Enterprise and Business Committee
PA12

Inquiry into international connectivity through Welsh ports and airports

Evidence from Bristol Airport

Bristol Airport
Amazing journeys start here

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28th February 2012

Committee Clerk
Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Dear Sir or Madam,

Enterprise and Business Committee inquiry into international connectivity

Bristol Airport is pleased to be able to contribute to the Enterprise and Business Committee's inquiry into international connectivity through Welsh ports and airports. Our written evidence for the inquiry is attached.

I would be delighted to meet with representatives of the Committee, answer questions and discuss any of the issues raised in our evidence further. Please do not hesitate to contact me if this would be of interest to the Committee.

Yours sincerely

Robert Sinclair
Chief Executive Officer

Written evidence from Bristol Airport Limited to the Welsh Assembly Enterprise and Business Committee inquiry into international connectivity through Welsh ports and airports

Introduction

1. Bristol Airport Limited welcomes the opportunity to provide written evidence to the Enterprise and Business Committee inquiry into international connectivity through Welsh ports and airports.

2. Bristol Airport is the major regional airport for the South West of England handling 5.77m passengers in the year ending 31 December 2011. This makes Bristol Airport the ninth largest airport in the United Kingdom, the fifth largest outside the south east of England and the third largest UK regional airport in terms of international passengers. Bristol Airport serves a catchment area with a population of between seven and eight million people within a two hour drive time. Flights are currently available to 103 destinations across 29 countries including 11 capital cities. 79 destinations across 21 countries are served by direct scheduled services, including ten departures a day which connect with the worldwide Star Alliance and SkyTeam airline networks through the European hub airports of Paris, Amsterdam and Brussels.

3. Much of Wales lies within easy reach of Bristol Airport. The 2008 CAA Passenger Survey indicated that 12.5% of Bristol Airport passengers in that year had an origin or destination in Wales. On this basis around 720,000 passengers in 2011 originated from Wales, accounting for around 17% of the total Welsh air passenger market[1].

4. Bristol Airport is just 24 miles by road from the Wales/England border. The South Wales coast is clearly visible from the Airport's control tower, including the Millennium Stadium on a clear day. Bristol Airport has an important role to play in providing international connectivity for Wales and we would welcome the opportunity to work with the Welsh Government to promote this.

Structure of this evidence

5. In this written evidence we consider how airports in England and Wales meet the connectivity needs of Wales. We assess how Cardiff Airport has met those needs in recent years with particular reference to the catchment areas of Cardiff and Bristol Airports. We set out how the route network at Bristol has developed and the factors that have influenced growth. We describe how the connections available from Bristol Airport can contribute to economic and social development in Wales and how this Airport can be used as an asset for Wales. Finally we address each of the key issues that the Committee are considering as part of this inquiry.

Analysis of the Wales air passenger market

6. The number of air passengers with an origin or destination in Wales can be estimated by analysing the CAA Passenger Survey reports. The following table shows how the distribution of passengers between airports has changed over the past decade.

[1] Bristol Airport calculation derived from CAA Passenger Survey data.

Table 1: Distribution of passengers with an origin or destination in Wales by airport 2000 to 2010[2]

	2000		2003		2008		2010	
	Pax '000s	%	Pax '000s	%	Pax '000s	%	Pax '000s	%
Cardiff	1372	36%	1666	40%	1787	34%	1258	29%
Bristol	248	7%	421	10%	781	15%	718	17%
London airports	1141	30%	1248	30%	1381	27%	1272	29%
Manchester	748	20%	574	14%	826	16%	690	16%
Liverpool	150	4%	156	4%	280	5%	238	5%
Birmingham	150	4%	150	4%	150	3%	165	4%
Total	3809	100%	4215	100%	5205	100%	4341	100%

7. The rate of growth of air travel in Wales between 2000 and 2008 was generally in line with the UK as a whole. However, since 2007/2008 the number of air passengers to and from Wales has declined at a faster rate than the rest of the UK. 2011 has seen further contraction which looks set to continue through 2012.

