## Derry/Londonderry to London Public Service Obligation Subsidy Control Principles Assessment

**Introduction**

Derry City and Strabane District Council (DCSDC), the Department for Transport (DfT) and the Department for the Economy (DfE) have considered the financial assistance for the Derry/Londonderry to London Public Service Obligation (PSO) and have concluded this is a subsidy, as defined in the Subsidy Control Act 2022.

As required by Section 12 of the Act, DCSDC, DfT and DfE have considered the subsidy control principles before deciding to give this subsidy and have concluded that the giving of this subsidy is consistent with the principles in the Act. A detailed assessment has been prepared by DCSDC, DfT and DfE, with regard to Statutory Guidance to the Act[[1]](#footnote-2), and has been inserted into the template below, as recommended by UK Government.

The three parties have additionally considered how the subsidy complies with other parts of the Act outside of the subsidy principles in Schedule 1. In particular, with reference to Section 48(3)(a) of the Act, the three parties agree this subsidy is not a subsidy given, or a subsidy scheme made, in accordance with Article 10 of the Northern Ireland Protocol.

The parties have also considered whether the subsidy meets the requirements for a Subsidy or Scheme of Interest (SSoI) or Subsidy or Scheme of Particular Interest (SSoPI), which is detailed in the “proportionality and minimising distortion” section below.

This assessment will be retained, as the evidence that the giving of the subsidy complies with all the relevant requirements of the Act.

The legal basis for the subsidy is Article 17(8) of retained EU Regulation 1008/2008 (as referenced in Section 28(2)(a) of the Subsidy Control Act 2022 and amended by the Operation of Air Services (Amendment etc.) (EU Exit) Regulations 2018). Article 17(8) enables a subsidy (i.e. financial compensation) to be provided to the air carrier where the air route in question is a public service obligation imposed by the Secretary of State.

The regulatory framework for PSOs is set out in retained EU regulation 1008/2008. Article 16 enables the Secretary of State to impose a PSO in respect of scheduled air services between an airport in the UK and another UK airport which serves a peripheral or development region of the country or on a thin route to any airport in the UK. A PSO may limit access to a scheduled air service on a route to one carrier for up to four years if no carrier has commenced or can demonstrate that it is about to commence sustainable scheduled air services on a route in accordance with the terms of the PSO. The Londonderry/Derry PSO has been operational since 2017, and Secretary of State for Transport has been advised that there is a continued need for the PSO.

The policy purpose of the subsidy for the PSO is to maintain an air link between Derry/Londonderry and London so that travel between the two cities can be achieved under three hours. The objective, through this connectivity, is to enhance investment into the region and contribute to the economic and social development of the North West of Northern Ireland which is a peripheral and an economically disadvantaged region of the UK.

PSOs have been a commonly used tool to connected underserved regions. There are around 160 PSOs across the European Union. PSOs have been used in the UK since 2014. DfT currently part funds and administers 3 PSOs in total. There are also an additional 17 PSOs wholly in Scotland, which are the responsibility of Transport Scotland.

