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**EVIDENCE TO THE HOUSE OF COMMONS WELSH AFFAIRS COMMITTEE
AND THE ECONOMIC DEVELOPMENT AND TRANSPORT COMMITTEE OF
THE NATIONAL ASSEMBLY FOR WALES CONCERNING
TRANSPORT (WALES) BILL 2004**

Memorandum to the Committees from Cardiff International Airport

Summary

Cardiff International Airport welcomes the opportunity to give evidence on this opportune and important Bill.

Cardiff International Airport supports the introduction of the Bill and its capability to further the development of transport infrastructure and services to the benefit of the Welsh economy and the people of Wales.

Furthermore, Cardiff International Airport is firmly convinced of the value of the proposed clause concerning Air Transport in developing the Airport and route networks appropriate to Wales's economy and status. It is particularly appropriate if Cardiff, as Capital City of Wales, is to be properly served.

Cardiff International Airport does not simply support the Air Transport clause in isolation but also concurs with the proposals concerning the development of integrated transport for Wales and broadly supports the ability of WAG to direct and advise the SRA in relation to rail services.

Cardiff International Airport sees the increasing use of rail as vital to changing both modal choices for access and increasing reach and catchment area for Cardiff International Airport.

Background

Cardiff International Airport Ltd is a wholly owned subsidiary of TBI plc, which the only publicly quoted regional airports company in the world. Cardiff International Airport is the only major airport located in Wales and was TBI plc's first airport acquisition in 1995. Since acquisition Cardiff International Airport passenger numbers have almost doubled and it has benefited from over £25 million of investment to car parks, terminal, security and infrastructure, with continued investment in terminal and runways planned for 2004/05.

Cardiff International Airport is one of 18 airfields in Wales but the only one with significant commercial traffic. It has a runway of 2,354 metres, which is more than adequate for the

markets, which Cardiff International Airport is likely to attract, it is fully developed in terms of Air Traffic Control and Navigation Aids.

Cardiff International Airport's market is constrained by the topography and geography of Wales. Appendix 1 shows the catchment area of the market available to Cardiff International Airport and Appendix 2 shows the airports used by all Welsh passengers.

The tables also show the extent to which residents of, or visitors to, Wales are dependent upon English airports for their journey. Overall only 39% of Welsh journeys use Cardiff and there are 29% using London, 17% Manchester or Liverpool, 10% use Bristol, 4% use Birmingham or East Midlands. Within South Wales, Cardiff International Airport catchment area, 49% use Cardiff, 34% use London airports and 12% use Bristol.

These figures show the extent to which Cardiff International Airport exists in a competitive environment and the importance of surface accessibility and adjacency in determining which airports are used by Welsh passengers. For example, Mid Wales will use a variety of airports, particularly Birmingham, North Wales will tend to use Liverpool and Manchester and only in South and West Wales will Cardiff International Airport have any significant preference, although even here the contestability of the market has an influence, facilitated by the key access corridors to South Wales running due east.

Cardiff International Airport's vision is to be the airport of choice for South Wales and the South West. In order to achieve this vision Cardiff International Airport needs to greatly expand its appeal and its reach. This requires a considerable extension of range of destinations, frequency and capacity. It is in this critical requirement that the Air Transport Clause (11) in the Transport Bill provides much needed assistance in a form which Scotland, in particular, has already successfully demonstrated the tangible value of.

The Transport (Wales) Bill and Cardiff International Airport

The Transport (Wales) Bill is warmly welcomed and supported by Cardiff International Airport and it concurs with the Assembly Government's policy aims concerning transport. Cardiff International Airport believes that air transport is vital in providing accessibility to and within Wales. It also overcomes problems of geography, topography and historic infrastructure routes. Air Transport can provide effective links between North and South Wales, shrinking distance and overcoming environmental problems of with lower impact than road or rail in terms of land take, visual intrusion, noise and air quality.

It is generally accepted that successful regions have successful airports and good air transport links. This is supported by the opening address of the Recent White Paper on the Future of Air Transport which stated "air transport links are therefore essential to our overall transport network".

