

Huw Merriman MP
Chair of the Transport Committee
House of Commons
LONDON
SW1A 0AA

8 September 2022

Dear Mr Merriman

Doncaster Sheffield Airport

Thank you for your letter dated 7th September 2022 regarding the announcement by the Peel Group of the Strategic Review of options concerning the future of Doncaster Sheffield Airport (DSA).

First of all, please let me reassure you that our immediate priority is to continue engaging with our dedicated and hardworking employees at DSA and ensure the airport's customers and commercial partners are updated through every step of this Strategic Review. The Peel Group remains open to working together with the political leadership both locally and nationally to ensure that this review is conducted in a manner that produces the best outcome in the current circumstances for the region at large.

I appreciate your understanding of the situation and would like to take this opportunity to clarify some of the misleading information that has been made public during this review process.

Peel has striven tirelessly to achieve a viable operation at DSA, having invested £250m of private capital into the airport over a period of 17 years. This has included the cost of constructing the airport terminal, extensive runway repairs and other capital projects to develop the airport's capability. Apart from the Covid support provided by the Government over the last two years, Peel has received just over £1m of UK public sector grant support for the airport's operations since opening in 2005.

Unfortunately, the investment has not led to the growth in traffic required to deliver a viable operation. The regional aviation market has evolved in such a way that DSA has never made a profit (its average EBITDA loss during the financial years 2014 to 2022 has been over £8m per annum – excluding capital investment) and remains unable to reach the critical mass required to sustain its passenger operations. This was compounded by Wizz Air's decision in March to pull out, leaving the airport with only one based airline, TUI.

Other major low-cost carriers such as Ryanair and EasyJet have all trialled aircraft at DSA and subsequently chosen to establish bases at other regional airports due to a lack of passenger demand at DSA. Notwithstanding DSA's catchment area, over 18,000 people per day on average have travelled across the Pennines by road and rail to use airports in the Northwest of England, principally Manchester Airport. Only 3% of DSA's passengers have represented commercial/business passengers due to the dominance of leisure flights. Earlier this year, a major freight carrier also declined to progress negotiations for a presence at DSA. The result of these events and the high fixed costs associated with running a safe, regulated airport means that there is no prospect of a break-even business plan in the near to medium term future.

Despite your intimation, the Airport has not been within the top twenty of UK airports by passenger numbers and has not been successful commercially.

As such, following Wizz's withdrawal decision and a detailed review of the forward prospects for the airport, the Board of DSA reluctantly concluded that aviation activity may no longer be viable. An independent review of the Board's analysis was commissioned which also concluded that the airport is unviable. The findings of this report concurred with those of South Yorkshire Mayoral Combined Authority's (SYMCA) own advisors who reviewed the financial forecasts for the airport in 2021.

Although the Strategic Review announcement was made to stakeholders in July 2022, this has been an ongoing situation on which Peel has regularly updated SYMCA and Doncaster Council over the last two years, highlighting the financial challenges of the airport and seeking assistance. Despite intensive endeavours on Peel's part, SYMCA declined to invest any amount for an equity stake in the airport or to make any loan to DSA to support its operational losses. The airport's current financial prospects mean that any loans provided, if offered now, could not be repaid from the operations of the airport.

It is not only Peel which has been unable to build a sustainable business at DSA. Vantage Airport Group, a global airport operator which owned a majority stake in DSA between 2010 and 2012, also came to the same conclusion and intended to put the airport into administration before it was taken back under Peel's ownership.

Peel has also explored many different potential aviation users at DSA, one of which is Hybrid Air Vehicles (HAV). HAV could not previously be accommodated because of the passenger aviation activities on site. However, the potential to attract leading-edge, future-tech businesses to the site is considerable.

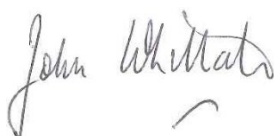
As such, you will appreciate that Peel has committed significant resources, both financial and management, over a period approaching two decades, to making DSA an aviation success but the market has not responded.

Since the Strategic Review announcement, Peel has been actively engaging weekly with local and national political stakeholders. This has included private meetings, written correspondence, and participation in working group meetings, primarily led by officers at Doncaster Council, SYMCA and DfT. So far, there have been no tangible proposals regarding the ownership of or financial support for the airport.

Should nothing arise from our discussions that guarantees a viable future for the airport, I can assure you Peel has a long-term commitment to invest in the site. We will work collaboratively with all public and private sector stakeholders to realise a new vision that will create more high value jobs and opportunities for local stakeholders. Whilst not wanting to pre-empt the final outcome of the review, I trust you will agree we need a forward-thinking approach from Doncaster and the Mayor to help draw up vibrant, job-creating alternatives for this location to ensure future growth and prosperity in South Yorkshire.

If you require any further information, my team, namely Robert Hough, Chairman of Peel Airports, and Steven Underwood, Chief Executive of the Peel Group would welcome an opportunity to discuss these matters with you.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'John Whittaker', with a stylized flourish at the end.

John Whittaker
Chairman