| **Assessment Framework Component** | | **Recommended Evidence** |
| --- | --- | --- |
| **Step 1** | **Policy objective**  (Subsidy Control Principle A) | The first specific policy objective of the subsidy for the PSO is to maintain an air link between Derry/Londonderry and London so that travel between the two cities can be achieved under three hours. The second specific objective, through this connectivity, is to enhance investment into the region and contribute to the economic and social development of the North West of Northern Ireland which is a peripheral and an economically disadvantaged region of the UK.  The PSO will contribute to the objective of making the North West Region self-sustainable in terms of its economic performance and raise it on to a new growth trajectory that eliminates the need for long term interventions by the Government by maintaining an air link between Derry/Londonderry and London. The key deliverable will be for an airline to operate a minimum of two rotations per day between Derry/Londonderry and London.  The route from Derry/Londonderry to London qualifies for a PSO as set out in the UKs guidance on PSOs: [Guidance on the Protection of Regional Air Access to London (publishing.service.gov.uk)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/918791/pso-policy-guidance-optimized-version.pdf). This guidance was updated in December 2023 and details that PSOs can be awarded on the basis of Regulation 1008/2008, which has been retained in UK law following the UK’s exit from the EU. The relevant legislation retaining the Regulation can be found at: <https://www.legislation.gov.uk/uksi/2018/1392/schedule/2>). The UK Government has also affirmed its commitment to protecting vital connectivity in publications like Aviation 2050 (2018) and Flightpath to the Future (2022).  As part of the application process, the first thing that is confirmed is that the PSO in question meets all the relevant criteria detailed in para 2.4 of the DfT guidance i.e. (1) the region qualifies as a "peripheral region" (2) the service is considered "vital for the economic and social development of the region" and (3) the imposition is necessary to ensure the "adequate provision of scheduled air services which air carriers would not assume if they were solely considering their commercial interest. The CoDA – London PSO meets this criteria.  The market has failed to deliver a commercially sustainable service since 2017. Since Ryanair’s withdrawal of its commercial service from the Derry/Londonderry to London in 2017 there have been no airlines prepared to operate the route on a commercial basis. This has been confirmed in discussions between airport and a number of potential airlines. Previous PSO tender exercises in 2017 and 2019 also resulted in only two airlines bidding and of these, only one airline operator met the required eligibility criteria and progressed to full evaluation. This indicates that alongside other airlines not considering the route commercially viable, the market is failing, even when public authorities are indicating they are prepared to subsidise the route.  In 2023, only Loganair provided bids during the tender process offering a number of options with the preferred bid scoring highest against the criteria set out in the tender document. Without the PSO, we would not expect there to be any flights between Derry/Londonderry and London and furthermore, given the importance of this service to the airport, it is considered that this would lead to the closure of the airport.  Evidence provided by DCSDC shows that several airlines such as XXXXXXXX, XXXXXXXX, and XXXXXXXX have indicated that they do not see the route as viable to operate on a commercial basis at the frequency (in terms of aircraft rotations) of the PSO.  This subsidy also meets an equity objective, in that it enables travel between Derry/Londonderry and London in under three hours. Services to London from Belfast International, Belfast City, Donegal and Dublin are not considered as being sufficient alternatives to the PSO as they do not meet the minimum service level and the relevant airports are all too far from Derry/Londonderry and would significantly increase journey times for passengers. The centre of Derry/Londonderry is more than one hour away by public transport to both Belfast airports and the total journey time if travelling by public transport between Derry/Londonderry and London is over 3 hours.  Funding the PSO will ensure there is an air link maintained between Derry/Londonderry and London. This will allow passengers to reach London in under 3 hours. Combined with the use of early morning and late evening slots, this will allow a person to make a round trip within a day and conduct a full day’s business without an overnight stay.  Air connectivity is a major driver for regional economic growth and funding the route will provide economic growth to the Derry/Londonderry region. NI’s unique geography within the UK means that both business and leisure travellers to and from NI, rely particularly heavily on air services to access the UK mainland. This in turn induces a significant dependency on the sector for the efficient functioning of NI’s most important and productive industries (Financial services, IT, aerospace and life sciences) all of which have a high propensity to fly. Access to tertiary education, attracting inbound visitors, and servicing the NI diaspora across the rest of the UK, also depends heavily on aviation.  