

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Video Conference via Zoom

Meeting date: 18 June 2020

Meeting time: 13.00

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEIS@senedd.wales

Informal pre-meeting (13.00 – 13.30)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

1 Introductions, apologies, substitutions and declarations of interest

(13.30)

2 Paper(s) to note

2.1 Letter from Chair Public Accounts Committee

(Pages 1 – 3)

Attached Documents:

EIS(5)–13–20(P1) Letter from Chair Public Accounts Committee



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2.2 Letter from Chair Finance Committee

(Pages 4 – 5)

Attached Documents:

EIS(5)–13–20(P2) Letter from Chair Finance Committee

2.3 Letter from Minister for Economy, Transport and North Wales re follow up actions from meeting on 11 May

(Page 6)

Attached Documents:

EIS(5)–13–20(P3) Letter from Minister for Economy, Transport and North Wales

2.4 Letter from Minister for Economy, Transport and North Wales to the Chancellor of the Exchequer Rt Hon Rishi Sunak MP

(Pages 7 – 10)

Attached Documents:

EIS(5)–13–20(3a) Letter from Minister for Economy, Transport and North Wales to the Chancellor

3 COVID–19: Transport – Trade Unions

(13.30–14.00)

(Pages 11 – 31)

Peter Hughes, Regional Secretary, UNITE Wales

Mick Lynch, RMT Assistant General Secretary

Attached Documents:

EIS(5)–13–20(P4) Research Brief

Break

(14.00–14.02)

4 COVID-19: Transport – Cardiff Airport

(14.02–14.32)

(Pages 32 – 40)

Deb Bowen Rees, Chief Executive Officer, Cardiff Airport

Spencer Birns, Chief Commercial Officer, Cardiff Airport

Attached Documents:

EIS(5)–13–20(P5) Evidence from Cardiff Airport

Break

(14.32–14.40)

5 COVID-19: Public Transport – Transport For Wales and Bus Operators

(14.40–15.40)

James Price, Chief Executive Officer, Transport for Wales

Nigel Winter, Managing Director, Stagecoach South Wales

Scott Pearson, Managing Director, Newport Transport

6 Motion under Standing Order 17.42(xi) to resolve to exclude the public from the remainder of the meeting

(15.40)

7 Private

(15.40–16.00)

(Pages 41 – 103)

Covid-19: Consideration of evidence

Draft Report: Decarbonisation of Transport

Attached Documents:

EIS(5)–13–20(P6) Draft Report

Adrian Crompton

Auditor General for Wales

Sophie Howe

Future Generations Commissioner

29 May 2020

Well-Being of Future Generations – Statutory Reports

Dear Adrian and Sophie,

Thank you for your attendance to the recent meeting of the Public Accounts Committee held on 18 May 2020. It was a very useful introduction and starting point for Senedd consideration of your important statutory reports.

We recognise that the principles of the Well-Being of Future Generations (Wales) Act 2015 (hereafter ‘the Act’) underpin all aspects of public life in Wales and the importance of ensuring that all scrutiny by the Senedd should be fully encompassing.

As such we wish to take time to reflect on how the Senedd can effectively undertake this work and will await the formal launch of your reports in the Autumn before taking our scrutiny forward. This will enable us to assess how public bodies in Wales respond to your findings and take into account any feedback from stakeholders, which will shape our thinking.

While the Public Accounts Committee has been asked to lead this work I will ensure all Senedd Committee Chairs are invited to be involved. We want to be clear that this scrutiny will need to involve wider post legislative scrutiny of the Act and ensure that this is undertaken on a regular basis. At present, despite the Act being in place for 5 years there has been no wider post legislative scrutiny to date and only scrutiny of the Future



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Generations Commissioner is undertaken on an annual basis by the Equalities, Local Government and Communities Committee.

