



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Iau, 22 Mawrth 2012
Thursday, 22 March 2012

Cynnwys **Contents**

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr Cymru—
Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—Evidence Session

Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o Weddill y
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting
for the Remainder of the Meeting

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru (yn dirprwyo ar ran Leanne Wood) The Party of Wales (substitute for Leanne Wood)
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur (yn dirprwyo ar ran Keith Davies) Labour (substitute for Keith Davies)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Gwyn R. Price	Llafur (yn dirprwyo ar ran Joyce Watson) Labour (substitute for Joyce Watson)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour

Eraill yn bresennol
Others in attendance

Sheila Davies	Cyfarwyddwr Corfforaethol ar gyfer Adfywio a'r Amgylchedd, Cyngor Dinas Casnewydd Corporate Director for Regeneration and Environment, Newport City Council
Sasha Wyn Davies	Cyngor Sir Ynys Môn Isle of Anglesey County Council
Ed Townsend	Dirprwy Arweinydd ac Aelod o'r Cabinet ar gyfer Adfywio, Cyngor Dinas Casnewydd Deputy Leader and Cabinet Member for Regeneration, Newport City Council

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Kayleigh Driscoll	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Y Gwasanaeth Ychwil The Research Service
Siân Phipps	Clerc Clerk

Dechreuodd y cyfarfod am 1.18 p.m.
The meeting began at 1.18 p.m.

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions**

[1] **Nick Ramsay:** Good afternoon. I welcome Members and witnesses to this afternoon's session of the Enterprise and Business Committee. The meeting will be held bilingually; headphones can be used for simultaneous translation from Welsh to English. This meeting is being broadcast and a transcript of proceedings will be published. I remind Members to turn off their mobile phones. As usual, there is no need to touch the microphones. In the event of a fire alarm sounding, please follow the directions from the ushers. We have apologies from Leanne Wood, Joyce Watson and Keith Davies. I welcome Dafydd Elis-Thomas, Gwyn Price and Julie Morgan, who have agreed to substitute today.

1.19 p.m.

**Ymchwiliad i Gysylltedd Rhyngwladol drwy Borthladdoedd a Meysydd Awyr
Cymru—Sesiwn Dystiolaeth
Inquiry into International Connectivity through Welsh Ports and Airports—
Evidence Session**

[2] **Nick Ramsay:** We are continuing with our inquiry into international connectivity through Welsh ports and airports. I welcome our witnesses who join us today; thank you for being here and for your written evidence. Hello to Sheila Davies, the corporate director for regeneration and environment at Newport City Council, Ed Townsend, deputy leader and cabinet member for regeneration at Newport City Council and, via video link from north Wales, representing the North Wales Economic Forum, Sasha Wyn Davies from the Isle of Anglesey County Council, who will be here until 1.30 p.m.. We will go straight to the questions, and Alun Ffred Jones will ask the first one.

[3] **Alun Ffred Jones:** Mae gennyf gwestiynau penodol i Sasha ynglŷn â Maes Awyr Môn. Pa mor bwysig yw Maes Awyr Môn i economi'r gogledd yn eich tyb chi? **Alun Ffred Jones:** I have specific questions for Sasha regarding Anglesey Airport. How important is Anglesey Airport to the economy of north Wales in your opinion?

[4] **Ms Sasha Davies:** Diolch yn fawr am y cwestiwn. Yn gyntaf, mae sefyllfa Maes Awyr Môn yn bwysig iawn i ranbarth y gogledd am sawl rheswm. Mae'r cyntaf yn ymwneud â'r linc i lawr i'r brifddinas, Caerdydd, sy'n bwysig o ochr busnes. Nid dim ond mater o fusnes gyda'r sector cyhoeddus ydyw, ond busnes gyda'r sector preifat. **Ms Sasha Davies:** Thank you for the question. First, Anglesey Airport is extremely important to the north Wales region for a number of reasons. The first concerns the link to the capital city, Cardiff, which is important from a business point of view. It is not just a matter of business with the public sector, but business with the private sector.

[5] O ran datblygu mwy ar yr ochr dwristiaeth, mae potensial yn y maes i ddatblygu twristiaeth gyda phobl o'r de yn dod i fyny a phobl o'r gogledd yn mynd i lawr. Mae datblygiadau eraill rydym yn gobeithio eu gweld yng ngogledd-orllewin Cymru, yn arbennig yn ymwneud â'r sector ynni. Gwn fod Horizon Nuclear Power, er enghraifft, yn ystyried defnyddio Maes Awyr Môn a'r lincs i lawr i faes awyr yn ardal Swydd Gaerloyw lle mae ganddo ei **With regard to further developments concerning tourism, there is potential to develop tourism with people from the south coming up and people from the north travelling down. There are other developments that we hope to see in north-west Wales, particularly in relation to the energy sector. I know that Horizon Nuclear Power, for example, is considering using Anglesey Airport and the links to an airport in Gloucestershire where it has its**

bencadlys. Mae hefyd potential o ran lincs rownd 3 drwy Centrica. Felly, mae'r ffaith bod y maes awyr gennym yn barod yn bwysig ar hyn o bryd, ond, wrth edrych i'r dyfodol, mae gan y rhanbarth fwy o botensial.

headquarters. There is also potential with regard to the round 3 links through Centrica. Therefore, the fact that we have the airport already is important at present, but, looking to the future, the region has greater potential.

[6] **Alun Ffred Jones:** Yn dilyn hynny, a ydych yn credu bod potensial i ddatblygu llwybrau eraill o Faes Awyr Môn heb gymhorthdal?

