



Ein cyf/Our ref MA/P/KS/1260/19

Rt Hon Chris Grayling MP  
Secretary of State for Transport

[transportsecretary@dft.gsi.gov.uk](mailto:transportsecretary@dft.gsi.gov.uk)

29 April 2019

Dear Chris

I am responding to the Aviation 2050 Green Paper consultation, the aim of which, I note, is to “achieve a safe, secure and sustainable aviation sector that meets the needs of consumers and of a global, outward looking Britain”.

The Welsh Government welcomes this ambition and would wish to see this replicated in other areas of transport policy, where the UK Government approach may not have resulted in the desired effect being achieved in Wales.

For example, we have previously corresponded about the impact of HS2 on Wales which, if the right decisions are made in respect of Crewe, may provide some economic benefits to north Wales, but by your Department’s own calculation will potentially cause £200m of economic harm to south Wales. The current position on rail infrastructure spend is also harmful to Wales, which is home to over 11% of the track, 20% of the level crossings and 5% of the population, but a recipient of less than 2% of rail improvement spend. The same is true of rail services, where Cardiff has the poorest rail interconnectivity of any of the UK’s 12 core cities.

In addition, despite repeated calls from us and others in the business community, and a strong body of peer reviewed evidence in support of our position, the UK Government continues to block devolution of Air Passenger Duty to Wales, apparently on the back of a discredited case made by our neighbours in Bristol Airport.

To try to lessen the impact of UK Government policies such as this, , I sought a year ago to implement a series of Public Service Obligation routes to better connect Wales to the rest of the UK by air; important in these difficult times for the Union, but that too was rebuffed by your Department without good cause. This approach would have come at no financial cost to the UK Government and would have significantly benefitted some of the UK’s poorest communities. Last week’s announcement by Flybe has underscored the

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

[Gohebiaeth.Ken.Skates@llyw.cymru](mailto:Gohebiaeth.Ken.Skates@llyw.cymru)  
[Correspondence.Ken.Skates@gov.wales](mailto:Correspondence.Ken.Skates@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.

need for such an intervention. There remains nothing stopping you from allowing us to proceed with immediate effect.

Against this backdrop, Wales needs greater assurances that its interests won't once again be subsumed by policies which however well meaning have a caustic effect on our economy and society. We urgently need a show of good faith in Wales.

We do not want to see a policy framework whose end result is the prioritisation of tax receipts from a small number of large airports in areas of high population density and relative wealth, whilst at the same time creating financial, operational and connectivity hurdles which preclude the development of aviation choices for more disadvantaged areas of the UK.

Turning to the substance of the consultation, although Aviation policy is not devolved to the Welsh Government, aviation in Wales is an important economic and social asset which connects Wales to a global economy and facilitates inward investment and trade, therefore it is appropriate that the Welsh Government provides a response to this consultation which ensures that the interests of Wales and its aviation and aerospace industry are fully considered, and UK policy decisions are not made unduly to its detriment. Part 1 of our full and detailed written response has been submitted via the official consultation mailbox, and I have taken this opportunity to provide you with an overview below.

Cardiff Airport is the only international airport in Wales. It is an important element in a large network of smaller airports and aerodromes around Wales and Welsh policy on aviation must balance the aspiration to continue to expand and develop all together with associated aerospace industries with the requirement to support and encourage the development of the wider aviation network in Wales. The Welsh Government considers that a key objective of the UK's Aviation Strategy should be to ensure that aviation policy is made, allowing the development of international, regional and small airports to be on an equal footing, as fair as possible. In areas of Wales, and arguably similar in Scotland, a small aerodrome can have as much economic impact as a regional airport in other areas. As a result, many of the positions the Welsh Government has adopted promote the concept of fairness through aviation policy reform.

In reviewing the Aviation 2050 strategy paper, I note a number of areas where the Aviation Strategy diverges from the development plans of the Welsh Government and from the interests of aviation in Wales more generally. It particularly does not give due regard to regional and smaller airports which bear a disproportionate burden of fixed costs and regulation which larger international airports can more easily absorb.

I believe that to be successful for the whole of the UK, the Aviation Strategy 2050 needs to promote and support competitiveness, and reduce the regulatory burden and costs which small and regional airports and aerodromes, such as those seen across the entire aviation network in Wales, have to bear. The strategy must enhance regional connectivity and encourage liberalisation by reducing or removing Air Passenger Duty (APD) charges or devolving the authority for APD to the Welsh Government to allow it to make the most appropriate choices for the development of aviation in Wales. I have summarised below the detail on these key points.