8. The great majority of air passengers (around 70%) travelling to or from Wales are currently using airports in England. Of these, Bristol Airport has achieved an increasingly prominent role in meeting the needs of air travellers from South Wales, now matching Heathrow Airport in terms of the proportion of the air travel market in Wales served. Manchester and Liverpool Airports perform a similar function serving North Wales, whilst Birmingham Airport serves Central Wales.

9. The patterns of traffic at Cardiff, Manchester and Gatwick Airports suggest a decline in the number of Welsh passengers using those airports for leisure purposes in recent years. Conversely, the development of Bristol Airport will have provided new and increased travel opportunities for air travellers from South Wales that will have reduced the number of passengers that would otherwise have travelled further to use airports in the South East of England. The 2008 CAA Passenger Survey data indicates that 91% of passengers travelling to and from Wales through Bristol Airport were leisure passengers.

Traffic at Cardiff Airport

10. Cardiff Airport's passengers grew significantly in 2003 with the opening of a base by low cost airline, bmibaby. Traffic was boosted further by the introduction of hybrid scheduled/charter services by Thomsonfly in 2005 which resulted in traffic growing to over 2mppa in 2007. Since then the leisure market at Cardiff Airport has been in decline and by the end of 2011 passenger numbers had fallen to 1.2mppa, a decline of 42% since 2007. Scheduled passengers grew strongly between 2003 and 2007 on the back of services by bmibaby, Ryanair and Thomsonfly aircraft reaching 1.1m in 2007. The bmibaby services are likely to have accounted for up to 600,000 passengers a year alone. However, by the end of 2011 all bmibaby services had ceased and total scheduled passengers for the year numbered just over 600,000. CAA Airport Statistics data for January 2012 indicate a further significant fall in passenger numbers at Cardiff Airport and it is likely that scheduled passenger numbers are now back to the 2003 levels of around

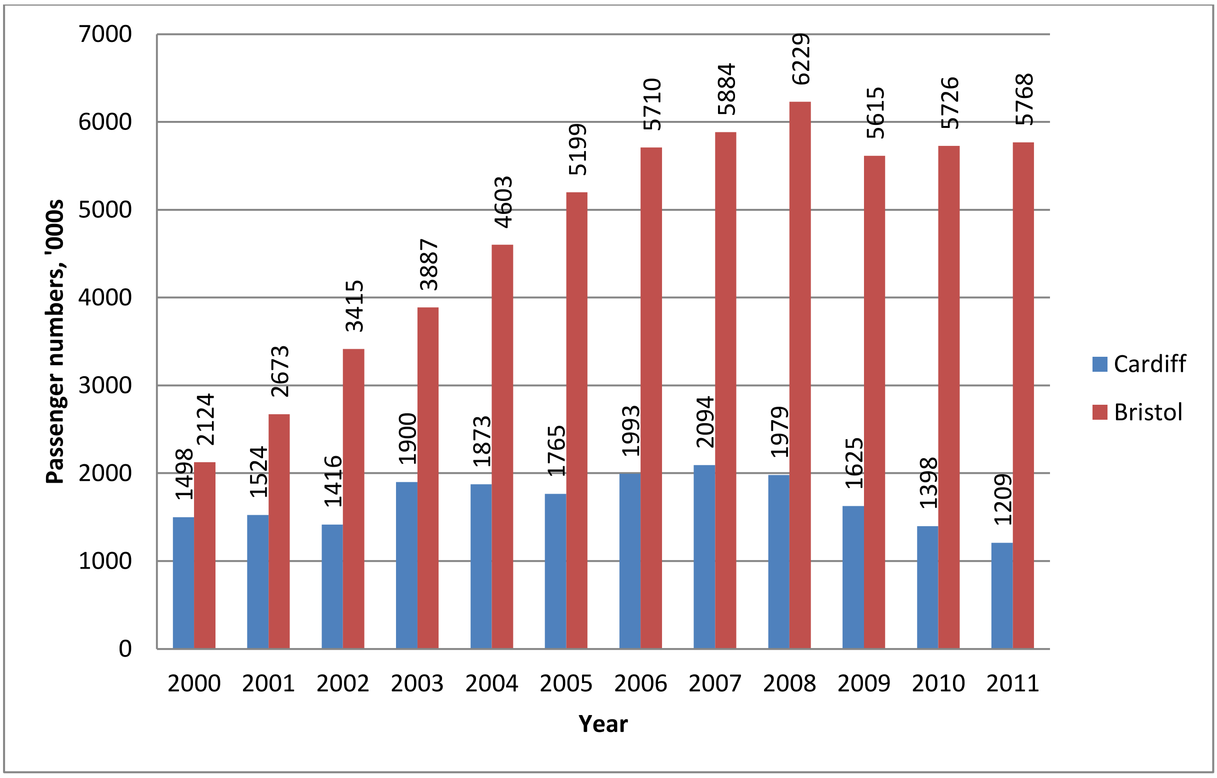
[2] CAA Passenger Survey data and Bristol Airport estimates

