



Report to

Scrutiny Co-ordination Committee

17th April, 2013

Report of

Councillor McNicholas

Title

Report Back on the Work Of Outside Bodies – Birmingham Airport Holdings Limited

1 Purpose of the Report

- 1.1 This report sets out details of the work of Birmingham Airport Holdings Ltd over the preceding twelve months and details of attendance by the City Council's representatives.

2 Recommendations

- 2.1 It is recommended that the Council should continue to appoint a Director to the Board of Birmingham Airport Holdings Limited.

3 Information on Work of Outside Body

- 3.1 Coventry City Council, like the other six West Midlands Metropolitan District Councils, is a shareholder in Birmingham Airport Holdings Ltd. Birmingham Airport makes a significant contribution to the West Midlands region's economy, acting as an international gateway for business and tourism and providing a catalyst for investment and employment.
- 3.2 Following a period of uncertainty in the UK economy and beyond, Birmingham Airport saw a return to growth in 2011/12, predominantly in the recovery of the business sector with Lufthansa, KLM, Brussels and Turkish airways all experiencing double digit year on year growth. Birmingham Airport processed 8,599,112 passengers in 2011/12, an increase of 0.9% over the previous year. A number of new services were added by airlines operating out of Birmingham airport including additional flights to Rome; Milan and Venice; Budapest; Hamburg and Berlin.
- 3.3 Birmingham Airport declared a £8m profit after tax for 2011/12; with additional income from commercial sales compensating for a reduction in aeronautical income. Commercial sales were enhanced by the completion of the "One Terminal" project which included a new duty and tax free store and new high street branded outlets in the departure lounge. Dividends of £9.9m were paid to shareholders in 2011/12 of which the Council's share was £694k.
- 3.4 A new air traffic control tower was constructed in 2011/12 and is due to be fully fitted out and operational in 2013. In November 2012 work began on the construction of the 405 metres runway extension that will enable long haul flights from Birmingham to China; South America; South Africa and the west coast of the USA. The runway extension is due to open early in 2014.
- 3.5 The year also saw increased interest in the role that Birmingham Airport could play in the national airport strategy – in particular relieving the pressure of increasing demand in the

South-East. Lobbying of Government continues on the capacity for growth at Birmingham, including submissions to the independent Government commission on airport capacity. Putting Birmingham airport on the world map is a key strategy for the West Midlands region.

4 Benefits to the City Council of the Appointment

- 4.1 The performance and development of the airport Birmingham Airport Holdings Ltd is of significance to the regional and local economy and the company's financial performance and issuing of dividends is of direct financial importance to the City Council. The Council's shareholding is 5.79% of the company's ordinary shares.
- 4.2 The return on the City Council's investment in the airport is relatively low reflecting the fact that the airport has tended to invest profits into capital investment to sustain the airport as a successful business rather than providing dividends to its shareholders.
- 4.3 Membership of the Board gives the Council an opportunity to understand and influence the Company, voting as part of the group of seven West Midlands Districts Councils that own shareholdings in the company. It is recommended that the Council should continue to appoint a representative to the Board.

5 What Financial Contribution Does the Council Make to this Organisation

- 5.1 The Council is a shareholder in Birmingham Airport Holdings Ltd with a long term investment of £22.9m on the council's balance sheet, receiving dividend payments when they are made. In recent years dividend payments have reduced as a consequence of airport investment plans and no dividends were paid in 2010/11. In 2011/12 the Council received £694,000 in dividend payments.

6 Remuneration for the Appointment

- 6.1 There is no remuneration associated with this appointment.

List of background papers

Proper officer: Councillor John McNicholas

Author:

Telephone: 024 7683 3156

Councillor John McNicholas

(Any enquiries should be directed to the above)

Other contributors:

Chris West, Director of Finance and Legal Services

Jenni Venn, Assistant Director Policy Partnership and Performance

Paul Jennings, Finance Manager Corporate Finance

Lisa Commane, Assistant Director Special Projects Finance

Jane Murphy, Strategic Finance Manager

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Schedule of City Council Appointments to Outside Bodies