We recognise the importance of embedding the Act across the Welsh Public Sector. However, we are concerned that some public bodies do not see this as a priority. Our thinking will give consideration to how the Senedd might undertake post legislative scrutiny of the Act. This will include detailed examination of the barriers to successful implementation described in your reports and how they can be overcome. For example:

- The role of the Welsh Government in providing leadership on the Act's implementation.
- Short-term funding cycles and how these are hindering progress.
- Whether the bodies affected by the Act have sufficient resources to translate the principles of the Act into practice.

We will also focus on the development of clear milestones to measure progress and whether additional public bodies should be designated by Order to be subject to the Act.

The Committee recognises the profound challenges that have been presented to public bodies in Wales by the COVID-19 pandemic. We see the framework of the Well-Being of Future Generations Act as an opportunity to address some of these challenges. In many ways the pandemic has progressed the principles of the Act through increased agile and flexible working, active travel, collaborative working and other positive changes. We hope these positive changes will not be lost as COVID-19 related restrictions ease.

We note that every aspect of public life will need to be considered through a COVID-19 lens as public bodies take forward the recommendations of your reports. This will be a fundamental part of our work in the Autumn.



We look forward to engaging with you later this year in taking forward our scrutiny of the findings of your reports.

Yours sincerely,

A handwritten signature in black ink, reading 'Nick Ramsay'. The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Nick Ramsay MS
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English.



Chair, Children, Young People and Education Committee
Chair, Climate Change, Environment and Rural Affairs Committee
Chair, Culture, Welsh Language and Communications Committee
Chair, Economy, Infrastructure and Skills Committee
Chair, Equality, Local Government and Communities Committee
Chair, External Affairs and Additional Legislation Committee
Chair, Health, Social Care and Sport Committee

1 June 2020

Finance Committee: Engagement and Plenary Debate on the Welsh Government's Spending Priorities 2021-22

Dear Committee Chairs,

At our meeting on 21 May 2020, the Finance Committee considered its programme of engagement for the forthcoming Welsh Government draft budget and I am writing to all Chairs of subject committees to share our thinking.

As you will appreciate, in light of current social restrictions due to Covid-19, we are unable to undertake a stakeholder event as we have done in previous years. This is very disappointing as it offers a valuable opportunity to hear from our key stakeholder about their priority areas for the Welsh Government spending prior to the draft budget being laid.

Instead, this year we will undertake online initiatives using Twitter to encourage stakeholders and the general public to put forward their views on spending priorities. I would appreciate your assistance in promoting our online questions/polls via your own communication tools to encourage and engage with a wider audiences.

This will assist the Finance Committee to contribute to delivering the most coherent and effective scrutiny of the Government's spending plans during these unprecedented circumstances. We will share the outcome of this engagement with your Committee's to assist with your scrutiny of the draft budget.



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The Business Committee has agreed to schedule a Finance Committee proposed debate during the last week of the summer term on the Welsh Government's spending priorities.

We hope the information gathered from our online engagement can be used to inform the debate and holding it prior to summer recess provides a sufficient timeframe for the Welsh Government to take into account the views of the Senedd when formulating its draft budget.

Covid-19 will have an impact on public spending for years to come and we believe that holding this debate is vital to ensure the Senedd sets out how it believes the Welsh Government should focus spending over the next financial year. We hope you and Members of your Committees will take the opportunity to contribute to this important debate.

Following the debate, I will write to you again setting out the Finance Committee's budget focus, consultation details and our timetable for budget scrutiny.

If you have any questions about any aspect of the draft budget process, please feel free to contact me or the Clerk to the Finance Committee, Bethan Davies, 0300 200 6372, seneddfinance@senedd.wales

Yours sincerely



Llyr Gruffydd MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.
We welcome correspondence in Welsh or English.



Agenda Item 2.3

Ken Skates AS/MS
Gweinidog yr Economi, Trafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref KS/02635/20

Russell George MS
Member of the Senedd for Montgomeryshire
Chair, Economy, Infrastructure and Skills Committee

SeneddEIS@assembly.wales

1 June 2020

Dear Russell,

Thank you for the opportunity to attend your COVID-19 Business and job support session on 11 May 2020. At the session I agreed to provide you with further details in relation to the following issues.