Cardiff International Airport is pleased to support the Assembly Government in its efforts to deliver safe and integrated transport to Wales. Whilst our main interest is in Clause 11 concerning Financial Assistance: Air Transport Services, we have comments on other clauses, which we would like to deal with first.

Clause 2 – Wales Transport Strategy

Cardiff International Airport supports the need for a published Transport Strategy in order to raise the awareness of the importance of transport to the continued success of the Welsh economy and quality of life. Cardiff International Airport would expect to be consulted on areas of specific interest and, given the integrated nature of the Plan, on areas which might

interact with us. Cardiff International Airport is prepared to assist in providing expertise and advice whenever possible.

The foregoing comments also apply to the provision of Local Transport Plans, not simply those of the local authority containing the Airport, but those from which the majority of our markets are drawn. This leads on to the need for regional plans, joint authorities and joint provision of transport services. Cardiff International Airport remains concerned about the fragmented provision of plans and strategies within South Wales.

In connection with Clause 7, Cardiff International Airport concurs with the use of powers to secure provision of appropriate services. Indeed, if modal access patterns to Cardiff International Airport are to change, whether for employees or passengers, the provision of additional or enhanced services will be vital. These services will also have to address the current tendency for corridor provision with few radial or "cross-country" services.

Cardiff International Airport supports the provisions of Clause 9. The success of the relationship between Scot Rail and the Scottish Executive is well known. Cardiff International Airport looks forward to the Assembly Government taking an active part in shaping services appropriate to Wales and would be pleased to see the successes of Scot Rail emulated. However, we remain concerned about the ability of the Assembly Government to pay for such improvements. It is vital that adequate funding is made available so as to permit appropriate improvements to be made without damaging other national priorities. The other key issue concerns the effectiveness of the advice functions relating to the "inter city" or "cross-country" franchises which enter Wales.

The ability to extend the catchment area for Cardiff International Airport, particularly into South West England, will be vital to developing the range of services to which South Wales and Cardiff, the country's capital city, aspires. This must also be accompanied by effective modal choice. Cardiff International Airport perceives the ultimate extension of inter city services or those from the Portsmouth Harbour or West of England corridor as being critical to this objective. Therefore the limitation to advice in respect of the ex-Wales services may potentially be providing an effective veto or some changes which might be desirable for intra Wales services. However, Cardiff International Airport broadly welcomes the powers proposed. Cardiff International Airport is committed to assisting the Vale of Glamorgan Service and is actively pressing for changes which would increase its effectiveness. These range from Cardiff International Airport providing a dedicated shuttle services to seeking the naming of the station itself as Cardiff International Airport (Rhoose). Cardiff International Airport is looking for an early enhancement of the current, basic railway service patterns to ensure the service can have the greatest possible ability to encourage modal shift. Cardiff International Airport would welcome the support of the Committees in ensuring these improvements are delivered. This would initially be the station renaming and, longer term the routing of a Paddington to Swansea service and the extension of cross country services terminating at Cardiff Central to or through the airport station.

Finally, in looking at the strategic context and the improvements to access which would assist Cardiff International Airport, the need to improve road access cannot be ignored. Whilst Cardiff International Airport is committed to working to encourage modal shift, it must be acknowledged that road borne access is likely to remain the primary means of access. This is true even at airports such as Birmingham and Manchester with highly developed modal shift policies yet who have also benefited most from proximity to motorways and other road improvements.

It is generally acknowledged that Cardiff International Airport's road access is far from ideal and is regarded as a problem by the majority of the market for Cardiff International Airport and by the airlines it is seeking to operate services. Whilst it can be argued that Bristol's is

similarly poor and has not inhibited its growth, the very disparity in volume which exists means that Cardiff cannot positively differentiate on access to redress the imbalance. Moreover, the need to improve access from the predominately east west corridors across South Wales argues for a reduction in journey time for the final approach from the M4 to the airport. This is particularly important if catchment and reach is extended outside South Wales and for greater distances. Finally there is a need for a dedicated route to Cardiff International Airport from the M4 to avoid volume conflicts with increasing commuter traffic to Cardiff, the problems of the Culverhouse Cross interchange and the impact of imposing increasing volumes of airport related traffic on an at capacity local road system.