400,000 to 500,000 passengers a year. The scheduled network from Cardiff is now predominantly aimed at the business market with services to 15 destinations in the UK and Europe indicated in the 2012 schedule.

11. The bmibaby, Ryanair and Thomsonfly services will have mainly appealed to the leisure market. Bmibaby operated services to Milan and Munich at times when these destinations were not served from Bristol Airport but the routes were not successful. A Welsh Government Route Development Fund operated for a short period of time between 2006 and 2007 providing a financial incentive to start new routes from Cardiff Airport. However, aid was limited by EU guidelines to no more than a 30% contribution to costs which was insufficient to provide viable routes and the scheme closed to new services after 31 May 2007. We understand that the supported routes have been discontinued.

12. Passenger numbers at Cardiff Airport since 2000 are provided in the chart at figure 1 below. Passenger numbers at Bristol Airport are shown alongside for comparison purposes.

Figure 1: Passenger numbers at Cardiff and Bristol Airports 2000 to 2011[3]



[3] Source CAA Airport Statistics

Analysis of catchment areas

13. A regional airport can be expected to serve a primary catchment area within a one hour drive time and a secondary catchment area within a two hour drive time. The Department for Transport Regional Air Services Co-ordination Study (RASCO) in 2002 assessed the catchment area for Cardiff Airport as having a population of 1 to 2 million people within a one hour drive distance and 3 to 4 million people within a two hour drive distance. The majority of the population in the outer, secondary catchment area will be located in England. However, Cardiff Airport has historically had limited success at attracting passengers from outside Wales. The range of services available from Heathrow, and to a lesser extent Birmingham, means that those airports are preferred as an alternate to the use of Bristol Airport by air travellers in the West of England. In practice therefore Cardiff Airport relies on its primary catchment area concentrated in the coastal area of South Wales.

14. The RASCO Study assesses the catchment area for Bristol Airport as a having a population of one to two million people within a one hour drive distance and seven to eight million people within two hours. The one hour drive time includes the area to the east of Cardiff where passengers can take advantage of the good motorway links to Bristol. The M5 and M4 motorways provide good north-south and east-west access to Bristol firmly positioning the city as an important transport hub in the UK. This connectivity is also reflected in the public transport network, and in particular the Great Western Mainline and Cross Country rail services. Bristol Airport is therefore well placed to serve all of its potential catchment area. The main competing airport is Heathrow which is a two hour drive from Bristol but an unattractive option with congestion on the M4 beyond Reading. In addition there are no services by low cost carriers which typically offer attractive fares to short haul European destinations.

15. The journey time between the centre of Cardiff and Bristol Airport is just over one hour, compared with 35 minutes to Cardiff Airport. Newport is approximately equidistant (in journey time) from Cardiff Airport and Bristol Airport, as is Abergavenny (the 'gateway to Wales') and Hay-on-Wye. Swansea lies within a two hour drive time of Bristol Airport with a journey time penalty of around 30 minutes compared with Cardiff Airport. The opening of the Second Severn Crossing in 1996 improved access to Bristol Airport for Welsh passengers by providing a shorter route via the M49 which avoids the most congested part of the M5 around the Almondsbury Interchange.