### Reducing Regulatory Burden

As demonstrated in the Regional and Business Airports RABA Group report "Regulatory and Policy Challenges Facing Smaller UK Airport" there is a disproportionate cost burden on smaller airports compared to larger airports. (RABA provides a collective voice for UK airports with less than 3 million passengers per annum.) Operational cost burdens can vary from as much as £35 per passenger at smaller airports to as little as £5 per passenger at larger airports. These operational costs come from a variety of sources, many of which are statutorily imposed.

The Welsh Government fully supports the findings of the RABA Group report which recommended that the UK Government:

- Permits a more wide-ranging remission regime to assist with cost management;
- Permits airports under a defined traffic level to remain at Level 2 with current levels of security screening;
- Allows smaller airports to adopt the terms of an ordinary licence to permit a more flexible and lower cost operation;
- Reduces or removes APD at smaller airports to make smaller airports more attractive to passengers;
- Re-examines the requirement for a police presence on an airport by airport basis in terms of terrorism threat and leave public order to be managed by the airport; and
- Provides facilities for Border Force at smaller airports at the Government's cost and proportionally adjust the facility specification.

### Enhance Regional Connectivity

Aviation 2050 builds on the work undertaken in the Airports Commission and Airports National Policy Statement (NPS) which provide the rationale and the primary basis for decision making on development consent applications for a third runway at London Heathrow Airport. These documents refer to the benefits to regional airports that will be afforded through enhanced connectivity as a result of an expanded Heathrow; however there are no specific metrics to allow those benefits to be measured against the intent. Such metrics should consider the benefits these developments have had across a number of perspectives including the regional airport perspective and a geographical perspective. Additionally, the Aviation Strategy should provide contingency planning for scenarios where the proposed Heathrow expansion does not result in the benefits put forward in the performance metrics. I have already said above how restrictive APD is on the growth and expansion of smaller and regional airports and a differential approach should be assessed for its viability. APD should be devolved to Wales without further delay to allow the Welsh Government to consider how the tax could work best to promote inward investment and growth in Wales in unison with its wider economic levers. Scotland, Northern Ireland and England all control APD to different extents and there is no justification for Wales to be treated differently.

### Encourage Liberalisation

I note that the Airports Commission Interim Report undertook a study to test whether a differential APD charge could be used to increase capacity instead of developing additional runway capacity at London Gatwick or London Heathrow Airports. The analysis undertaken by the UK Government suggested that a differential APD pricing model would result in an overall increase in flights at regional airports; however, I believe the new routes developed would largely be a replication of long-haul routes already available at larger airports and there would be little change in terms of overall seat capacity. Furthermore, there would be close to one million fewer long-haul seats available from the UK as a result of a switch to using smaller aircraft for long-haul flights which would be dispersed over a greater number of airports. You forecasted that this shift would lead to an increase in carbon emissions by 1-2% by 2030. Additionally, the modelling study forecasts that the rate at which less congested airports reach 90% capacity would be accelerated. Ultimately, I understand that you elected not to shortlist this option.

However, the RABA Group report provides evidence of a study that showed that a differential APD charge could boost overall passenger numbers and generate additional gross value added and employment, a positive redistributive effect on passenger flows and

economic activity away from the southeast of the UK to the rest of the UK's regions. The results of the RABA study run counter to that undertaken by the Airport's Commission.

Contrary to your position, we consider that increasing capacity at smaller airports to be a positive step in realigning the UK economy's southeast focus. I therefore recommend that Aviation 2050 more fully encourages liberalisation by reducing, or preferably, removing APD from small and regional airports.

Whilst this is currently a matter for you, and in England will remain so, as I said earlier it is our contention that this position is untenable. APD should be devolved to Wales as a matter of urgency. There is simply no rational excuse for not doing so. Devolution will allow Wales to make the most appropriate choices for the development of our aviation sector and economy. For the reasons set out at the start of this letter, we have no reason to believe that Wales' interests will be served if decisions about APD continue to be made in London. I look forward the findings of the Welsh Affairs Committee inquiry into APD devolution.

### Legislation to enforce the development of airspace change processes

The UK Government recognises that there is a major challenge in coordinating multiple airspace changes across different airports and in the en-route structure in order to modernise the UK's airspace. However it does recognise the need for a highly collaborative approach to airspace change proposals to ensure UK airspace is modernised effectively.