Cardiff International Airport urges the committee to note and support the need for urgent improvements, on a phased basis, to road access to the Airport. An early decision and implementation is essential.

Clause 11 – Financial Assistance Air Transport Services

Cardiff International Airport welcomes this clause wholeheartedly. In the background to this evidence we discussed the issues concerning the market in which Cardiff International Airport operates. Cardiff International Airport has been successful in developing a range of replacement services since the loss of British Airways Services in 2002. In addition, there has been enhanced capacity on some replacement routes and increases in frequency to Amsterdam and Edinburgh. However, we have not been able to adequately replace services to Brussels or Aberdeen and were unable to sustain Munich, Faro or Milan. Cardiff International Airport remains under competitive threat from Bristol, in particular. Bristol now offers considerably more destinations and frequencies than does Cardiff International Airport. This disparity is a function of several influences but the key ones are:

- The larger catchment areas available to Bristol, coupled with the geographical and political boundary that the Severn Estuary creates.
- The higher GDP per capita and propensity to fly of populations in the South West.
- The “critical mass” effect of a larger airport (in this case, Bristol) dominating a market and twin airport system. This is seen elsewhere, for example, Liverpool versus Manchester, East Midlands versus Birmingham. Bristol is now effectively 100% larger and will generate increased use by virtue of its network, frequency and consequent fare advantages.

In order to offset these disadvantages, Cardiff International Airport Ltd needs to provide compensations or advantages to airlines and customers.

Firstly, the identification of Cardiff International Airport Ltd as Wales’s Airport serving a larger proportion of Welsh air travel. However, this is not possible without access in to markets outside South Wales and currently there is little possibility for users outside South Wales to use Cardiff International Airport.

The development of Intra-Wales air services is, therefore, critical to increasing access to and from North, West and Mid Wales via Cardiff Airport. The development of Intra-Wales air services will not only enhance access between North and South Wales but will provide the potential for connections to and from outside Wales via Cardiff International Airport. To this end the powers in Clause 11 permitting the financial support of such services is welcomed. Cardiff International Airport urges the expeditious conclusion of the consultation and decision processes and the early introduction of the first of these services. Cardiff International Airport believes that for the costs proposed no other form of modal improvements will be as effective in shrinking distance and travel time between the extremities of Wales.

The Intra-Wales Study Group identified the need for judicious improvements, particularly the need for navigation aids and security provision, to airports in North, West and Mid Wales. This was in order to permit the introduction of regular and reliable services. The powers permitting such support are warmly welcomed even through Cardiff International Airport will have less need than other Welsh airports.

Cardiff International Airport Ltd has a great deal of expertise in expeditiously delivering such infrastructure projects and will offer assistance if it was requested.

The identified subsidy costs of up to £1.8 million p.a. for Intra Wales Air Services compares favourably with the subsidies currently required in Scotland. The Intra-Wales consultation further identified £0.7 million to £1.5 million capital and operating losses of between £0.6 million to £1.2 million over 4 years. This also compares favourably with losses for Highlands and Islands Airports of some £12.3 million. Cardiff International Airport would further contend that Wales Assembly Government needs to take note of developments on Public Service Obligation (PSO) routes and draws the attention of the Committee to work being undertaken by the Scottish Executive to designate routes such as Inverness-London as PSO routes. In summary, the development of Intra-Wales air services using a combination of PSO grants and support to airports would be a cost effective way of enhancing access in Wales and would be cheap to provide when compared to both alternative Intra-Wales improvements, eg, to road or rail. It would be considerably less onerous than expenditure currently incurred by Scotland to achieve similar benefits.

The greatest potential use of the powers contained in Clause 11 concern the potential creation of an Air Route Development fund. Such funds already exist in Northern Ireland and Scotland and are being actively pursued by several UK regions.