Alun Ffred Jones: Following on from that, do you believe that there is potential to develop other routes from Anglesey Airport without a grant?

[7] **Ms Sasha Davies:** The council undertook work around 18 months ago on exactly that, looking at the viability of undertaking other routes, such as routes to Dublin, some of the inner-city London airports, and Stanstead. At the moment, we would not be able to afford for that to be undertaken, unless there was a significant subsidy. So, it is prohibitive at the moment. However, as I alluded to earlier, private sector companies or private sector operators could come in where they see a market. That needs further exploration, built around some of the potential major developments coming into the region.

[8] **Alun Ffred Jones:** Gan fod amser yn brin, hoffwn symud ymlaen i sôn am Gaergybi a phorthladd Caergybi. Sut fydd yr ardal fenter ynni arfaethedig ar Ynys Môn yn cefnogi datblygiad porthladd Caergybi?

Alun Ffred Jones: As time is short, I would like to move on to discuss Holyhead and the port of Holyhead. How will the proposed energy enterprise zone on Anglesey support the development of the port of Holyhead?

[9] **Ms Sasha Davies:** In terms of the energy island programme and the potential developments linked to Holyhead, particularly in relation to the port, it could potentially—and I emphasise the word 'potentially'—be significant. However, there needs to be significant investment into the port, if that is to be realised. For example, it needs to be linked to Centrica's proposals in the round 3 developments in the Irish sea, if Holyhead is going to maximise the potential that it could gain from Centrica's proposals. I understand that it has undertaken a joint venture with DONG Energy as well. There needs to be a very clear development proposal, not just from Stena Line in the private sector, because there could be an important role here for the Welsh Government to link this into a defined ports strategy. There is a UK national ports strategy, as you will be aware, and it is a shame that, at the moment, in Wales, we are not as clear as we need to be in terms of maximising the economic potential for the country and its regions in terms of the role that ports can play in offshore energy generation, for example, but also, in the case of Holyhead, in being linked in to new nuclear development proposals at Wylfa.

[10] We have seen developments under way in ports in Belfast and Barrow and we are lagging behind somewhat in Wales. Mostyn in Flintshire has already invested significantly, and I know that you have very detailed written evidence from Jim O'Toole from Mostyn Docks before you now. Once again, Mostyn has further potential and Holyhead has real potential, but we need significant investment from the private sector through Stena and other developers such as Centrica. We should also not forget about the post 2013 EU structural funds that need to play a key role in taking our Welsh ports forward and the Connecting Europe funding that will come into play post 2013.

[11] **Alun Ffred Jones:** A gaf i ofyn cwestiwn ynglŷn â'r datblygiadau posibl? Mae rhai tystion wedi sôn bod ynni adnewyddadwy neu ynni gwyrdd yn cynnig cyfleon. Pa gyfleoedd yn union mae'n ei

Alun Ffred Jones: May I ask a question about the possible developments? Some witnesses have said that renewable energy or green energy offers opportunities. What opportunities exactly does it offer a port such

gynnig i borthladd fel un Caergybi?

as Holyhead?

[12] **Ms Sasha Davies:** O ran yr elfen ynni adnewyddadwy neu ynni gwyrdd, er enghraifft, fel y dywedais, gallai ddod allan o rownd 3. Fel mae dociau Mostyn wedi datblygu yn barod, mae cyfleoedd fel *service ports*, lle mae'r busnesau o gwmpas yn mynd allan i'r môr i wneud y gwaith *maintenance* ar y tyrbinau gwynt. Mae cwmnïau lleol yng Nghaergybi a Biwmares, er enghraifft, sy'n cymryd rhan yn barod yn yr *offshore developments* oddi ar arfordir y gogledd. Mae hefyd potensial gyda'r elfen ar y safle ar gyfer gwaith *engineering* ac *assembly* neu *manufacturing* yr ydym yn gweld yn llwyddiant mawr yn yr Almaen, er enghraifft. Fodd bynnag, mae hynny'n golygu bydd rhaid buddsoddi'n benodol yng Nghaergybi neu Fostyn fel esiampl ehangach yn y gogledd, ac mae rôl i'r sectorau cyhoeddus a phreifat eu chwarae yn hynny.

Ms Sasha Davies: In relation to the renewable energy or green energy element, for example, as I said, it could potentially come out of round 3. As Mostyn docks has already developed, there are opportunities as service ports, where the surrounding businesses go out to sea to carry out maintenance work on the wind turbines. There are local businesses in Holyhead and Beaumaris, for example, that are already taking part in those offshore developments off the coast of north Wales. There is also potential in relation to the on-site element for the engineering work and the assembling or manufacturing that we see being very successful in Germany, for example. However, that requires focused investment in Holyhead or in Mostyn as a broader example in north Wales, and there is a role for the public and private sectors to play in that.

[13] **David Rees:** This question is initially for Sasha Davies, so that she can get away on the 1.30 p.m. train. With regard to Anglesey Airport, how do you feel about the surface transport links and the public transport links?

[14] **Ms Sasha Davies:** In terms of the surface transport and public transport links, we have provision, for example, there is public transport via bus links. In terms of the national investment that is needed, the stop for the main Holyhead to London rail line that passes close, but not quite close enough, to the site, could be improved. There are also some proposals that had previously been put into the regional transport plan to improve the road links. Those of you who use that facility at the moment will know that it comes off the A55 through a village and the RAF Valley facility. So, the public transport links and the roads could be better; they need significant investment.