Airport ownership and finance

16. In common with most UK regional airports both Bristol and Cardiff Airports are in private ownership. Bristol is jointly owned by the Ontario Teachers Pension Plan and the Macquarie European Infrastructure Investment Fund, part of the Macquarie Group. Cardiff Airport is jointly owned by Spanish infrastructure company Abertis (90%) and the state owned Spanish airport operator, AENA (10%). Abertis is a leading private transport and communications infrastructure management corporation with assets in excess of €25 billion and annual revenues of over €4

billion[4]. Abertis Airports is one of the world's leading airport operators, with a strong presence in Europe and America. The company has interests in 29 airports in 8 countries, which handle more than 80 million passengers, including London Luton and Belfast International Airports in the UK.

17. Infrastructure development at Cardiff and Bristol Airports is financed through shareholder equity, debt funding and internal cash flows.

Bristol route development

18. Prior to 2000 Bristol Airport was constrained by terminal capacity and underserved the South West England and South Wales market. Demand was suppressed by high fares and a limited number of services. Major investment in infrastructure in the late 1990s removed the capacity constraints and the installation of a Category 3 all-weather landing system significantly reduced the risk of diversions in bad weather. Together with the strong catchment area this made Bristol Airport a much more attractive base for scheduled airlines allowing us to better serve the market in England and Wales, reducing the proportion of Welsh and English passengers using airports in the South East of England. A base by low cost airline, Go, established in 2001 resulted in a rapid growth in passenger numbers. This growth has continued with easyJet, who acquired Go in 2002, and their Bristol base now comprises eight Airbus A319 aircraft and three Airbus A320 aircraft during the peak summer season. This is their largest UK base outside the South East of England, second only to Gatwick Airport in terms of the number of destinations served. Ryanair established a base at Bristol in 2007 which now comprises a further five Boeing 737-800 aircraft.

19. In addition to the low cost airlines, full service carriers at Bristol include Air France, KLM and Brussels Airlines/BMI regional. Further scheduled services are provided by niche operators, Eastern Airlines, Aer Arann/Aer Lingus, Aurigny, Blue Islands, Isles of Scilly Skybus, and Helvetic. Both Thomson and Thomas Cook operate a wide range of charter services. The significant range of airlines, destinations and frequencies now available from Bristol Airport appeals to both leisure and business passengers from Wales.

20. The strong Bristol catchment area allows Bristol Airport to offer attractive commercial deals to airlines. These airlines are able to achieve good load factors and yields serving a wide range of destinations across the UK and Europe. Commercial revenue supports the aeronautical revenue providing a good business case for the airport operator with an acceptable level of risk. The limited catchment area at Cardiff means that the commercial risk associated with such a proposition is much greater for the airport operator. This challenge has been compounded in the current weaker economic times by a reduction in the propensity to fly, higher oil prices and lower yields.

21. The contraction of the air passenger market in recent years has resulted in consolidation of airline services. Across Europe we have seen a number of airline failures which have resulted in

[4] Source: www.abertis.com.

Ryanair and easyJet growing to dominate the short haul low cost market. Reduced demand and yields have resulted in the cessation of services by Ryanair to Newquay and Cardiff and the suspension of their operations at Bournemouth over the winter. The easyJet and Ryanair networks out of Bristol attract higher yields, better fares and reduced costs through operational economies of scale. Their networks are profitable and perform well. This competition would have been one of the factors that led to the withdrawal of bmibaby from Cardiff in 2011. Consolidation in the low cost airline market restricts the ability of Cardiff Airport to develop a route network comparable with Bristol's.

22. Air Southwest was acquired by Eastern Airways in 2011, who subsequently closed their Newquay and Plymouth operations and established a base at Bristol. Previously the Air Southwest Cardiff-Manchester service had ceased in 2007.

23. The charter market reflects a similar pattern of consolidation. Successive airline failures and a reduction in demand have resulted in Thomas Cook and Thomson/First Choice dominating the market. Bristol capacity has been maintained whilst operations have reduced or ceased at other nearby smaller airports.