On point 1 I attach the letter sent by myself and the Minister for Finance & Trefnydd to the Chancellor earlier this month.

On point 2, there is no evidence that shop workers have been disadvantaged in any way in terms of being able to shop for food. With few exceptions the only shops open have been food retailers and these have arrangements for staff to buy food from them, therefore no additional special arrangement is needed to cater for them.

On point 3, the Resilience Plan for post-16 learning was published on 20 May, link below:

<https://gov.wales/resilience-plan-post-16-sector-coronavirus>

<https://llyw.cymru/cynllun-cadernid-ar-gyfer-y-sector-ol-16-coronafeirws>

Yours sincerely

Ken Skates AS/MS

Gweinidog yr Economi, Trafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Ken Skates AS/MS
Y Gweinidog yr Economi, Thrafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales

Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref RE/197/20

Chancellor of the Exchequer
Rt Hon Rishi Sunak MP
H M Treasury
action.chancellors@hmtreasury.gov.uk

11 May 2020

Dear Chancellor,

Job Retention Scheme

We wanted to write in advance of what we understand will be consultations between Ministers in the devolved Governments and the Chief Secretary over the coming days about the future of the Job Retention Scheme (JRS).

We wish to start by re-iterating our strong appreciation of the timely decision you made to launch this Scheme which has proven absolutely essential to enable large parts of the economy in Wales and across the UK to 'hibernate' through the last six weeks of lockdown.

The measures we have taken as a government – including a loan facility through the Development Bank of Wales and the £400 million Economic Resilience Fund which is providing discretionary grant support to Welsh businesses which received 9,000 applications in the first week – have been an important complement, but would be wholly inadequate in the absence of the JRS. Indeed, it would be impossible for any one of the devolved governments to provide the intensity of very necessary support that the JRS has been providing on a UK-wide basis.

In this context, we believe it is essential that the JRS is not withdrawn or scaled back too quickly and before businesses have been able properly to restart their operations.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

With this in mind we would stress the following:

- There should be **no reduction of support in respect of businesses which cannot legally open**. The JRS should continue to operate at the same intensity and level of support for those sectors and businesses which are closed as a result of legislation and regulation for as long as those restrictions remain in place. This may apply to non-food retail businesses and personal service providers if it is the intention to retain any legal restrictions on them after 30 June as the current end date of the JRS. It will certainly apply to businesses such as pubs, restaurants and cafes as well as theatres, cinemas and sports organisations which could remain closed for much of the rest of the year.
- Similarly, **the Scheme should continue to offer broadly the same intensity and level of support to tourist businesses**. Accommodation providers, visitor attractions, event organisers and other elements of the tourism economy in practice are unlikely to be able to operate at anything like normal capacity for as long as the associated food service businesses are closed. In practice tourism providers in Wales face ‘three winters’ in a row, with very little prospect of business getting back to anything like normal levels this calendar year.
- **The JRS should be made more flexible where businesses are legally able to operate**, as recommended by the TUC. Businesses in sectors such as manufacturing and construction will clearly not be able to operate at the same levels of employment and production as before the crisis for some time to come. This in turn will mean that many will be operating at lower levels of sales to fixed costs and hence profitability. One solution would be to allow employers to furlough staff for only a proportion of their working hours, to enable them to distribute the available work as fairly as possible.
- **Reducing the volume of an employer’s workforce that can be furloughed would be preferable to a general tapering the intensity of support** e.g. to only 60% of the wages of each worker. Alongside the potential to support part-time working, another solution would be for employers to continue to furlough part of their staff – with a potential for HMRC to limit the proportion of an employer’s workforce which can be furloughed.
- **Any action must not push employers to jeopardise safe working because of financial pressure**. This should be obvious, but while the needs of the economy undoubtedly require an increase in economic activity, it would be tragic if the withdrawal or reduction of support places pressure on employers to choose between operating unsafely or closing down. In particular, it is essential that employers continue to have the opportunity to support employees who have to self-isolate and that employees can be supported if they do not feel it is safe for them to return to the workplace. Here in Wales, we have given statutory force to the requirement on businesses to make reasonable adjustments to respect the ‘two metre rule’ and this must not be undermined by fiscal measures.

