

**From:** Paul Carter, Leader of Kent County Council  
**To:** All County Council Members, Kent MPs  
**Date:** 12 July 2006  
**Briefing Note:** Exciting new development for Kent International Airport

Today, on behalf of Kent County Council, I authorised Pete Raine, Managing Director for Environment & Regeneration to finalise agreements with Cosmos and Norfolk Airport Authority to secure the introduction of direct transatlantic flights between Kent International Airport and Norfolk International Airport, Virginia.

Subject to confirmation of advance ticket sales, the proposal is for Cosmos to operate a weekly Airbus A-330 or Boeing 767 charter flight initially operating over a 26-week period from the beginning of May 2007 to the end of October 2007. Cosmos will be responsible for chartering the aircraft, marketing the flight programme, including selling the seats either directly itself or through other UK tour operators.

A leading tour operator in Virginia, CI Travel, will promote the flight programme in the US working closely with the Kent Tourism Alliance. Dedicated UK and US brochures and a website will be produced during August, with a formal launch of the programme by Cosmos at the Hop Farm in early September. The US brochure will strongly feature Kent and will be the only brochure of any US tour operator to give Kent such prominence.

It is normal industry practice for operators to seek financial support when establishing new routes. The financial support needed by Cosmos to cover its financial exposure up to the end of January 2007 is £800,000 (\$1.5 million).

Norfolk Airport Authority is prepared to fund 50% of the start-up costs but requires its funding to be paid through a publicly accountable body. The County Council together with its coalition of Kent partners will provide the remaining 50%. That coalition consists of Norfolk Airport Authority in Virginia and a consortium of Kent organisations, including SEEDA, Infratil Airports Europe Ltd., Kent Attractions LLP, East Kent Partnership, Thanet District Council, Canterbury City Council and Gravesham Borough Council. Kent County Council's contribution is limited to £150,000 from the Kent Regeneration Fund, which is income derived from its Kings Hill commercial and residential development. The County Council will act as a facilitator between Cosmos and the funding partners. In this role it is entering into agreements with Norfolk Airport Authority and Cosmos.

The marketing of the flight programme will be kept under continuous review with risk assessments carried out in November 2006 and January 2007. In the event that the flight programme is cancelled there would be a financial cost to the County Council and its funding partners as the set up costs are non-refundable. Of course, any passenger booking fees would be fully refundable in the event of flight cancellation as Cosmos is fully ABTA/ATOL secured.

The introduction of direct flights between Kent and Virginia forms part of the Memorandum of Understanding that was signed with the Governor of the Commonwealth of Virginia in June 2005.

The introduction of direct flights between Kent and Virginia would support the US Campaign being conducted by Kent Tourism Alliance that has been targeted towards the eastern seaboard of the US and the forthcoming 400<sup>th</sup> anniversary commemorations in 2007.

The direct flights being proposed between Kent and Virginia would bring inbound passengers to Kent providing economic benefits both in terms of supporting employment across the East Kent region and by increasing tourism opportunities across Kent, particularly in the heritage, leisure and retail sectors. There is the potential to link inbound tourists to the cruise market operating out of the Port of Dover. The flights could also open up further business and inward investment opportunities between Kent and Virginia.

This is a high risk venture, but one which funding partners in Kent and Virginia and Cosmos and Monarch believe is worth pursuing. Cosmos are interested in improving their presence in their local (Kent) community and are keen to develop new routes where there is little existing competition. Cosmos are clearly placing their reputation at stake if the project does not proceed.

Given the high profile of this venture, Kent County Council's Managing Director for Environment and Regeneration, Pete Raine, will be in regular contact with Cosmos and as such is the main point of contact for any questions that Members might have.

## **Note of Meeting 27 February 2007**

Present: Mr P Carter, Mr A King, Mr A Marsh, Peter Gilroy, Pete Raine, Geoff Wild, Keith Abbott

### **Subject: Direct Flights To Virginia**

The meeting was held to discuss the position on the programme, looking at the benefits and risks of continuing with the work to establish the direct link with Norfolk, Virginia in light of the latest information available in respect of ticket sales and the draft proposal from Cosmos.

The main benefits were:

- Securing direct jobs at Kent International Airport and indirect jobs across the region.
- An economic benefit to Kent from inbound US tourists that has been estimated at around £5 million based on 3,000 US tourists.

The main risks were:

- This is a new and untried route in a competitive market.
- Under Federal Aviation Authority rules, Norfolk Airport Authority is prevented from sharing the risk with KCC. Cosmos is also unwilling to share the risk with KCC, arguing that it was approached to operate the flight programme rather than initiating it itself.
- No other partners are willing to share the risk and therefore the flight programme could only proceed if KCC is prepared to underwrite the commercial risk on its own

Latest information:

- The marketing of the flight programme has been kept under regular review. In mid-February 2007 ticket sales amounted to around 10% of the maximum of 8,000 seats that would be available over the proposed 26-week period of the flight programme. This contrasts with the earlier indication given by Cosmos that the programme had a chance of being successful if ticket sales had reached around 20% by the end of January 2007. The current UK/US exchange rate has clearly had an impact on the US market with only 200 of the 800 tickets sold being bought by US customers.
- KCC's total potential liability under the new proposed agreement from Cosmos could be in the region of £4m. The worst case scenario based on no further seats being sold would result in a liability to KCC of around £2.3m. This is unrealistic as seat sales would continue and a decision to proceed with the flight programme would provide added confidence. On that basis a more likely scenario is that the operator would apply discounts to achieve high occupancy of the flights. Depending on the level of discount applied, KCC's liability in 2007/08 could be between £500,000 and £1 million in addition to costs already incurred.

At the end of the discussion Paul Carter decided that the programme could not proceed for the following reasons:

- The lower than expected ticket sales at the end of February.
- The fact that no other partners were prepared to share the risks.
- The potential cost to KCC and council tax payers.