A number of businesses are present in the region including those within professional financial services and creative industries and have highlighted the importance of being able to travel to and from London in one day particularly for their key customers and stakeholders. This includes Allstate NI, Northern Ireland’s biggest technology company who employ 900 people in the region and Terex, which is one of Northern Irelands biggest manufacturing companies.  Without the presence of the PSO many businesses would be restricted on the flights they can use particularly when travelling from Derry/Londonderry to London and would be required to rely on air services from Belfast, thus increasing journey times to over 3 hours.  Northern Ireland is recognised as a developing region by the UK, while Derry/Londonderry is one of the Northern Ireland’s most deprived areas. At present GVA per capita in DCSDC was 71% of the UK average. ONS figures of gross added value per capita in 2020 ranked the region as 165 out of 235 in the UK.  There is a need for transformation in the local area to address:   * population decline * unemployment * low economic activity * low levels of productivity and pay   In this regard the PSO is a good fit with the UK regional development and other strategies, particularly City Deals, with its focus and concentration on Innovation and its driving of competitiveness within the Region.  DCSDC’s vision, within its Strategic Inclusive Growth Plan 2017-2032 (SGP), is of “a thriving, prosperous and sustainable City and District with equality of opportunity for all”. By 2032, the Plan forecasts that the required investment of £3.4bn will deliver over 15,000 new jobs, 10,000 additional people, £203m additional wages and £1.1bn additional GVA.  The SGP recognises that CoDA has a pivotal role to play in enabling this transformation and regeneration. A key action highlighted is improved connectivity and frequency of flights from CoDA to major business hubs as well as the development and sustainability of the Airport. CoDA has an integral role to play in making Derry/Londonderry and the wider North West City Region a more attractive and competitive proposition for inward investors, as well as the development and growth of the region’s tourism potential, whilst also delivering economic and social benefits to local communities and the North West region as a whole.  The City Deal and Economic Growth Funding Package for Derry and Strabane is an investment package that comprises a £50M ‘City Deal’ and a £55M ‘Inclusive Future Fund’ to advance priority projects and initiatives within the City and District’s Inclusive Strategic Growth Plan and City Deal proposals.  Maintaining critical domestic connectivity through the airport is essential for this investment to ensure the benefits are maximised and transformative and to facilitate regional economic recovery and growth. A prerequisite for the successful deliveries of these projects is the availability of a highly skilled labour force and timely access to the opportunities that the London economy presents to projects.  The PSO also opens the North West to the competitive environment evident within the London Metropolitan region, expanding opportunities for innovation in business practices in the North West region, as they are exposed to new ways of working through witnessing best practice in operation. |
| **Appropriateness**  (Subsidy Control Principle E) | The policy purpose of the subsidy for the PSO is to maintain an air link between Derry/Londonderry and London so that travel between the two cities can be achieved under three hours. The objective, through this connectivity, is to enhance investment into the region and contribute to the economic and social development of the North West of Northern Ireland which is a peripheral and an economically disadvantaged region of the UK. The purpose and objective cannot be achieved any other way than by providing a subsidy. So this subsidy is considered to be the most appropriate and effective way of achieving the three parties policy objectives.  In the absence of alternative measures, such as a high-speed train link between Derry/Londonderry and Belfast International Airport or Belfast City Airport, the subsidy will maintain an air link between Derry/Londonderry and London so that travel between the two cities can be achieved under three hours.  This will help to contribute to making the North West Region self-sustainable in terms of its economic performance and raise it on to a new growth trajectory that eliminates the need for long term interventions by the Government. The key deliverable will be for an airline to operate a minimum of two rotations per day between Derry/Londonderry and London.  The local authority, DCSDC, does not have the expertise or resources in house to directly provide a scheduled air service to London and would have had to contract for a commercial air service.  As the air service has been operating at a loss under the current PSO and its continuance is highly unlikely to be possible without subsidy, the adoption of a loan or equity investment model on commercial terms would not have been the appropriate approach to take.  Additionally, PSOs for which the subsidy is provided (operating within the framework of retained EU regulation 1008/2008) are considered the most appropriate and only policy instrument that DfT has to protect vital air routes, such as Derry/Londonderry to London, that are critical for connectivity but are not commercially viable. The PSO model has been utilised successfully on other routes across the UK and the Derry/Londonderry route has seen significant growth recently under the PSO. |