Such funds directly promote and encourage the development of direct new air routes. Its ability to develop routes by provision of support to reduce landing charges is already successful with, for example, 19 routes having been supported by the Scottish Executive's £6 million fund so far.

As First Minister for Scotland, Jack McConnell stated, sentiments which could apply to Wales, "a smart, successful Scotland ... cannot afford to be cut off from main markets". It must be borne in mind that Scotland has a more mature and highly developed air transport provision than that found in Wales with a greater route network already in place. Its airports are larger and more mature and have benefited from their ownership by BAA which is the world's most profitable airport operator. Notwithstanding these resources the Scottish Executive identified the need to encourage route development still further.

The routes supported to date give a flavour of the potential destinations which could be brought to Wales with the right level of support.

- 1) Edinburgh – Cologne
- 2) Edinburgh – Jersey
- 3) Prestwick – Stockholm Skavsta
- 4) Prestwick – Barcelona Girona
- 5) Edinburgh – Oslo
- 6) Edinburgh – Milan
- 7) Edinburgh – Geneva
- 8) Edinburgh – Zurich
- 9) Prestwick – Berlin
- 10) Prestwick – Gothenburg
- 11) Inverness – Birmingham

12)	Edinburgh	–	New York
13)	Kirkwall	–	Bergen
14)	Inverness	–	Stockholm
15)	Prestwick	–	Milan Bergamo
16)	Glasgow	–	Dubai
17)	Edinburgh	–	Munich
18)	Prestwick	–	Rome Campino
19)	Aberdeen	–	Groningen

As discussed earlier, Cardiff is currently the smaller of a two airport pairing, lacking critical mass and working in a smaller, less attractive catchment area than either Bristol or Birmingham. This increases the risk to airlines contemplating new services and lowers the attractiveness of Cardiff. In order to redress these issues the airline's need to reduce their risk and increase the attractiveness of Cardiff International Airport. The route development fund would provide the mechanism for achieving this. Cardiff International Airport Ltd urges its immediate introduction as a priority with appropriate levels of funding.

Conclusions

- Cardiff International Airport Ltd welcomes the Transport (Wales) Bill 2004 as providing the frameworks to encourage the appropriate levels of importance for transporting Wales.
- Cardiff International Airport supports the policies contained in the Bill pertaining to integrated transport, transport planning and rail as being vital to providing the correct external context to Cardiff Airports' activities.
- Cardiff International Airport exists in a competitive market and is currently at a competitive disadvantage to other airports in developing route networks.
- The core market size of South Wales is insufficiently attractive to develop the range of services desired by the market without assistance.
- Cardiff International Airport believes that air transport is the best method of cost effectively enhancing movement within Wales and beyond Wales. To this end, it supports the expeditious introduction of Intra-Wales air services supported by Public Sector Obligation funding.
- Cardiff International Airport will not be able to expedite the delivery of an appropriate route network for Wales, with particular emphasis on supporting Cardiff's capital city status, without reducing the risks to airlines. This requires the early introduction of a Route Development Fund such as that already successfully employed by Scotland and Northern Ireland.
- The fund will allow airlines to reduce the risks due to South Wales's catchment and market limitations.
- Improvements will also be required to access to and from Cardiff International Airport. The re-opening of the Vale of Glamorgan Rail Line is fully supported by Cardiff International Airport; however, the initial, basic service patterns proposed must be quickly built upon if rail is to prove sufficiently attractive and credible so as to achieve modal changes.

- Notwithstanding the use of rail, it must be accepted that for an airport with a geographically dispersed catchment area such as Cardiff, road will remain the primary means of access.
- To this end, the early introduction of phased improvements to the road access to Cardiff Airport is vital.
- Cardiff International Airport recognises its role in ensuring Wales remains a successful and growing economy in an increasingly global and competitive world.
- Cardiff International Airport believes that with appropriate funding, the integrated use of the measures contained in the Transport (Wales) Bill will ensure Cardiff International Airport will be able to provide appropriate improvements to mobility and accessibility ensuring greater economic success for Wales.

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