[15] **David Rees:** I will move on to south Wales and ask the same question of Cardiff Airport.

[16] **Ms Sheila Davies:** Before we reply, may I say that I am recovering from a severe bout of bronchitis, so if I start coughing and spluttering, please bear with me.

[17] **David Rees:** If we start moving away—

[18] **Ms Sheila Davies:** It is not catching. [*Laughter.*]

[19] **Nick Ramsay:** Before we move on to you, Sheila, Sasha has to leave shortly, do you not?

[20] **Ms Sasha Davies:** I do, but I am okay for another couple of minutes.

[21] **Nick Ramsay:** In that case, we have a supplementary question for you from Eluned Parrott. Would you like to ask that now, Eluned, and then I will bring the other witness in?

[22] **Eluned Parrott:** Returning to passenger traffic through Anglesey Airport, do you

have any passenger profile information for the north-south air link? Do you have any statistics, for example, for the proportion of people from the public sector, the private sector for business and the private sector for tourism?

[23] **Ms Sasha Davies:** I do not have those figures in front of me, but I am sure that I would be able to arrange for them to be sent to the committee in writing, if that is acceptable, as part of the evidence.

[24] **Eluned Parrott:** That would be really helpful.

[25] **Nick Ramsay:** That would be excellent. Are Members finished with their questions to Sasha Wyn Davies? I see that you are. Thank you for joining us today, and I hope that you catch your train. We will return to David Rees's question.

[26] **Mr Townsend:** Chair, I will answer. The two nearest airports to south Wales are Cardiff and Bristol. Neither has particularly good transport links. It would be a competitive advantage for Cardiff Airport and for Wales for transport links to be improved. There is a rail link that almost goes to the airport, with a bus to then get you there, but, when I am travelling on business, I like to do it in a single run. Getting off the train and getting on a bus or getting a bus from the airport to the train to travel onwards is something of a disincentive. When I am going on holiday and travelling with a large suitcase, that is something of a disincentive to me.

1.30 p.m.

[27] So, there is clearly a need, first of all, for improved road links to the airport, and, secondly, for the rail link to be integrated into the wider rail network. Our submission, as the South East Wales Economic Forum, makes reference to the Valleys metro concept and the proposal for that, linking all of the catchment area of south-east Wales and south-west Wales via rail links, including an extension of the Ebbw Vale line to Newport. When we come to talk about ports shortly, perhaps we can address this again, because there is an unfortunate omission in the proposals for the electrification of a Valleys metro, in that there is a possibility that that link directly into Newport could be missed out. Having that link would give further opportunity for the enterprise zone in Ebbw Vale to bring in and take out its goods to and from the English markets, as well as into Wales.

[28] However, to go back to the airport issue, it is a no-brainer: if you do not improve those transport links, it is something of a handicap to Cardiff Airport.

[29] **David Rees:** Okay, thank you for that. I am sure that you will be heartened by the fact that Members here are very supportive of the electrification of the whole of the Valleys lines, and not just the 'core Valleys', as initially deemed by the UK Government.

[30] You have already answered a couple of my other questions in your response. However, you represent south-east Wales, so do businesses from your area use Bristol airport more than they use Cardiff Airport, given that Bristol is just as difficult to get to?

[31] **Mr Townsend:** It depends upon where they are flying to, clearly. A route has just been developed—it is the Helvetic Airways route, with which you will be familiar—which was flying into Cardiff, but will now fly via Bristol. I do not think that that is helpful to Cardiff; it is probably a commercial decision by the Swiss operator. Making that link direct and making direct links to other European capitals, is important. I am perhaps coming on to something that you might think about later, which is what other routes might be developed to other European capitals. At that stage, business people will start to consider Cardiff to be a much more viable option than perhaps they do at the moment. The Amsterdam link is a good

link, because it gives you access to most of the world. So, to that extent, Cardiff is connected, but it is always going to be a hop.

[32] **David Rees:** Thank you for that. We had a discussion earlier this morning with the Ministers about strategy and the routes they are talking about, so we have probably had the answers on that one.

[33] Finally, you mentioned that the rail link, and, clearly, electrification is favoured. What about the concept of an express bus between Cardiff Airport and Cardiff city centre? For business in your area, it means another hop from there again.

[34] **Mr Townsend:** In an ideal world, connectivity means just that; it means running an integrated public transport service that enables you to get conveniently and quickly from point A to point B. If that can be achieved by a single mode, so much the better. I am not going to sit here and say ‘I don’t fancy the idea of an express bus’, because there may well be a wait until a rail link comes. Therefore, one should not preclude the other.

[35] **Nick Ramsay:** We will go back to question 1 from Eluned Parrott.

[36] **Eluned Parrott:** In your view, how important is the success of Cardiff Airport to the Welsh economy?

[37] **Mr Townsend:** I will start, if I may; Sheila might want to pick this up later. Cardiff is the capital of Wales. Without links to other capitals in Europe, Wales loses some stature. In terms of the way in which we promote Wales through its capital, something is lost if the airport is not able to take its place alongside others.

[38] There are two other aspects to this. One is the quality of life of people living in Wales, and their ability to fly out of Wales. How attractive is Wales to people who work and live here? The attraction is greater if you have access to good-quality communications for everything that you want to do. The other half of the equation is about what the airport brings into Wales. Arguably, that is more important in that, in order to be successful, the south-east Wales region and south Wales as a whole has to be able to attract major conferences, for instance. We have to be able to attract the headquarters of large companies. We cannot just stick with Admiral and one or two others. We need to be able to attract them and, for people to have their headquarters here, I would argue that they need easy air links.