Work undertaken to date has identified the high level of airspace interdependencies, particularly in the southeast. As a result, airports and Air Navigation Service Providers (ANSPs) will need to work in a highly collaborative manner to ensure that the airspace changes are de-conflicted from each other and mutually acceptable. In order to ensure the level of collaboration is achieved the UK Government is proposing to develop legislation that would require airports or ANSPs to deliver Airspace Change Processes (ACP) in line with an airspace modernisation masterplan.

We acknowledge the importance of airspace modernisation to the aviation industry and the UK economy as a whole, however we are concerned that the legislation proposed gives the UK Government the ability to put unreasonable financial constraints on smaller airports, and to mandate airports or ANSPs to undertake airspace change proposals to be impractical in real terms.

It is highly unlikely that an airport would be unwilling to participate in an airspace modernisation programme for reasons outside of financial constraints. If the Government acknowledges that an airport is unable to take forward its airspace changes it is difficult to see how the authority of the Secretary of State's direction (including penalties and sanctions) to take an airspace change forward could induce an airport into doing so.

This proposal must consider the fairness of airspace changes that involve multiple airports. As larger airports will naturally be better resourced to undertake such processes with dedicated project and programme teams, there is a real risk that smaller airports will be pushed into accepting airspace changes that unfairly favour larger airports. To force a smaller airport to take part in an ACP process could create a huge financial burden that may put severe constraints on its ability to operate.

In addition, allocating ACPs directly to NATS without a tendering process is anti-competitive and adds to the level of market dominance that NATS already enjoys. Some airports with no NATS presence may feel that their best interests are not protected as a direct competitor has been given the authority to mandate development-limiting criteria to them by having their airspace change delivered by the ANSP. It is possible that both options presented within Aviation 2050 in relation to the legislation to enforce the development of an ACP could lead to legal challenge.

Whilst I am encouraged that a potential financial assistance method has been identified, I recommend that the specifics of any financial support mechanism should be established and enshrined in policy, to ensure that the process is fair for all airports. This way, smaller airports will not be overly burdened by costs and larger airports will not be able to assert dominance over the process for their own benefit.

### Building a global and connected Britain

In this section you have proposed to work with international partners to continue to lead efforts to negotiate for robust, environmentally effective emissions reduction measures that minimise market distortions and address aviation's emissions in the most cost-effective way. I believe that in the UK's position as a world leader in aviation there equally is a responsibility to be a leader in the setting of international standards. As climate change related issues continue to escalate, the UK should be setting the international standard and leading by example with regards to cutting aviation emissions.

In addition, you have said you will work with international partners to develop a more agile international regulatory framework that is based on performance-based standards. I wholeheartedly support this intention to leverage benefits from commercial aviation operations utilising advanced navigation technology and consider the institution of a more agile framework a matter of urgency in preparation for the expected phase shift that will occur with the more widespread and ubiquitous use of RPAS/drone technology and a requirement for a UTM regulatory framework. That said, the Aviation Strategy does not currently take enough cognisance of the role and importance of RPAS; an area where Wales is currently in the lead. I believe an agile regulatory framework responsive to developing technology and global trends will be a key enabler in the future growth of the aviation sector.

### Ensuring aviation can grow sustainably

The UK Government sets the high policy framework on aviation noise and sets the noise controls at Heathrow Airport, Gatwick Airport and Stansted Airport. The current overarching policy published in 2013 aims "to limit and, where possible, reduce the number of people in the UK significantly affected by aircraft noise as part of a policy of sharing benefits of noise reduction with industry in support of sustainable development"; however, it also recognises that there has been uncertainty on how this policy should be interpreted, measured and enforced. As such, I recommend that, in interests of fairness and balance, all airports regardless of size should adhere to UK Government mandated noise targets. The noise targets should be set by the CAA and should be dependent on airport size and the types of operation undertaken.

### Enhance the passenger experience

I very much welcome the introduction of a Passenger Charter that clearly sets out what passengers can expect through their journey and to deliver improvements in services for all passengers. However, Aviation 2050 recommends that minimum performance levels should be added to any standards adopted and provides sufficient detail so that passengers may understand what recourses they have available if these standards are not met. I recommend that the UK Government should assess the benefits of airlines publishing their performance against key metrics within the Passenger Charter, to encourage airlines to perform to the highest standards. In addition, clarity should be provided regarding the standards which will apply to the introduction of a new Passenger Charter – for example, the differing levels of expectations for each journey type (domestic, long and short haul), and whether these would be applied to UK based airlines or all aircraft operating in UK airspace.