- Finally, as we have already suggested to the Secretary of State for Business, Energy and Industrial Strategy, **there should be scope for greater support for businesses to make physical adaptations.** One way to increase the level of employment in sectors where businesses should be open but are not would be to facilitate physical changes which would make it safer to operate. We would encourage the UK Government to put in place a grant scheme to facilitate this and to provide consequential which would allow us to do likewise.

Although we have concentrated here on the JRS, we have similar concerns and views in respect of the Self-Employment Income Support Scheme (SEISS).

We are copying this letter to the Chief Secretary to the Treasury, Secretary of State for Business, Energy and Industrial Strategy, Kate Forbes MSP - Cabinet Secretary for Finance, Conor Murphy MLA - Minister for Finance, Fiona Hyslop MSP - Cabinet Secretary for Economy, Fair Work and Culture and Diane Dodds MLA - Minister for the Economy.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a'r Trefnydd
Finance and Trefnydd



Ken Skates AS/MS
Y Gweinidog yr Economi, Thrafnidiaeth Minister for
a Gogledd Cymru
Minister for Economy, Transport and North Wales

Agenda Item 3

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Economy, Infrastructure and Skills Committee scrutiny of the impacts of COVID-19

Response by Cardiff Airport

Scope of response

This response is specifically about Cardiff Airport within the context of the Welsh economy and challenges impacting the aviation industry.

Our response includes reference to the following points raised by the Committee for consideration:

- *Effects on the economy and business – including how different sectors are being affected;*
- *Effects on jobs – including job retention and safety at work;*
- *Effects on transport – including the short and long-term impact of the virus on demand, travel patterns and mode used and how this should be managed, support for sustainable transport and how public transport can operate safely during the pandemic for passengers and staff;*
- *The support of the Government and wider public sector to all of the above – including whether the support is working, or if there are gaps, and what fine tuning is needed or additional support could be offered?*
- *Recovery – this includes what needs to be done to help Wales recover from the epidemic? This includes actions which should be taken by the government, commercial or from the community/third sector Government, to foster recovery in the areas covered by EIS. It also includes how area covered by the economy can assist in the recovery e.g. how skills training can be used to assist recovery.*

Introduction

Cardiff Airport is an important part of the transport infrastructure in Wales and a major contributor to the local economy, supporting **2,400¹** aviation-related jobs. As the national airport for Wales, it drives over **£246m¹** of direct economic benefit to the region every year with over **30%²** of passengers being visitors to the country.

Cardiff Airport ended the 2019/20 financial year at **1.588³** million passengers, which represents flat passenger growth year on year (at the end of February 2020 and prior to the Covid-19 pandemic, annual passenger growth was 7%). This follows growth of 7% in 2018, 9% in 2017 and 16% in 2016.

Prior to COVID-19 passenger growth had reached over **50%** since the Airport came under public ownership in 2013. This growth reflects the Airport's position as not only a point of departure, but also as a key international gateway for visitors to the UK.

Headlines in the Airport's development include:

- The Airport posted its third consecutive, positive EBITDA (earnings before interest, tax, depreciation and amortization) in 2019-20⁴ which is a measure of a company's operating performance, as well as it being the third consecutive year that revenue covered operating costs.
- Qatar Airways launched a regular, direct flight between Wales and Qatar which now celebrates two years of service. The route, which has opened up a world of connectivity for customers across Wales and the south west of England has also re-positioned Cardiff Airport as a key gateway into the UK for international visitors.
- The Airport unveiled its draft Masterplan for the next 20 years in 2018, which sets out ambitious plans for expansion between now and 2040. These are already being realised with the announcement of a new flight handling operator - Global Trek - which opened its new premises in May 2019.
- On 1 April 2019, Welsh Government and Cardiff Airport began a 10-year contractual joint venture which saw the transfer of airfield operational responsibilities at Bro Tathan (St Athan airfield) to the Cardiff Airport team, including maintenance, security, radar services and air traffic control.
- On 1 December 2019 Cardiff Airport took over passenger services operations at Anglesey Airport, supporting aviation growth for the whole of Wales, enabling connectivity between north and south Wales.
- British Airways Maintenance Cardiff (BAMC), which employs almost 700 highly skilled staff, has re-affirmed its position at Cardiff Airport with a renewed 20-year commitment in 2015 with the introduction of maintenance on its fleet of Boeing 787 Dreamliner's, following detailed negotiations between British Airways, Welsh Government and Cardiff Airport.
- In September 2019 the Airport launched an [Environmental Flight Path](#) – a journey to becoming carbon neutral.
- A number of improvements and new facilities were unveiled in 2018 including additional seating in departures, two new Costa outlets, a larger WH Smith store with Well Pharmacy products, extension and reconfiguration of the car parks, a new car

hire centre, a Meet & Greet parking service and a revamped 51° Executive Lounge and Business Lounge. A new baggage belt system improved the security search process and the airport installed two 'upcycled' air bridges from London Heathrow to enhance the customer's journey through the Airport.

- In 2019 new-generation passport e-gates were introduced at border control funded by a Welsh Government safety and security grant.
- The Airport was able to bring forward a commitment to paying the 'Real living wage' to 1 April 2019, a year earlier than planned.
- In 2019, in its first gender pay gap report, Cardiff Airport highlighted that its 'Mean Gender Pay Gap' was 2%, significantly less than the Aviation Sector average which stands at 34% and the UK average of 17%; Wales' average of 12% and the Industry (Transportation and Storage) average of 3%.⁵
- In August 2019 the Airport launched a new Community initiative, The Touchdown Programme.

In May 2020, the Airport confirmed the next Chair will be Wayne Harvey, Senior Managing Partner for Deloitte in Wales. Wayne, who will retire from Deloitte in May will join in the non-executive Chair position on 1 June 2020, taking over from outgoing Chair Roger Lewis. He takes over at a challenging time for the aviation industry on a global scale.

The impact of COVID-19 on Cardiff Airport

The flying programme

Since 27 March 2020 there have been no commercial passenger operations through the Airport terminal, as the entire aviation industry has reduced or stopped operations globally.

The Cardiff Airport airfield has remained open as it is vital, as a key part of the national infrastructure that it remains in a position to support any essential flying for the UK whether it be freight, emergency or other critical activity that needs to take place.

Over the past two weeks alone there have been three large freight flights from Cambodia and China bringing over 3million items of Personal Protective Equipment (PPE) directly into Wales for the front-line NHS and care home teams. More flights are planned for the coming weeks.

Due to airlines suspending services there are currently no commercial flights operating for passenger travel - the situation remains fluid and the Airport team are in regular dialogue with airlines as to when services will start flying again. As it stands, limited services are expected to start flying again in June, but this could change based on UK Government advice and international travel guidance.

Currently (as at 26 May) airlines operating at Cardiff Airport are proposing re-starting services on the following dates:

International routes:

- TUI – 22 destinations: currently on sale from 12 June
- Vueling – Alicante, Malaga, Palma: currently on sale from 1 July
- Balkan Holidays – Bulgaria: currently on sale from 5 July
- Ryanair – Barcelona, Faro, Malaga: currently on sale from 1 July
 - Malta: currently on sale from 26 October
- KLM - Amsterdam with connections globally: currently on sale from 4 July
- Qatar Airways - Doha with connections globally: currently on sale from 26 October

Domestic routes:

- Eastern Airways – Anglesey, Durham Tees Valley: currently on sale from 15 June
- Loganair – flights to Edinburgh and Glasgow have been taken off sale

The Airport team

As a result of reduced flying, the staffing presence at the Airport has been reduced to only the essential cover needed. It is essential to maintain regulatory compliance and ensure the Airport site is kept safe and secure during the lockdown period. Keeping the airfield open maintains regulatory currency, ensuring the Airport remains in a position to immediately facilitate passenger flights when airlines restart commercial flying operations.