[39] **Eluned Parrott:** If passenger numbers at the airport continue to decline, given that the balance, as the numbers previously were, was very heavily towards taking tourists out of Wales rather than bringing businesses in, what practical impact do you think that will have on the regional and national economy?

[40] **Mr Townsend:** The good news is that the balance of passengers using Cardiff Airport is rising in favour of incoming passengers, in terms of proportions. However, that is scant comfort when the numbers are falling overall; I accept that. The answer to your question is obvious in that it is bad news. However, for me, the real question is: ‘What can be done?’ I would ask the question—I am afraid that, had I the answers, I would hope that I would be sitting in someone else’s shoes rather than my own—‘What can we do to improve the connectivity of the airport and make it more attractive to airlines to fly in and out of?’

[41] **Eluned Parrott:** Which economic sectors operating in south Wales do you think are most directly affected by the lack of international connectivity?

[42] **Mr Townsend:** I will be slightly flippant and say: ‘The ones we do not have yet’. The way in which south Wales becomes competitive is by having those links available. Fairly

obviously, the enterprise zone at St Athan and the airport is going to be focusing on the aerospace sector. The enterprise zone in Ebbw Vale, albeit that it is somewhat removed, needs to attract a greater mass. Since we do not yet know what attractions there are from having the enterprise zone, it is hard to say how we could move that forward. However, what you also have developing now in Newport and Cardiff is a great concentration of creative and media industries. Perhaps there is not as much in Newport as there is in Cardiff, but it is certainly growing in Newport, around the university. The ability for people to fly in and out on business, particularly in those arenas, is important.

[43] **Eluned Parrott:** We have talked about surface connectivity at the airport, but how far do you think the quality of facilities at the airport is responsible for its performance problems?

[44] **Mr Townsend:** I do not think that I would comment on that. The First Minister has made his views clear on it. I am not of the opinion that the airport facilities are a disincentive.

[45] **Ms Sheila Davies:** If I could speak personally, I think that the facilities at Cardiff Airport, with its longer runway, which can now take the larger aircraft and jumbos, give us great opportunities. In the economic climate we are in, it is just a question of how we make the offer of the exchanges of flights in and out a better offer than that in other airports in the UK. I know that one of the problems in the past has been the time slots that the airport has managed to secure for flights in and out. A lot of the passenger transport, particularly for package holidays, tended to be in the middle of the night or in the early hours of the morning, whereas other airports can offer better timeslots and therefore people want to go to them. As far as the airport's facilities are concerned, a lot of investment has gone into the airport in the past and it is a question of how we promote and package those facilities to businesses in such a way that it is a better offer than that of other regional airports that they may be looking to work from. The enterprise zone around the airport and St Athan potentially gives us a unique opportunity to promote what Cardiff Airport could offer within the UK.

[46] **Nick Ramsay:** We will now move to Julie James for question 3.

[47] **Julie James:** Julie Morgan has that question, I think.

[48] **Nick Ramsay:** I apologise. I forgot that we had two Julies on the committee this afternoon.

[49] **Julie Morgan:** You do not usually, do you? I think that you have already referred to this, but which routes and destinations do you think should be prioritised from Cardiff Airport to get the greatest economic benefit?

[50] **Mr Townsend:** We could have a long discussion about that. I mentioned the European capitals in the first instance. I think there is an immediate logic to linking us to other European capitals, not least related to the status of Wales and its capital, in that it would link to capitals in that way. On the broader economic spectrum, do we go for China, or do we go for the United States or for India? That is a much more difficult equation to balance. You could not subsidise it, but you could probably get to a point where a flight began to go to and from somewhere in China, a chosen region perhaps, and the evidence that there would be more than two or three planes a month to fill would be needed. However, my issue with suggesting routes is that if there is a market for a particular route, the chances are that airlines will identify it. The other half of that question would be, 'How do we bridge the gap if it is almost viable?' You cannot do it in terms of direct subsidy, but there may be other ways in which the Government could use some form of incentive to encourage the development of routes that might be marginal.

[51] **Julie Morgan:** What about New York?

[52] **Mr Townsend:** I think exactly the same thing would apply to New York. You can fly to New York from Cardiff now by going to Amsterdam. It is a bit of a hassle, is it not? There have been attempts to start transatlantic flights on a regular basis over the past five or six years and they have not taken off. Why have they not taken off? Is it simply a matter of not having been marketed properly at this end or the other end? There is plenty of evidence that there is a lot of work going on through Visit Wales, for instance, to sell Wales in the United States. Where is the balance between the level of awareness and the will to fly, and the market as identified by an airline? We have identified three long-haul routes that sound quite attractive: India, China and the United States, and perhaps a fourth in Australia.

[53] **Ms Sheila Davies:** Thinking laterally for a moment, we are a global economy, and, as more people buy on the internet, the goods still need to be transported to their home from wherever, so perhaps you ought to look at this at different strategic levels. If you look at the huge international airport hubs, then it would not necessarily be New York; it would be Atlanta, because you can fly from there to most places in the United States. You would look at Schiphol, most probably, for the European hub and then, most probably, you would look at Dubai or Singapore because they ship to other places. I take it that Heathrow would most probably be the logical place for the big airlines to take the freight from one place to another. If we look at the next level down, as more trade is happening globally, those airports, and particularly Heathrow, are at capacity and there are always calls to develop it further. We are not that far from Heathrow, and it is a question of how do we supplement it and pick up things that Heathrow cannot accommodate, to the next level of international hubs around the world. I think that that may be something we would like to have a look at.