| **Step 2** | **Baseline no-subsidy scenario**  (Subsidy Control Principles C & D) | Without the subsidy to fund the PSO, airlines would not operate a CoDA/London route to the required level of service (i.e., a minimum of two rotations per day between Derry/Londonderry and London).  There is an absence of alternative measures, such as a high speed train link between Derry/Londonderry and Belfast International Airport or Belfast City Airport. Therefore, without the PSO subsidy, there would be no means by which travel could be undertaken between Derry/Londonderry and London within 3 hours. Several airlines have indicated they do not see the route as viable to operate on a commercial basis at the frequency of the PSO.  The PSO route makes up a significant proportion of total passengers at CoDA (22% in 2019, updated to 36% in 2022/23) and is critical to the ongoing commercial viability of the airport. It is considered that, without the PSO route, it is possible that the airport would close.  As noted above without the PSO the key connectivity of travel to and from London in one day will be lost if the subsidy were not renewed. This in turn will impact on business in that area which consider the connectivity to London as vital to their growth, also having a wider impact on the economic and social development of the region. The subsidy will help contribute to making the North West Region self-sustainable in terms of its economic performance and raise it on to a new growth trajectory that eliminates the need for long term interventions by the Government. |
| **Additionality**  **Assessment**  (Subsidy Control Principles C & D) | A new subsidised PSO will set a schedule of 16 weekly rotations in the winter slots season, rising to 19 weekly rotations in the Summer. As already noted, a number of airlines have indicated that they did not consider the route to be viable to operate on a commercial basis at the frequency which the PSO requires.  Additionally, the beneficiary of the subsidy, Loganair, would not have operated the route at the frequency required in order to provide the wider economic and social benefits to the region without the presence of the subsidy. The subsidy provided enables Loganair to change its behaviour to provide a service it would not normally provide. As per the Finance Act 1994, the route will be exempt from paying Air Passenger Duty (APD), under which an airline would usually pay passenger tax, reduced to £6.50 from April 2023.  Without the PSO, many businesses would be restricted on the flights they can use, particularly when travelling from Derry/Londonderry to London, relying on air services from Belfast. In particular, large business conferences have been lost to Belfast in the past because of the overall low level of connectivity or inconvenient travel times available at Derry/Londonderry, prior to the PSO. The PSO to London is an important part of the region’s ability to compete for this type of business tourism.  As noted earlier in this assessment, the PSO and the connectivity it provides is instrumental in facilitating regional economic recovery and growth.  The PSO into Cornwall Airport Newquay, as a direct comparison that has been in place for three years longer than the Derry/Londonderry PSO, has been instrumental in the airport winning its spaceport contract and facilitating the 2021 G7 conference.  While the subsidy is compensating for costs that the beneficiary would normally be funding, the route would not exist without the subsidy and funding these costs is vital to the overall policy purpose and the objective of the PSO. However, section 29(8) of the Act states that, in relation to services of public economic interest, the duties in section 12(1) of the Act (including compliance with the subsidy control principles) apply only so far as this does not obstruct the carrying out of those services.  If DFT were to reject the subsidy because it is inconsistent with principle D, the PSO air service would not be operated. As detailed in para 3.67 of the Statutory Guidance, funding of day-to-day expenditure can be justified where that expenditure is directly linked to the subsidy’s policy objective. The Guidance also details that there can be rare situations where the specific policy objective is met directly by keeping an enterprise in the market. |
