

PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE – CARDIFF AIRPORT

Introduction

The purpose of this paper is to provide an update on the work of the Cardiff Airport Task Force. The paper also provides an update on the Committee's recommendations for Cardiff Airport, in their report following their inquiry into International Connectivity through Welsh Ports and Airports.

Cardiff Airport Task Force

It is vital for our economic development that we have strong international connectivity to and from Wales as well as a welcoming open door for tourism. The Cardiff Airport Task Force was established to look at all the areas where we can make improvements and help boost performance. The Welsh Government is committed to helping Cardiff Airport to realise its true potential as a modern, well connected success at the heart of our national infrastructure.

To date, the Task Force has met twice and communiqués of these meetings have been published on the Welsh Government website:

<http://wales.gov.uk/topics/transport/public/air/?lang=en>

On 18 December a Written Statement was issued announcing that the Welsh Government has agreed with TBI, the owners of Cardiff Airport, to progress towards the purchase of Cardiff Airport.

<http://wales.gov.uk/about/cabinet/cabinetstatements/2012/cdfairport/?lang=en>

The due diligence exercise is currently underway and is a matter of strict commercial confidentiality. We are therefore restricted in our ability to comment on some of the Committee's recommendations until the exercise has run its course.

Update on report recommendations on International Connectivity through Welsh Ports and Airport

Recommendation 1 – The Welsh Government should seek to influence the UK Government's forthcoming aviation framework so that it both recognises the potential of Cardiff Airport in addressing UK airport capacity needs and also serves the needs of Welsh businesses and passengers.

The UK Government are currently analysing the responses to their consultation which closed on 31 October 2012. We will continue to work closely with them with regards to influencing the final adopted framework.

Recommendation 2 – The Welsh Government should formulate a clear, strategic, evidence-based position for developing air transport in Wales, based on a thorough assessment of the economic impact of aviation in Wales. This should set out where air services are needed, what kind of routes can support Wales' sustainable economic development objectives, and how this can best be delivered.

There will be no comment whilst the Welsh Government carries out its due diligence regarding the potential acquisition of Cardiff Airport.

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Recommendation 3 – The Welsh Government should continue to explore the case for devolving Air Passenger Duty to Wales for those services that generate sustainable inward tourism and business investment opportunities.

The Welsh Government's longstanding position is that the potential for varying Air Passenger Duty (APD) could be useful in improving the competitiveness of Cardiff Airport in particular and as a policy lever to support wider economic development in general.

This position is now clearly supported by the outcome of independent research commissioned by the Welsh Government, as well as research published by HMRC in conjunction with the UK Government Department for Transport.

The devolution of APD was considered by the Silk Commission in the first part of its review which focussed upon the devolution of fiscal powers and financial accountability. The Silk Commission recommended that APD should be devolved for direct long-haul flights initially, with full devolution a further possibility in the future.

In addition, in its Autumn Statement, the UK Government committed to publishing a response to Silk in spring 2013 and will be feeding into the work of the Davies Commission which is considering future airport capacity in the UK.

The Welsh Government will continue to press the UK Government to ensure that the Silk recommendation – to include direct long-haul APD devolution as part of the Finance Bill 2013 – is now taken forward.

Recommendation 4 – The Welsh Government should continue to press the managers of Cardiff Airport to invest in its development and the development of a Master Plan, and commission an independent assessment of the airport's future viability to function as an international gateway for passengers and freight.

There will be no comment whilst the Welsh Government carries out its due diligence regarding the potential acquisition of Cardiff Airport.

Recommendation 5 – The Welsh Government should introduce an improved, dedicated express bus service between Cardiff Airport and the city centre, and explore options for funding that service with partners and other key stakeholders, should this be supported by the independent assessment suggested in Recommendation 4.

The Welsh Government has already undertaken detailed work on dedicated express bus services between Cardiff Airport and the City Centre. This evaluation continues.

Recommendation 6 – The Welsh Government should explore the business case for a frequent, direct train service to Cardiff Airport, should this be supported by the independent assessment suggested in Recommendation 4.

The Welsh Government's prioritised National Transport Plan for Wales commits us to consider increasing services on the Vale of Glamorgan line to half hourly, which

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would double the number of services that call at Rhoose (Cardiff International Airport) station. This will be possible following the completion of Network Rail's Cardiff Area Signalling Renewal programme, which is due to be completed in 2015. In addition, we are continuing to fund the popular shuttle bus service between Rhoose (Cardiff International Airport) Station and Cardiff Airport, and the service has recently been extended to the St Athan Enterprise Zone. Network Rail has now made a substantive start on the Cardiff Area Signalling Renewal programme.

Recommendation 7 – The Welsh Government should exploit all available channels to demonstrate to the European Commission the adverse impact that current Aviation State Aid guidance can have, and how Aid could be used differently to develop Cardiff Airport as a destination of choice for international business and tourist travellers.

The Welsh Government has made repeated representations to the European Commission regarding the limitations of the guidance as it relates to the development of regional airports. We now await progress from the European Commission.

Recommendation 8 – The Welsh Government should integrate connectivity to Welsh airports with transport and infrastructure policy for Wales as a whole, and seek to negotiate the provision of better cross-border transport links and prospective electrification of rail services such as for Swansea and the Valleys.

The Welsh Government is working with Network Rail on the delivery of the rail electrification projects. The Minister for Local Government and Communities has established a Task Force to deliver recommendations on the development of integrated transport for South East Wales to report by 31 March.

Recommendation 19 – The Welsh Government should ensure the sustainable development of Welsh ports and airports is addressed through Local Development Plans, and encourage local authorities to collaborate with each other where the impacts of those developments have wider regional implications.

There is no further update to the original response to the report.

Summary

The evidence in this paper outlines the current position with regards to Cardiff Airport and the Cardiff Airport Task Force. No further detail can be provided whilst the due diligence exercise is being carried out.

The paper also provides an update on the Committee's recommendations for Cardiff Airport, in their report following their inquiry into International Connectivity through Welsh Ports and Airports.

**First Minister
22 January 2013**