



Report to

Scrutiny Co-ordination Committee

16th July, 2014

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 The principle activity of Birmingham Airport Holdings Ltd is the operation and management of Birmingham Airport and the provision of facilities and services associated with those operations.
- 3.3 Birmingham Airport declared a £10.8m profit after tax for 2012/13; this compared to £8m in 2011/12. Ordinary Dividends of £6.554m were paid to shareholders in 2012/13 of which the Council's share was £774k. This compared to a payment of £694k for the Council in 2011/12. The Council also received preference dividends of £115k as planned in 2012/13.
- 3.4 During 2012/13 Birmingham Airport undertook some debt restructuring and raised £75 million additional debt with a private placement. This resulted in a one off special dividend payment for all shareholders, of which Coventry's share was £4m.
- 3.5 During the year ending March 2013 Birmingham Airport experienced a second year of passenger growth with a 3.7% increase outperforming the 0.3% growth for the aviation industry as a whole. The year saw the cessation of bmibaby from July with all their services finishing in September 2012. However other operators stepped in with additional services from easyJet, Flybe and Monarch Airlines and growth from full service carriers: Lufthansa; Turkish Airlines; Air France and Aer Arann Regional. Dublin, Dubai and Amsterdam are the largest destinations from Birmingham Airport.

- 3.6 New terminal facilities, including a new lounge were opened in 2012 and the airport continued to develop its infrastructure. During 2012 Monarch Aircraft Engineering began the build of a new 110,000 aircraft maintenance facility by which will be the first UK hangar to accommodate the Boeing 787 Dreamliner as well as other wide-bodied aircraft. The new air traffic control tower became operational in April 2013.
- 3.7 The Airport also launched a major outdoor advertising campaign to attract and “claw back” passengers within its catchment area who travel outside the region to catch flights. Work continued to provide evidence to the Airports Commission on the merit of regional airports such as Birmingham providing capacity for the over-heated South East.
- 3.8 Birmingham Airport was awarded “Airport of the Year” in 2012 at the National Transport Awards in recognition for excellence and its on-going investment programme. Work continues on the new runway extension which is due to be operational in Spring 2014. This will allow aircraft to fly direct to the West Coast of the United States; South America; China and South Africa.

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 has been relatively low in previous years 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. However, this year has seen the one off special dividend payment of £4m to the Council.
- 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. See sections 3.3 and 3.4 above for details of dividend payments received in 2012/13.
- 5.2 Given the very challenging financial position facing the Council over the medium term the Council is continuing to actively monitor its investment in Birmingham Airport and consider all options for its holdings. The Council needs to take a view on the returns that can be achieved from its investment under different scenarios and the opportunities that different options may present in the context of the Council’s challenges and priorities.
- 5.3 During the year the seven Districts have been reviewing the structure of the District’s holding of preference shares and ordinary shares in the Birmingham Airport in order to maximise the value of the Districts investment.

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:

Jenni Venn, Assistant Director Policy Partnership and Performance

Jane Murphy, Strategic Finance Manager

Papers open to Public Inspection

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Schedule of City Council Appointments to Outside Bodies