| **Step 3** | **Proportionality and Minimising Distortion**  (Subsidy Control Principle B & F) | Article 17(8) of retained Regulation (EC) No 1008/2008 details that an air carrier which has been selected, under paragraph 7 of Article 16, may be compensated for adhering to the standards required by a public service obligation imposed under Article 16. Such compensation may not exceed the amount required to cover the net costs incurred in discharging each public service obligation, taking account of revenue relating thereto kept by the air carrier and a reasonable profit. This compensation is in line with Article 17(8), therefore this subsidy is considered to be proportionate.  Relevant to the question of proportionality is the consideration of the possibility of recourse to other modes of transport which could achieve the same policy objective without the payment of subsidy. Article 16 of regulation 1008/2008 provides that when assessing a route for a PSO the Secretary of State is to have regard to the possibility of recourse to other modes of transport and the ability of such routes to meet the transport needs under consideration.  Article 16(1) makes specific reference to existing rail routes serving the envisaged route with a total travel time of less than three hours with sufficient frequencies, connections and suitable timings. Under UK policy for PSOs, there must also be no viable route to the destination from any alternative airport that is less than 1 hour by public transport from the airport covered by the PSO.  NI’s unique geography within the UK means that both business and leisure travellers to and from NI, rely particularly heavily on air services to access the UK mainland. There is an absence of alternative measures, such as a high speed train link between Derry/Londonderry and Belfast International Airport or Belfast City Airport, and therefore no viable alternative modes of transport between Derry/Londonderry and London within three hours. There are no viable alternative flights, as travel to the nearest airport with direct flights to London, Belfast International, from CoDA takes more than 1 hour by public transport (2 hours 15 minutes).  In relation to Principle F, it is highlighted that the total number of journeys from NI airports to London airports is c2.17m per year. The PSO currently represents c45,000 (2%) of that 2.17m. The PSO from CoDA, commencing 1 April 2024 aims to capture 67,491 (3%) journeys of that 2.17m. Within the 35-mile local radius of CoDA there are 688,000 journeys per year to London airports. From the above, the new PSO route would capture c9.8% of the local catchment journeys to London or 3.1% of total NI airport journeys to London. However, as the last five years have demonstrated (i.e. Covid-19, the Ukraine crisis etc.) whether these predictions will come true will depend on many external factors that cannot themselves be foreseen. Hence it is fair to conclude that there are, at this point in time, no foreseeable negative effects on competition or investment within the United Kingdom.  Loganair has been selected to operate the PSO route following a two-month EU competitive tender process. The contract duration is for 4 years (1 April 2023 - 31 March 2027), but the subsidy is only approved for a further year in 2024/25, as there is a formal review of the service midway through the contract. Seven bids were received for the proposed PSO, one was excluded as insufficient information was provided. Loganair provided six different bids offering scheduled services from CODA to London Stansted and London Heathrow. The selected bid from Loganair scored highest against criteria set out in the tender document which were based on both the quality of the service and commercial factors.  In terms of ringfencing, the contractual terms of the PSO effectively provides that the subsidy is only payable for costs associated for the operation of the PSO service. This contract stipulates a maximum subsidy. Therefore, if passenger numbers are lower than forecast or net expenditure by the operator is higher than forecast, no additional payments are made over the agreed amount. Additionally, if passenger numbers are higher than forecast and net expenditure lower than forecast, the subsidy paid will reduce.  Therefore, in relation to Principle B, as the subsidy is based on actual costs, it will always be the minimum necessary to achieve the policy objective and, in relation to Principle F, the subsidy cannot be used to cross subsidise Loganair’s operations and give it an unfair advantage when competing with other airlines.  Payments from both DfT and DfE will only be made in monthly arrears once the service has been provided. Costs incurred by the operator in delivering the service are subject to monthly verification and an annual external audit verification.  As mentioned above, as well as the direct subsidy, the route will be exempt from paying APD. We do not believe this has a material effect on competition, as the exemption is used to prevent a cyclical use of government money through paying a government tax using a government subsidy. If APD was not exempt it would likely be included as another cost in the airline’s tender bid to avoid passing on the cost to consumers. We do not believe there is a net-loss of tax on the route itself as a result of the APD exemption because the route would not exist in the counterfactual and APD would not be collected anyway. There will be a £439k reduction in APD receipts over the 2024/25 year as passengers who would have otherwise flown from Belfast and paid APD will no longer do so – however this is included in the BCR assessment.  