24. The Helvetic service between Cardiff, Bristol and Zurich provides an interesting catchment area case study. The service started operating between Cardiff and Zurich in March 2011. In autumn 2011 Helvetic approached Bristol Airport to explore ways of adjusting the service to enhance its performance. Agreement on commercial terms was achieved and Bristol was included as a stopover on the service from December 2011. This change has considerably improved the performance of the route over the winter of 2011/12 and the service is continuing through summer 2012 on a similar basis. The inclusion of Bristol in this service has greatly increased passenger numbers and the CAA Provisional Airport Statistics for January 2012 indicate that Bristol was generating nearly twice the passenger numbers of Cardiff only a few weeks after the Bristol service began. Importantly Helvetic's strategy to include both Bristol and Cardiff in the service has safeguarded the route for the benefit of air travellers travelling to and from both South Wales and the South West of England.

Bristol Airport as an asset for Wales

25. South Wales is ideally positioned to take advantage of the Bristol route network. Ease of access, investment in infrastructure and the opening up of the Bristol route network in the last decade has allowed Bristol Airport to meet a significant proportion of demand for air travel from Wales that was either previously suppressed or met from airports further afield with long surface access journeys. Planning permission was granted by North Somerset Council in February 2011 to develop the Airport to handle 10 million passengers per annum (mppa) releasing any further capacity constraints to future growth. Development commenced in November 2011 with the construction of new aircraft stands.

26. Importantly, public transport connections between Wales and the West of England are good. Coach journey times between Cardiff and Bristol coach stations are just one hour. An easy connection to the Bristol Flyer express bus service can be made at Bristol Coach Station and a

total journey time to the airport by coach of under over two hours is achievable throughout most of the day. The journey, by train, between Cardiff and Bristol Airport via Bristol Temple Meads is even better, with a journey time of just one and a half hours. Trains between Cardiff and Bristol Temple Meads run every thirty minutes and the Bristol Flyer bus service now provides onward connections throughout the day and night with services every ten minutes at peak. Public transport has proved popular with passengers travelling to and from Wales using Bristol Airport, with around 10% of passengers recorded in the 2008 CAA Passenger Survey as using the Bristol Flyer bus service.

27. In 2011 the West of England Partnership[5] received Department of Transport support and funding for the delivery of five major transport schemes in the Greater Bristol area with a combined value of £244m. These schemes have the potential to transform the surface access arrangements at Bristol Airport (including, in particular, from Wales) with significant improvements in accessibility from the motorway network and by public transport across the city region. Bristol Airport is making a significant financial contribution to these schemes through the Section 106 Agreement accompanying the 2011 planning permission.

28. We work closely with businesses in our catchment area in both England and Wales to promote the services available to them. This includes promoting the Bristol network with key businesses located in South Wales, such as Alcatel-Lucent, Dow Corning and Tata, and the main corporate travel agents.

Meeting the need for air transport for Wales

29. In common with many countries in Europe, Wales cannot meet all its air transport needs from within its own borders. Only an island nation can achieve this. This need not mean that Wales is disadvantaged in terms of international connectivity. It is well served by other airports elsewhere in the UK airport system. There are many similar examples across Europe where the air transport needs of a country are met in part by an airport in an adjoining country, including:

    - Zurich Airport serves parts of western Austria and southern Germany
    - Brussels and Dusseldorf Airports serve parts of the Netherlands (in fact Niederrhein (Weeze) Airport in Germany serves a primarily Dutch market)
    - Munich and Bratislava Airports serve parts of Austria
    - Geneva Airport serves France and the French ski resorts
    - Copenhagen Airport serves parts of Sweden
    - EuroAirport Basel-Mulhouse-Freiburg, is a gateway to a tri-national region comprising Alsace in France, North West Switzerland and Baden-Württemberg in Germany. The airport is jointly operated by France and Switzerland and it carries the names of the three major cities it serves.

[5] Comprising the four unitary authorities in the Greater Bristol area.

30. It would be perverse to try to engineer airport infrastructure to counter the geographic efficiencies of these arrangements. The border should not be considered as a barrier to the delivery of an efficient air transport system serving the needs of Wales.