I fully acknowledge the important role that border forces play in maintaining the security of the UK, and how the smooth running of our border controls can impact on the passenger experience. I am concerned however by the cost burden of these capabilities at small airports which can be disproportionately large compared with the cost at larger airports. The protection of UK borders is in the national interest and therefore I firmly believe the costs should not be passed on to individual airports. The UK Government should provide facilities for Border Force at smaller airports, if considered necessary, at its own cost and proportionally adjust the capabilities of the facilities.

A prime example – of which I am sure you are already aware – earlier this year I had to step in to fund the supply and installation of e-Passport Gates at Cardiff Airport following Border Force's removal of the old generation gates last year. This was in response to UK Government's policy decision to subsidise larger airports by providing them with e-gates free of charge, whilst expecting smaller airports to pay for them. So we had the situation where Bristol Airport, who despite spurious evidence has the ear of the UK Government on APD devolution because they claim it would give airports in Wales a unfair advantage, benefitting from direct UK Government investment, whilst smaller Welsh neighbours were denied this largesse.

The current policy supports large airports which can afford to fund these security arrangements while discriminating against smaller airports which are forced to fund expensive security measures from their own limited resources.

#### Ensure a safe and secure way to travel

The new strategy proposes to review the UK's approach to General Aviation (GA) safety as the safety record amongst GA is considerably worse than for commercial aviation. Whilst it is important that GA activities are conducted as safely as possible, a critical attribute of GA flying is the freedom to undertake one's chosen activity at one's own risk without being overregulated and restricted. I therefore recommend that any changes the UK Government proposes with regard to GA operations should focus on the impact of GA activities on the safety of other airspace users and people on the ground.

I accept the stated benefits for electronic conspicuity, however, recommend that there should be measures in place to facilitate operations for members of the GA community who are either opposed to the idea of identification, or fly in aircraft that are currently unable to be fitted with any conspicuity device. I also recommend that in the future mandatory identification should be standard practice, however special operating procedures should be enshrined to allow operators who don't want to, or can't, use an identification method to still operate.

To drive innovation in aviation security and technology forwards Aviation 2050 proposes to provide access to new and improved ways of achieving security outcomes, including the development of solutions for future security challenges. Whilst I support the development of innovation and technology with respect to aviation security however, I do recommend that the focus of development should, in part, be towards the reduction of the cost of these developing technologies. Smaller airports such as Cardiff are already struggling with the financial implications of keeping up to date with the developing security technologies; therefore the UK Government should be taking steps to ensure developing security technologies are affordable to all airports, or scalable to an airport's requirements.

#### A Consistent Message

Finally, whilst there are a wide variety of areas in the Aviation Strategy where I have given a response, I would like to reiterate my biggest concerns.

Firstly, there is currently too great a burden on smaller, regional airports such as Cardiff associated with fixed costs (such as air traffic control, fire and security) which larger and International airports are better placed to absorb. Equally International airports have the

resources (both financial and personnel) with which to deliver projects such as airspace changes which are for network, rather than specifically airport, benefits.

Secondly, the Airport NPS and Airports Commission are heavily focused on England and the South East of England in particular. It is currently unclear what impact Heathrow expansion will have on airports such as Cardiff. However, as there is no clear guidance as to how additional Heathrow capacity is to be allocated, and no access has been offered to Cardiff (although it has been offered to much smaller airports), it can only be assumed that any impact will be negative. The proposed Aviation Strategy therefore needs to take a much broader perspective, with less emphasis on major international airports (and thereby London) but equally recognising the importance of providing support and relief to regional and smaller airports.

Finally, the UK Government must stop getting in the way of Wales' ambitions to correct the impacts of unfavourable transport policy decisions on Wales, and then to reverse those decisions themselves. A long term solution to historic underinvestment in Wales' railways and the negative consequences of HS2 must be found. The work Professor Mark Barry has undertaken needs to be given greater priority in Whitehall. In the meantime, I would ask you to instruct your officials to stop blocking our ambitions for PSOs routes and for the UK Government to get on with devolving APD to Wales, so that we can take some measure of control of our own connectivity destiny.

I will write to you again prior to 20 June to express my views on how the Aviation 2050 Green Paper proposes to address PSOs.

I have copied this letter to Alun Cairns, Secretary of State for Wales and Baroness Sugg, Transport Minister for Aviation, International and Security.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', written in a cursive style.

**Ken Skates AC/AM**

Gweinidog yr Economi a Thrafnidiaeth  
Minister for Economy and Transport