[54] **Julie Morgan:** What about the suggestion that inward-bound tourism and the business markets are the means of bringing the most economic benefits?

[55] **Mr Townsend:** QED—bringing people into Wales to spend money here means economic benefit immediately. I mentioned earlier the ability to attract large company headquarters and large international conferences. Those are money-spinning opportunities.

1.45 p.m.

[56] **Kenneth Skates:** I would like to seek clarification on a point you have just made. Are you saying that it would be desirable for Cardiff to have a direct link to Atlanta, because at the moment, KLM Royal Dutch Airlines and Delta are part of the same airline group, so it would not actually be possible to have a link to Amsterdam and a direct link to Atlanta? It just would not be commercially viable, because it would then be competing with its own airlines.

[57] **Ms Sheila Davies:** However, it is then a question of whether there are other things you could do once they reach a certain capacity. It is like a hub and a spoke. When you look at transport around the world, you will see that there are huge hubs and then spokes feeding those hubs. Perhaps you need to look at how Cardiff complements and feeds into the big hubs around the world and whether there are other airports in those locations we can work with once those large airports reach maximum capacity.

[58] **Nick Ramsay:** There is a lot of interest on this. We will go to Byron first, followed by David Rees and Julie James.

[59] **Byron Davies:** That makes sense. My experience of KLM flights to the European hub of Schiphol is that, very often, if you leave it until the last couple of days to book, you cannot get on the flight. Why is that? Why do they run such small aircraft if there is such a need for this route? Why do they not operate larger aircraft?

[60] **Mr Townsend:** I think you would have to ask the airline why that is. I could only speculate, and I do not think it would be helpful to the committee for me to do that.

[61] **David Rees:** I wanted to make the same point about Atlanta because it is Delta's home base, if I am not mistaken. It is its hub. Clearly, we are focusing on the cost of transport to different cities. As part of your regeneration package, have any of the businesses you have been in discussion with actually said to you anything about air transport links and the difficulties they face with those?

[62] **Ms Sheila Davies:** I am going to have to admit now that I have worked in economic development for more years than I care to admit. Over the past 20 to 25 years that I have worked across south-east Wales, every non-indigenous company whose home base is not in south Wales that has international bases has constantly said to me that, whenever they need to go back to head office or do trade in their other offices around the world, it is really frustrating that they cannot just quickly hop to Cardiff international airport and get to where they need to go. They always have to make two or three changes. These are companies in Bridgend, in the Rhondda Cynon Taf area, in Llantrisant and, now, in Newport and Cardiff—anyone who has bases in other locations. We are home to a great deal of foreign direct investment in south-east Wales because of our success in attracting inward investment over the years. They constantly say that it is really frustrating. The flights they need to get mean that they have to tackle the traffic around the M4 to get to Heathrow, and they want to know why they cannot get these flights from Cardiff and why they always have to change at Schiphol or one of the German airports to go somewhere else.

[63] **David Rees:** Are they still saying that in south-east Wales, given that you are that much closer to Heathrow?

[64] **Ms Sheila Davies:** In Newport, yes, but I am speaking from a south-east Wales perspective because I have covered Bridgend, the Valleys areas and Newport.

[65] **David Rees:** Bridgend would be marginal.

[66] **Julie James:** If there is this huge demand, why is the airport company struggling?

[67] **Ms Sheila Davies:** I could hazard a guess.

[68] **Mr Townsend:** The demand is measured by airlines factoring their own demand. How attractive the airport makes its offering to them is also part of the issue. We are seeing the potential for demand. We do not have measures to tell us exactly what the demand is. I bet you that the airlines do.

[69] **Julie James:** I suppose that the point I am making is that we have heard quite a lot during this inquiry about the problems at Cardiff Airport and so on, with many people telling us that there is a lot of demand, that it is a big economic driver and so on and yet, for reasons that no-one, including the airport company, can explain, they cannot make a run of it. I for one am completely mystified by that. Do you have a particular view on that? The airlines clearly do not find it attractive. They clearly do find other airports attractive.

[70] **Ms Sheila Davies:** It is probably a question of the cost-benefit analysis versus demand. Are there enough people at enough times during the day to warrant delivering those services? If I may take it to a very local level, lots of little old ladies come up to us in the street and ask why we cannot have a bus service from X to Y. Usually, the bus company will say that it is only six little old ladies who want that at 2 p.m. once a week. We cannot run a bus service just to meet that demand. It is a question of whether we have the critical mass and

demand to make it a viable entity day in, day out or whether it is just a weekly requirement. The counter-argument, if there is a once-a-week flight to New York or Atlanta or anywhere else, is whether that is when businesses want to fly. If so, they have to go with the range of timetable options at other UK airports.

[71] **Julie James:** So, are you are saying, effectively, that it might not be viable?

[72] **Ms Sheila Davies:** It is up to the airlines to look at that, unless we can do something to influence what is on offer from Cardiff Airport.

[73] **David Rees:** It has just crossed my mind that I did not ask the question that I should have asked as a follow-up. In relation to what businesspeople ask for, has anyone said that they will not come to a certain region because they do not have easy access to flights? In other words, has it put anyone off?

[74] **Ms Sheila Davies:** That is an interesting question. When we have dealt with inward investment over the years, I have always asked all account managers to ask for feedback as to why a company did not choose to relocate to south Wales. Is it due to property, access and so on? I do not think that that question regarding the airport was ever asked. Usually, it is more about the property offer.