The total subsidy payable in 2023/24 was £2,141,001, and in 2024/25 it will be £2,036,312, with both DfT and DfE subsidising £1,018,156, and if the PSO contract is extended for a further two years another £2,313,581.  In comparison with the current PSO costs over the previous 4-year period, the costs are considered reasonable given the significant economic factors that have developed in the intervening period eg global cost of living pressures, inflation, pay pressures, fuel prices and impact of the pandemic on aviation. This is highlighted in the table below:   |  |  |  | | --- | --- | --- | | **Year** | **Subsidy** | | | **2019/20** | 2,089,437 | 8,438,407 | | **2020/21** | 2,039,588 | | **2021/22** | 2,081,524 | | **2022/23** | 2,227,858 | | **2023/24** | 2,141,001 | 8,804,476 | | **2024/25** | 2,036,312 | | **2025/26** | 2,252,760 | | **2026/27** | 2,374,403 |   In addition to the figures above, the route will be exempt from paying APD, which was reduced to £6.50 per passenger from 1 April 2023. Furthermore, it is noted that if from the second anniversary of the contract the route has become commercially viable then the council can terminate the contract and the subsidy will lapse.  We have also considered both the direct subsidy and the APD exemption against the threshold for SSoPI and it does not amount to above the £10m threshold for mandatory referral. To calculate the cumulative subsidy for the threshold, we have accounted for the direct subsidy for the coming year for which we are seeking approval and the direct subsidy for the previous two years. We have also included the APD expected to be foregone in the current financial year (24/25 for the purpose of this assessment) and the APD foregone in the previous two financial years. (It is noted that whilst APD is included for the purposes of the subsidy assessment as it is a legacy subsidy it is exempt under the relevant cumulation rules for the purposes of calculating the total cumulative subsidy).  The summary is as follows:   |  |  |  |  | | --- | --- | --- | --- | | Year | Direct Subsidy | APD | Total Subsidy | | 22/23 | £2,227,858 | £779,675 |  | | 23/24 | £2,141,001 | £438,451 |  | | 24/25 | £2,036,312 | £1,250 |  | | Total | £6,405,171 | £1,219,376 | £7,624,547 |   While this meets the criteria for a SSoI, we believe that the distortions of this subsidy would be minimal (if not negligible), particularly considering the competition mitigations already included in the PSO application criteria (the alternative routes and modes criteria set out above). We therefore have not voluntarily referred this subsidy to the CMA. |
| **Step 4** | **Balancing Exercise**  (Subsidy Control Principle G) | Funding the route will meet the specific policy purpose of allowing passengers to travel by air in under three hours between the cities of Derry/Londonderry and London that would not be possible otherwise. This will allow passengers to conduct a day’s business in either location and return within the same day. Businesses will benefit from the continuation of the route from connectivity between Derry/Londonderry and London. This could occur from increased customer base, increased productivity from employees as they save time on travel, or agglomeration effects.  Providing a subsidy to fund the route will also contribute to the achievement of the DfE Minister’s economic vision objectives, as well as UK Government’s levelling up objectives. NI is recognised as a developing region by the UK Government, while ONS figures show that Derry/Londonderry is one of NI’s most deprived areas. The Benefit/cost ratio assessment on the route has a score of 1.25 which, while it is considered low value for money, it still shows that the economic benefits on the route, as assessed through DfT methodology, are higher than the costs.  The funding of the PSO service, by providing vital connectivity, assists the sustainability of the CoDA which in turn acts as a catalyst for the local and wider North West of the Northern Ireland economy by supporting tourism and as a centre of tourism in its own right, supporting the policy objective to enhance investment into the region and contribute to the economic and social development of the North West of Northern Ireland which is a peripheral and an economically disadvantaged region of the UK. In 2019, CoDA was estimated to have contributed £26m GVA to the regional economy and supports 850 jobs (directly, indirectly and catalytic).  It is expected that the subsided PSO route will continue to contribute to the tourism industry in the North West of Northern Ireland. Visit Derry estimates that around 17- 20% of overnight visitors to the area arrive from Great Britain and that 32% of passengers on the existing PSO service to London were inbound leisure passengers.  