Responses to particular issues raised by the Inquiry

Q1 What role do the Welsh Government and local authorities play in facilitating the development of Welsh ports and airports?

1. Aviation is subject to international regulation through the 1944 Chicago Convention and the International Civil Aviation Organisation. It is important therefore that the UK Government plays a strategic role in national and international regulation of the industry. The UK airports work as a system and the UK Government therefore also needs to take a strategic view of where airport development may be needed to ensure that there is an appropriate balance between competing land uses and between benefits and impacts.

2. The UK's airports, including Cardiff and Bristol Airports, are in the main operated by private sector companies in a highly efficient and competitive market. It is for airport owners and operators to bring forward proposals for development. Development should be capable of being funded by private sector investment, either through shareholder equity, debt funding or internal cash flows. If this is not possible the business case is unlikely to be viable. There is no pressing need for public funding of development at either Bristol or Cardiff Airports and the use of State Aid without contravening EU rules will be difficult.

3. Proposals for development will be considered through the planning system. Local authorities have a role in determining local land use policies and considering the impacts of development on the local community. Cardiff Airport does not have any significant infrastructure constraints and there are no pressing development needs that need to be overcome to attract airlines. Similarly Bristol Airport has planning consent for development to handle 10mppa. The planning system is not a constraint on growth at either airport.

4. Collaboration between airport operators, public transport providers and local highway authorities is required to ensure that airports are served by good quality, well integrated, surface access capable of supporting future air transport growth. Local authorities, supported by the Welsh Government, have a key role to play in delivering this, working with the Airport Transport Forums set up by airport operators to deliver their Airport Surface Access Strategies.

5. The Welsh Government and local authorities also have a role to play assisting airport operators to market the airport catchment area to prospective airlines. They can facilitate the co-ordination of business and tourism interests to help deliver a business case for new routes. However, the air transport industry operates in a free market economy and state aid should not be used to distort the market for its services. The Transport (Wales) Act 2006, Section 11, allows the Welsh Government to give financial assistance for air services and airport facilities where they would not otherwise be provided, although these provisions are subject to state aid guidelines. State aid for a route from Cardiff Airport that competes with a route already served from Bristol would be counter-productive, inefficient and unnecessary.

6. Airlines choose to base their aircraft at airports that have strong catchment areas, where they are able to secure appropriate commercial yields and arrangements over the long-term and where the airport can deliver an efficient operation. It does not make economic sense to use public funds to provide a subsidised service out of Cardiff that is already available from Bristol. In these circumstances airlines operating out of Bristol would suffer lower yields affecting the viability of the service. A profitable service out of Bristol could then end up being withdrawn and effectively replaced by a subsidised service out of Cardiff. The subsidised route would not be sustainable given the limited Cardiff catchment area. One of the guiding principles of the UK Route Development Fund scheme is that start-up aid provided by a fund operator should not distort existing competition by bringing forward routes at one airport that will significantly affect the viability of existing routes from another with a shared catchment area.

7. We note from a recent report in the Welsh media[6] that there is continued interest in Wales in an air service between Cardiff and New York. The economic benefits of such a service appear marginal. However, more importantly, the report indicates estimated support costs of around £580,000 a year. This is a gross underestimate of the funding required to support such a service from Cardiff based on our experience with the operation of the service by Continental from Bristol Airport. It appears that this figure is derived from research undertaken in 2007 on behalf of the Welsh Assembly Government. At that time the Continental service between Bristol and Newark was performing in line with expectations and was profitable, carrying approximately 80,000 passengers a year. However, the service ceased in 2010 in the face of mounting losses as a result of rising oil prices, a fall in the value of the pound against the dollar, increases in air passenger duty and the worldwide economic recession. The agreement between the UK and the US on Open Skies also saw a strategic change in direction by US airlines who are now increasingly focusing their operations at Heathrow, providing additional capacity from that airport[7]. There is little prospect of the Bristol Airport catchment area supporting a return of a New York service in the immediate future and any such proposal for Cardiff Airport would require a massive tax payer subsidy.