[75] **Mr Townsend:** The South East Wales Economic Forum's submission makes reference to an example, and there are specific examples. Unfortunately, as you will be aware, we are both standing in for the director and the chair of SEWEF. I do not have that information, but I would be happy to supply any evidence that Elizabeth Haywood and the chairman may have on that basis to expand on the line in our evidence that says that there are specific examples of the region losing inward investment opportunities because of the airport's lack of services. Clearly, that needs to be expanded on, so we will arrange for that information to be sent to you.

[76] **Byron Davies:** I have a question relating to the environmental impact of aviation. How should the need to develop Welsh aviation be balanced against the need to reduce greenhouse gas emissions? That question is for both of you.

[77] **Mr Townsend:** Every development has to balance those two aspects. There have been proposals for a Severn estuary airport. Anything to do with that would have a severe impact on the environment, and any economic benefits would have to be balanced against that. Similarly, a barrage across the Severn estuary would present a similar dilemma, as did the barrage in Cardiff bay.

[78] The balance between economic benefit and a measurable impact on the environment is where we are at, and it is about striking a balance. If we were living in an era in which air flight had not become important economically, we could take a view to wholly protect the environment. As it is, I come round to my starting point, which is that there is a balance to be struck and we need to ensure that we measure that.

[79] **Ms Sheila Davies:** One of the advantages of Cardiff Airport is that it is on the coast, with flight paths over the sea, and it is not surrounded by a built urban environment where there could be other fall-out issues for the population alongside the airport. This is the argument against the growth of Heathrow, Gatwick and other airports, due to the huge urban fabric around them. That is an advantage that Cardiff has, and it may be a unique selling point when people are far more aware of their carbon footprint, their usage, and the impact on those living in and around these areas.

[80] I can only speak from experience. Hong Kong airport used to be bang in the middle

of the development of Hong Kong, and you could see the aeroplanes coming in between the buildings. That was incredibly dangerous and meant a lot of fumes and emissions. They built the new airport on an island alongside, and it is just an airport separate from everything else, and it has boomed in terms of the wider economy of that part of southern China.

[81] We have a unique selling point to promote Cardiff Airport. We do not have the restriction of an urban fringe around it. We can build the complementary industries around the airport, which Hong Kong and some of the other new airports of growing cities across the world have now done. They take the airport away from the urban fabric and make it an entity in its own right. In some ways that is more acceptable.

[82] **Kenneth Skates:** This question is for the both of you. How effective is Welsh Government policy in supporting the development of Welsh ports?

[83] **Ms Sheila Davies:** We made it clear in our submission that the Welsh Government's devolved marine consents unit works well and delivers a good service. We also mentioned in our submission the waiving of backdated business rates for port businesses. Working with businesses in those areas, we can find alternative ways of helping and supporting them. However, given that most of the ports and airports in Wales are privately owned, it is difficult for the public sector to do a lot with them. We must be conscious of European state aid rules and other restrictions that bind the public sector.

[84] **Mr Townsend:** We could do things in terms of encouraging the development of industrial locations around the ports. For instance, in Newport, we have had a move towards developing a number of power-generation initiatives in and around the port. Indeed, without getting into the energy from waste debate—I do not think that that debate is for today—moving such fuel, as it were, is made easier by being close to a port.

[85] There is the potential, probably in most of the south Wales ports, for expanding the cruise offering. It is not easy to get a cruise liner into all ports. Cardiff and Newport would both require entry via a lock. Barry has better access, although it might not be as deep as Newport. During the Ryder Cup, for example, a number of cruise liners berthed in our region and brought considerably wealthy, high-spending people into the area. I am not sure whether an awful lot of work is currently being done on cruise development. There was some work up until a couple of years ago, but I have not seen an awful lot about that recently. So, there is a good opportunity to push cruises.

[86] **Byron Davies:** This is a question for the both of you. What are the implications for Welsh ports and the local economy of the Welsh Government's decision not to waive backdated business rates on port premises?

[87] **Mr Townsend:** This was unfortunate. As an organisation, SEWEF made representations on behalf of businesses across south-east Wales. During the course of those submissions and discussions, it emerged that businesses around Holyhead and the ports in south-west Wales were not expressing the same concerns. I am aware of tens of businesses in the Newport docks area that have swallowed their medicine, as it were. One organisation has been faced with a six-figure liability as a result of this, and it has expressed to us a huge continuing concern about the impact that this has had on its bottom line. It was a huge disappointment that the Welsh Government, for a relatively small amount of revenue, was not able to assist businesses for which that relatively small amount of revenue represented a large sum of money.

[88] **Byron Davies:** Do you know of any at-risk businesses?

[89] **Mr Townsend:** I will have to check with that particular company. The one that

expressed most concern is still expressing that concern. However, I am happy to send you any update on the current situation that we can get from that company.

[90] **Byron Davies:** I want to return to the question of taxation. I meant to ask you earlier about air passenger duty in Wales. The committee has heard that air passenger duty should be reduced, in order to develop routes from Cardiff Airport, but also that a reduction would contradict obligations to reduce greenhouse gases. How should powers over air passenger duty be used, if devolved?

2.00 p.m.