Based on the current operational requirement and the Executive team's desire to protect the business and jobs in the long term, just over half of roles (approx. 150 individuals) were furloughed from 6 April 2020 utilising the UK Government Coronavirus Job Retention Scheme.

Cardiff Airport is proud to support the national efforts and team members are going above and beyond with some great examples of community care and volunteering. This has included 32 firefighters from our Fire and Rescue service forming part of a team of

approximately 55 firefighters, working on a shift basis to ensure that essential 24/7 fire cover is provided at the Dragon's Heart hospital, within the Principality Stadium.

Government engagement

The Cardiff Airport Executive and Board are in regular dialogue with both the Welsh and UK Government (Department for Transport) about the Covid-19 pandemic and impact on the business.

Regional airports, such as Cardiff are being kept open for public service reasons, including emergency service, repatriation, medivac, cargo and military flights that in themselves do not cover the cost of operations. We are therefore providing an essential public service for Wales and the UK.

In addition, the Civil Aviation Authority (CAA) indicated if an Airport does fully close, re-opening will involve licensing procedures that take time and are costly. It is therefore better for an Airport to stay open.

Ongoing support required

The uncertain market conditions and the very protracted restart the aviation industry faces as we emerge from the COVID-19 crisis, means support will be required, while the industry recovers, to maintain the critical national infrastructure and economic role of Cardiff Airport within Wales.

The Airport is not only critical in supporting essential passenger and non-passenger aviation but also for safeguarding the 2,400 aviation related jobs in the region.

We support the extension to the UK Government's Job Retention Scheme until October 2020 with additional flexibility and hope this is reviewed for specific sectors that may take longer to recover, such as aviation.

Support should also be considered in the following areas:

1. Public Service Obligation (PSO) routes

The UK Government should allow the Welsh Government to create a number of new Public Service Obligations on domestic/intra-UK and European routes.

Since the Welsh Government first applied to do so in March 2018, the UK Government has resisted making progress on these requests and we are unsure of the justification.

Over 80%⁶ of all Welsh trade is with the rest of Britain so it is essential that the Welsh economy can connect effectively with its UK market. The South Wales region has poor direct rail connectivity between core cities in the UK and with the recent demise of Flybe and questions over other smaller operators, this has become more acute.

Domestic flying within the UK remains essential for business, visiting friends & relatives and domestic tourism. Domestic air travel is no more carbon inefficient than other modes; emissions per passenger/km is at similar levels to cars/diesel trains on many routes; and domestic travel amounts to 3-4% of total UK aviation emissions and less than 1% of total UK transport emissions.⁷

Whilst there would be the need to create a UK framework in the future, a sunset provision should be explored to allow select PSO routes to be developed in the meantime.

2. Air Passenger Duty (APD)

Domestic flying is most likely to be one of the first aviation market to return post lockdown. Therefore, the UK Government should focus its attention on getting the UK aviation industry moving again while international agreements are being reached. APD could be a useful tool to create the right market conditions for airlines

We have repeatedly raised the case for APD to be fully devolved to Wales without delay, in common with arrangements in other devolved governments.

The devolution and subsequent modification of Air Passenger Duty (APD) in Wales offers a significant opportunity to create value for both the Airport and region, supporting an integrated UK aviation strategy without detrimental impact on airports across the border in England. With COVID-19 recovery and Brexit on the horizon, the UK should seize the opportunity and take forward solutions to be more competitive, stimulate investment and encourage global connectivity.

Devolution alone would not directly affect our business however; it would offer the Welsh Government the discretion to set levels appropriately for Wales.

Following a Welsh Affairs Committee inquiry examining the advantages and disadvantages of devolution of APD in 2019, the Committee strongly recommended that APD be devolved to the Welsh Government by 2021. The Committee also called on the Welsh Government to carry out a full environmental impact assessment before decisions are made on any reduction or abolition of the tax.