8. It is inevitable that the great majority of air passengers travelling to and from Wales will use airports in England. The Welsh Government and local authorities should work co-operatively with airport operators on both sides of the border to facilitate and provide the best possible air transport services for Wales from these airports and to ensure that high quality surface access arrangements are available, particularly by public transport. This approach will, in the long run, maximise air travel connectivity to and from Wales, delivering strong economic growth.

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[6] Western Mail 9 December 2011 as retrieved from http://www.walesonline.co.uk/news/wales-news/2011/12/09/daily-flight-between-cardiff-and-new-york-could-add-1m-to-welsh-economy-91466-29922368.

[7] This approach continues with Delta's recent announcement that it is to add a second second daily flight between Heathrow and Atlanta from April 2012, but as a result will drop its only remaining service from Gatwick.

Q2 What factors have contributed to the decline in business through Cardiff Airport?

1. The factors have been discussed in the introduction to this evidence. With the complementary growth in services from Bristol Airport it does not necessarily follow that a decline in business at Cardiff Airport has been detrimental to the Welsh economy. Please refer to Table 1 on page 2 of this evidence which shows that the overall number of air travellers to and from Wales has grown between 2003 and 2010, although the proportion using Cardiff Airport has declined.

Q3 How effectively does Welsh Government policy, primarily in the areas of transport, economic development, and land use planning policy, support the development of Welsh ports and airports?

1. Welsh Government policy should recognise the role played by neighbouring airports in meeting the air transport needs of Wales. Promoting public transport and the effective use of existing air services are important to delivering the low carbon transport vision of the Welsh Government.

Q4 How can the Welsh Government develop economic opportunities, for example from tourism, international trade, freight and, in the case of ports, opportunities including the energy and renewable energy industries? What role do ports and airports, particularly Cardiff Airport, play in the key sectors identified by the Welsh Government?

1. The key sectors identified by the Welsh Government closely mirror the key sectors in the West of England economy. Therefore an air service out of Bristol that supports business in the West of England will be of similar benefit to the Welsh economy, given its accessibility to air travellers to and from Wales. Economic opportunities can be developed by recognising the value that Bristol Airport can bring to the Welsh economy and by working collaboratively with Bristol Airport and the English authorities to maximise these benefits. Wales, and in particular the more densely populated area of South Wales, is generally well served with air transport. The Welsh Government needs to promote the links that exist, both in England and in Wales, when trying to attract inward investment. Bristol Airport has an important role to play as an asset to support the Welsh economy.

2. Bristol Airport places a high priority on growing inbound tourism and the promotion of the tourist industry in the South West of England and Wales. We exhibit at major international travel fairs, such as the New York Times Travel Show, working in partnership with Destination Bristol and Bath Tourism Plus. We would welcome the opportunity to extend this partnership arrangement to include Welsh destination management organisations, building on the already good working arrangements that exist between Bristol and Cardiff local government officials.

Q5 How effective is Welsh transport infrastructure and interconnectivity in supporting the development of Welsh ports and airports?

1. We would draw your attention to the improvements in transport infrastructure in Greater Bristol being progressed by the West of England Partnership. These will be of benefit to air passengers from Wales travelling by road or public transport to Bristol Airport.

Q6 Given that ports and airports policy is a reserved matter, how effectively does the Welsh Government engage with the UK Government in the interests of Wales?

1. The forthcoming publication of the UK Government's Sustainable framework for UK aviation provides an opportunity for the Welsh Government to engage on policy matters. We would be pleased to engage with officials in the Welsh Government to explore how Bristol Airport could better serve the interests of Wales.

Q7 What impact do EU State Aid regulations have on the ability of the Welsh Government to provide support, and what opportunities are presented by EU ports and airports policy to support development in Wales?

9. There is no case for the use of State Aid in the current market. Both Bristol and Cardiff Airports are owned by private investors with other airport assets and both airports operate in a highly efficient and competitive market. It is a commercial matter for airport operators and their shareholders to decide whether or not to invest in airport infrastructure, marketing or route development in these circumstances. State aid causes market distortions. It does not provide a solution to the challenges faced by airport operators serving the interests of Wales.