[91] **Mr Townsend:** As you added at the end, it is not devolved, so it is hypothetical at this stage. It can be used in a number of ways. One, for instance, would be to help to attract other businesses to set up in the area. One of the issues that I have come across within the Newport area, which is obviously where I have most contact, is that—and forgive me, this is a much wider issue—if we were able to take a different view of business rates and allow air passenger duty to make a contribution towards that lost revenue, we could assist a large number of start-up businesses in particular. The present policy of having no business rates below a certain threshold of rateable value has been a great help, and I know people who have taken advantage of it, but in any city or town centre, a disincentive to occupying some of the empty shops that are around is not necessarily the rent, but the business rate commitment. That is a thought: we might consider subsidising a changed business rate regime by using air passenger duty.

[92] **David Rees:** I am aware that we are not talking about business rates in town centres in this session, but business rates for ports, and a lot of that discussion is about backdated payments. Correct me if I am wrong, but I believe that the current system involves no rebate; therefore, looking to the future, are ports in Wales on a level playing field with ports in England as far as the rates scheme is concerned?

[93] **Mr Townsend:** Yes, the schemes are the same; it is simply that it was not backdated in Wales, and it was in England.

[94] **Nick Ramsay:** I have a supplementary to David Rees's question, which pre-empted mine: do you think that the Welsh Government engages effectively with the UK Government on ports policy?

[95] **Mr Townsend:** I am afraid that I do not have any further evidence to offer on that. You may have a view, Sheila.

[96] **Ms Sheila Davies:** In our submission we referred to the fact that Whitehall was saying that the issue of rates was an economic development matter, and that the Welsh Government should use the Barnett money, whereas the Welsh Government says that the matter is not devolved, so Welsh ports should be able to apply to the fund. I think that the Welsh Government should continue arguing that point.

[97] **Nick Ramsay:** Before I bring Gwyn Price in on the Welsh cruise market, you will be aware of the reprioritisation of the national transport plan by Carl Sargeant, the Minister for transport. Does that reprioritisation take sufficient account of the needs of Welsh ports?

[98] **Ms Sheila Davies:** It takes account of links to the international airport. Most of the ports are based around city centres, so they are already linked in to the local network. The key thing on a strategic basis is how the ports and the airport link in to the national framework, so that trade can flow more freely. A lot of the points are made around congestion; whether you arrive at an airport or at a port, can you get around the rest of the UK? That is an issue that

Carl Sargeant is taking up in that study.

[99] **Mr Townsend:** One thing to add on that is that, up in north Wales, you have a manufacturing enterprise zone, and a motor industry enterprise zone in Ebbw Vale; are the connections right for both of those? I would guess that they will end up exporting heavy things, and the port is the right place to do that, to keep it off the roads.

[100] **Gwyn R. Price:** What priorities would you identify to support the Welsh cruise market, and how effectively does Welsh Government policy support the development of that market?

[101] **Mr Townsend:** I started to touch on this earlier. Attracting the cruise market is a particularly specialised arena. There are people I know with expertise in it working on behalf of the Welsh Government and Visit Wales, as well as the promotion company in Cardiff and Capital Region Tourism. People have turned their attention to this. I think that there is a piece of work behind it that has to be done, and I suppose that what they are doing is demonstrating what is here in Wales for people who will be coming in on a ship and getting off for a day or two.

[102] So, the first point would be: more of the same and better from Visit Wales and the other organisations doing that. However, there is also a piece of work to be done on where cruise ships start. When people come to embark and disembark, there is further business to be had around their overnight stay before they get on and their overnight stay when they get off before leaving to go back to wherever home is. So, there is also a selling job to be done around inviting cruise operators to use one of our ports as a base. However, not all of our ports are ideal, if I am being honest about it; it is not helpful if you always have to go through a lock gate to get into the port.

[103] However, what we have behind Cardiff is the huge hinterland of the whole of Wales, which includes a great physical environment and our industrial heritage. Here in Cardiff and on the south coast, you have some magnificent attractions. For instance, Cardiff has one of the greatest collections of impressionist paintings outside of Paris and London. That is one little example of the types of things that are hidden away within Wales that can—

[104] **Nick Ramsay:** We are getting slightly away from the cruise market, fascinating as it might be—

[105] **Mr Townsend:** The cruise market would be attracted by that. I am sorry, Chair; my point was about promoting those benefits to the cruise market.

[106] **Nick Ramsay:** I am just mindful that time is pressing. Gwyn, do you have any other questions?

[107] **Ms Sheila Davies:** Chair, could I add a small point?

[108] **Nick Ramsay:** Sure.

[109] **Ms Sheila Davies:** When the cruise liners came into Newport for the Ryder Cup, we talked to the cruise operators. The cruise market is a growing market, particularly in the western world, and operators are always looking for new types of cruises to offer. To supplement what Ed said, we need to ensure that the things to do and see around the ports of south Wales are emphasised, so that the cruise liners can offer a different type of interest to the growing cruise market. That is a growth sector for us to look at seriously.

[110] **David Rees:** With regard to the cruise market, our ports are of different sizes, and

some cruise ships cannot come in to certain ports. In your discussions, do you focus on the type of passenger cruise ship that you want to attract? The smaller ships tend to cater more for couples, rather than families, for example. Do you have discussions as to what you can offer those types of cruises, because those are the ships coming into south-east Wales?

[111] **Ms Sheila Davies:** The operators that we were dealing with during the Ryder Cup were very much about smaller liners focusing on the couples market. The huge liners—I have only been on one, I must admit—are quite frightening beasts anyway, and they tend to stay around the huge ports in the Caribbean and the Mediterranean. However, there is a growing market for more specialist types of cruises that are more interesting to those who do not want to go on a family holiday where the kids can go on the water shoots, and they can sit in the bar. They are for people who want an interest and who want to expand their knowledge. History and genealogy are a growing market for people on holiday—they want to find out about different cultures and the histories of different countries. Wales is a fantastic place to offer to that particular market. That market tends to go on the smaller liners, and we can accommodate those.