It is the subsequent reduction or abolishment of APD, which would positively affect Cardiff Airport and the regional economy by creating an incentive to stimulate airline activity. This would result in a swift return to business, recovering pre COVID-19 passenger levels and business growth.

Devolving APD would give Wales parity with other devolved governments (Scotland and Northern Ireland) and has cross party support with representatives understanding the benefits a reduction or abolishment would bring.

3. State Aid

Minister for Economy, Transport and North Wales Ken Skates announced that the Welsh Government will provide finance to the airport, through varying its existing agreed commercial loan facility, to support its reduced operations and to maintain solvency.

State aid rules have been loosened substantially by the EU, giving a great opportunity for support to be provided to those airports/air services where it is most needed (smaller, regional airports and PSOs, where there are extant provisions and now special dispensations for proportionate state aid for socio-economic or essential need purposes); this provides a clear legal and need environment for short term intervention by Government or other public agencies to help smaller airports and associated air services.⁸

UK Government needs to embrace the EU's ruling and precedent cases and allow/offer state aid where it is appropriate.

4. Taxes and Business Rates

Taxes and business rates in particular represent a significant cost to smaller, regional airports such as Cardiff. The UK Government should agree and coordinate a consistent approach to tax relief which will provide much-needed relief to Cardiff Airport, and other smaller regional airports by ensuring continuity of operations.

5. Disproportionate costs

The UK Government needs to address the disproportionate safety and security cost burden on smaller airports, including Cardiff which can equate to up to 30% of operating expenses.

In mainland Europe, many governments provide direct financial support so that local and regional communities do not lose out. In spite of a new national aviation strategy which aims to support regional connectivity, UK Government policy means that such support cannot be provided to airports in the UK, even if local public bodies are prepared to provide funding.

This is an opportunity to change and directly benefit Wales, and other regions which rely on smaller airports.

6. The protection of our team and passengers

During and after the COVID-19 pandemic, aviation must be treated equally to other public transport modes as there are no differences in risk to the public. Exceptional standards should not be imposed on aviation and we would want a consistent, standard approach cross all four nations so not to cause confusion to passengers.

In the case of other public transport modes, where public funding will be used to pay for measures beyond those expected of individual members of public e.g. masks. The same should apply at airports.

The future of air travel in Wales

Cardiff Airport is an important part of the transport infrastructure in Wales and a major contributor to the local economy, supporting 2,400¹ aviation-related jobs. As the national airport for Wales, it drives over £246m¹ of direct economic benefit to the region every year with over 30%² of passengers being visitors to the country.

For this to continue, the UK and subsequently Welsh Government in the case of Cardiff Airport need to create the right market condition for airlines to operate services and for the airport to thrive.

It is essential the UK Government fulfils its promise to produce the long-term 'Regional Aviation Strategy' to underpin the recovery and boost the resilience of the sector post COVID-19. This will provide a coherent framework for recovery planning, adapting to the 'new normal', enhanced resilience and investing to make smaller airports more commercially and environmentally sustainable, and allowing them to diversify their activities and use their assets to maximise their connectivity and economic value to the communities they serve.⁹

Better using regional Airports, such as Cardiff is a key part of the levelling-up agenda and in this case, will aid the recovery of the Welsh economy.

References

¹ Northpoint review of Cardiff Airport performance February 2020

² Cardiff Airport passenger numbers 2019

³ Cardiff Airport passenger numbers 2019

⁴ Cardiff International Airport Ltd annual accounts 2019/20

⁵ Cardiff Airport Gender Pay Gap Report 2019

⁶ Welsh Government trade figures 2019

⁷ Northpoint review of C02 Model Validation 2019

⁸ The Regional and Business Airports Group (RABA) response to UK Government May 2020

⁹ The Regional and Business Airports Group (RABA) response to UK Government May 2020

Agenda Item 7

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