company, separate from the activities of the Council in terms of delivering the EZ (not least to comply with the basic requirements of the Airports Act 1986<sup>9</sup>) and that the role of the Board and shareholder are clearly distinguished.
77. In the alternative, a more effective management contract could be put in place, with elements of risk and reward clearly defined. This would require a formal tendering exercise so as to ensure that ‘best value’ is obtained. Such an arrangement would allow the Airport to continue to benefit from broader airport operational expertise and synergies across a group of airports. It would still, however, leave the Council with full accountability for any losses and for the capital costs of replacement and enhancement of facilities.
78. We do not believe the any of the private sector partner expressions of interest are mature enough at the current time to provide confidence that partnering with any of the organisations to operate the Airport would be a prudent decision, unless there are overriding reasons connected to the delivery of the EZ or regeneration in Blackpool more generally would suggest otherwise. If any of these opportunities are to be pursued, more formal due diligence will need to be undertaken on the specific operating proposals for the Airport and appropriate safeguards put in place to ensure that the ongoing operation of the Airport is secured for the long term.

---

<sup>9</sup> Requiring publically owned airports to be operated as arms-length companies.

**Next Steps**

79. A critical next step is to secure confirmation regarding the ongoing Spirit contract. As we have identified, the implication for the ongoing viability of the Airport from the loss of this contract would be severe and would necessitate a more ‘root and branch’ review of what it would be sensible to retain. What we have demonstrated is that, over the medium to longer term, as Irish Sea gas related activities decline, realisation of other opportunities, other than commercial passenger services, could compensate for lost gas related helicopter revenues if all of our other identified opportunities in terms of hangar and MRO related activity can be attracted and delivered.
80. Over and above this, is the requirement to resolve the ongoing management and operation of the Airport. We tend to the view that BC operating the Airport directly could have some advantages, both in terms of overall cost and in terms of the ability to control the important property related decisions associated with delivering the EZ overall. However, this is dependent on achieving transfer of the necessary operating licence/certificates and the relevant managers to the employ of SGAOL. This is now allowed for in the extended interim contract with RCAM. In order to put robust long term management in place, we recommend that a decision is taken in November as to the preferred operating model – direct operations or a management contract. That would leave sufficient time to procure a new management contract through a competitive tender process if it is concluded that the direct operating model is not preferred.
81. In terms of the next steps to implement the plan more generally, we would suggest that the following are key requirements:
- resolve the outstanding lease disputes and attain clarity as to the status of all properties that would need to be acquired to facilitate the development of the EZ;
  - clarify the land to be defined as operational Airport for the longer term;
  - identify the timing when relocation of existing airfield facilities will be required to as to facilitate the establishment of a phased programme of infrastructure development to allow the relocations to take place;
  - continue to activity pursue – directly or via RCAM in the short to medium term – all realistic business development opportunities within the Airport;
  - continue negotiations with Project Midfield and other MRO providers to secure a facility located at Blackpool; and
  - develop detailed development scenarios including order of land release and development phasing to match this.

82. Once greater clarity of timing is attained, our work provides a framework for a Strategic Business Plan for delivery to be put in place.