[112] **Nick Ramsay:** We have not heard that proposed before; that is an interesting aspect for encouraging the cruise market.

[113] **Julie James:** Turning to the planning and regulatory system, do you have any evidence that the system as it is at the moment is impacting upon port or airport development in Wales?

[114] **Mr Townsend:** I would hazard a guess that it does not impact upon port development, because of the nature of the territory around the ports. On whether it impacts upon airport development, that could only be in relation to the piecemeal nature of planning by different local authorities. You will not necessarily get consistency across the local development plans being drawn up by each local authority, so there could be conflicts between different places in south-east Wales.

[115] **Julie James:** Do you think that Newport's local development plan, for example, provides sufficient support for the ports?

[116] **Mr Townsend:** We are about to publish our local development plan for consultation—in fact, it is next week. On the plan: yes, I do.

[117] **Ms Sheila Davies:** As regards the port itself, I will give a Newport perspective. In the land allocations, we have highlighted the port, and we have recognised the type of industries that are complementary to a port. We try to be as flexible and accommodating as possible to encourage the growth of those industries.

[118] On a south-east Wales basis, we are talking as 10 local authorities about supporting the Vale of Glamorgan in particular and how the enterprise zone located at St Athan and the airport can be given more regional importance, with all authorities supporting what the Vale of Glamorgan wants in terms of its planning regimes. So, we very much recognise the strategically important issues for the economy of south-east Wales and we are working a lot more closely on that, as opposed to what one unitary local area may or may not like. That has been recognised.

[119] **Nick Ramsay:** Moving on to the economic importance of Welsh ports, we have a question from David Rees.

[120] **David Rees:** I think that you have answered my question to an extent, but how important is the port at Newport to the economy of your region? Obviously, you have

competition from Avonmouth across the way.

[121] **Mr Townsend:** There are two levels, one being the trade in and out that it brings. Clearly, that is important and directly important to the jobs that are attributable to the activity of the port. It is also important in terms of the industry that it attracts around it. A significant amount of industrial land is available around the port, and that is increasingly being used for new developments. On a visit to Newport, you might never know that the port was there; it hides itself physically, but it is very much an important part of our economy.

[122] **David Rees:** I have a question on something that you mentioned just before that, which is that you have included it in the LDP. Are there any other factors that you see as harming or hindering the development of ports around Wales that you may have identified in your LDP?

[123] **Ms Sheila Davies:** That is partly geographical. I would tie this in with the earlier question about low carbon emissions and green issues. I think that, given the demand to have more green goods, green technology and green services, the ports of south-east Wales will become crucial in reducing car and other road traffic and importing and exporting more goods, as well as in developing industries around the ports that can produce energy-saving solutions or generate energy from alternative sources to feed the industrial hinterland of the three ports of south Wales, namely Swansea, Cardiff and Newport.

[124] **David Rees:** You mentioned the Ebbw Vale enterprise zone possibility. Has that been factored into your LDP? You mentioned that you would like to see as much going by sea as possible. Has that been considered?

[125] **Ms Sheila Davies:** I am sure that you are all familiar with the fact that local development plans take a long time to come to fruition. Given that we have been developing a strategic approach in our LDP—we have followed Welsh Government guidance and advice to make it as strategic as possible—the recent announcements of the enterprise zones in the past few months should not have any impact on our LDP. We wanted to make it as flexible as possible so that when opportunities came up, there would be nothing restrictive in the local development plan to stop those opportunities from taking place.

[126] **Mr Townsend:** The only restriction is the transport link, but we have probably already covered that.

[127] **Julie Morgan:** Is the port of Bristol developing deep water container capacity, and would that be a threat to Welsh ports' business?

[128] **Mr Townsend:** I have no knowledge of Bristol.

[129] **Julie Morgan:** Will there be a deep water container port at Bristol?

[130] **Ms Sheila Davies:** When we did the research for our submission to this committee, we were aware of some future developments that may have an impact, which are the Atlantic Array and the Severn tidal energy project, but nothing specific came out about the development of Bristol. However, it does tend to be—

[131] **Julie Morgan:** I thought that I had heard that there was going to be such a development at the port of Bristol, and I wondered whether it would affect you if it were to happen. However, you do not know.

[132] **Mr Townsend:** As far as I am aware, neither Newport nor Cardiff are deep water container ports. I do not think that Barry is. Swansea may have that capacity.

[133] **Ms Sheila Davies:** There is Milford Haven.

[134] **Mr Townsend:** Yes.

[135] **Julie Morgan:** It is okay if you do not know.

[136] **Nick Ramsay:** I thank Ed Townsend and Sheila Davies for coming along today and giving us their views. I thank them for the information that they have provided and for the written evidence from the South East Wales Economic Forum. I should point out that we requested written evidence from the Central Wales Economic Forum, and it has promised that that is en route to us, but the South West Wales Economic Forum declined the invitation to give either written or oral evidence.

2.15 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod**

**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting for the Remainder of the Meeting**

[137] **Nick Ramsay:** I ask a committee member to move the appropriate motion so that we can agree the terms of reference for our next inquiry in private.

[138] **Byron Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[139] **Nick Ramsay:** I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 2.15 p.m.
The public part of the meeting ended at 2.15 p.m.*