Loganair will have exclusivity on the route. Whilst this means that competition cannot be facilitated, no carrier has indicated they are willing to operate the route on a commercial basis, and at the frequency required. Exclusivity on PSO routes is set out in the retained Regulation 1008/2008, which governs the use of PSOs.  It is not considered that the proposed subsidy will have any negative effects on competition and investment in the UK or on international trade and investment. No operator would have operated the route without subsidy and, as noted above, several air carriers were unwilling to operate the route on the basis of the rotations required under the PSO.  Dublin Airport offers significant direct connectivity to the island of Ireland. In 2019, it was estimated that around 2.8 million people travelled to and from NI via Dublin Airport. It is the main gateway for long haul travel across both Northern Ireland and the Republic of Ireland. Dublin Airport provides a wider range of services compared to NI airports, providing around 148 international destinations compared to just 26 from NI, including the only direct long haul services on the island of Ireland. Dublin Airport ultimately handles over three times as many passengers as the NI airports together.  Donegal Airport is one of Ireland’s network of regional airports. The airport is recognised as a key element of the county’s infrastructure and important as an air access point to this most peripheral region in Ireland, to sustain existing business and for the future economic development of the entire region. Emerald Airlines operate flights on the Dublin – Donegal PSO route. **Donegal Airport saw** 48,542 passengers travelled through the airport in 2019, up from 46,537 in 2018. Meanwhile, over 805,000 travellers used Knock Airport in 2019. A total of 38.1 million people passed through Irish airports last year, up 4.2%. Therefore the impact of this PSO route on RoI airports is considered to be negligible.  Belfast International Airport is the largest of the three local NI airports offering direct connectivity to a number of domestic destinations in the UK, leisure oriented international short haul destinations, and a few key global cities, such as Paris, Amsterdam and Milan, which helps attract overseas visitors into Northern Ireland. Belfast City Airport offers direct connections to key hub airports including London Heathrow. Belfast City Airport is also the best connected airport to other points in the UK and offers greater frequency, more suited to business passengers.  CoDA plays a vital role in providing the North West of Northern Ireland with connectivity to other parts of Europe and the Rest of the World through the route to London Heathrow. Historically, Belfast International Airport has been the busiest airport in Northern Ireland, with a peak of 6.3 million in 2019. Belfast City Airport handled around 2.5 million passengers in 2019.  CoDA is smaller than the other two airports with a passenger throughput of around 200,000 in 2019. The airport primarily operates to domestic destinations in the UK with a small number of international charter flights. As noted above, the new PSO route will only result in Loganair capturing 3% of the total journeys and is not expected to have any more than a marginal negative impact on other UK airlines and the NI airports.  As noted above, the total journeys from NI airports to London airports is c2.17m per year. The PSO currently represents c45,000 of that 2.17m. The PSO from, commencing 1st April 2024 aims to capture 67,491 journeys within that 2.17m. Within a 35-mile radius of CODA there are 688,000 journeys per year to London airports. The new PSO route would capture c10% of the local catchment journeys to London or 3.1% of total NI airport journeys to London, hence it is fair to consider that there is no meaningful impact on competition.  Similarly, the relevance of Donegal to Dublin does not exist in any meaningful way. Current data shows 854 journeys per year within CODA’s local catchment from CFN to DUB, doubling that radius to 70 miles still only captures 998 journeys per year on the route.  It may be worth noting that 86,000 journeys a year are made from Dublin to London by passengers within that 35-mile radius of City of Derry, NI as a whole is more than 400,000.  Additionally, and as noted above there is no other feasible alternative mode of transport from Derry/Londonderry to London which would be adversely affected by the route. Whilst the route will also receive an exemption from paying APD, as noted above, this does not represent a loss of tax revenue as the route would not operate in the counterfactual.  If a commercial operator were to operate on the route, DfT would work with DCSDC to assess whether a PSO continues to be required.  The environmental effects of the route have also been considered as part of the balancing exercise. Whilst the route causes an increase in CO2 emissions it is only a fraction of the UK’s aviation emissions. (As noted in the assessment over the next 12 months the PSO aims to capture. 3.1% of total NI airport journeys to London. Whilst airport journeys do not equate to emissions this also indicates that the PSOs overall impact in terms of aviation emissions is small). |

1. https://www.gov.uk/government/publications/uk-subsidy-control-statutory-guidance [↑](#footnote-ref-2)