



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Mercher, 30 Ionawr 2013
Wednesday, 30 January 2013**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol Committee members in attendance

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Gwyn R. Price	Llafur (yn dirprwyo ar ran Julie James) Labour (substitute for Julie James)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Jeff Collins	Cyfarwyddwr, Cyflenwi, BETS Director, Delivery, BETS
Carwyn Jones	Aelod Cynulliad, Llafur, Prif Weinidog Cymru Assembly Member, Labour, First Minister of Wales
Jason Thomas	Is-gyfarwyddwr, BETS Deputy Director, BETS

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

Ffion Emyr Bourton	Dirprwy Glerc Deputy Clerk
Chloe Davies	Dirprwy Glerc Deputy Clerk
Andrew Minnis	Gwasanaeth Ymchwil Research Service
Siân Phipps	Clerc Clerk

Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Nick Ramsay:** I welcome Members and witnesses to today's meeting of the Enterprise and Business Committee. This meeting is bilingual; headphones can be used for simultaneous translation from Welsh to English or for amplification. The meeting is being broadcast and a transcript of the proceedings will be published. I ask Members to turn off their mobile phones. There is no need to touch the microphones, as they will operate automatically. In the event of the fire alarm sounding, please follow the directions of the ushers. We have two apologies today from Julie James and Dafydd Elis-Thomas. I thank Gwyn Price, who has agreed to substitute for Julie James. Welcome to the committee, Gwyn.

9.32 a.m.

Craffu ar Waith y Prif Weinidog: Tasglu Maes Awyr Caerdydd
Ministerial Scrutiny: Cardiff Airport Taskforce

[2] **Nick Ramsay:** Today we are embarking on our ministerial scrutiny session on the

Cardiff Airport taskforce. This is intended to follow up recommendations made in the committee's report on international connectivity through Welsh ports and airports, which was published in July last year. In particular, it is to follow up on a commitment that we made in that report to question the First Minister on progress with the Cardiff Airport taskforce, which is part of our role of holding the Welsh Government and Ministers to account on behalf of the people of Wales.

[3] I welcome our witnesses to today's session. Thank you for being with us today. Would you like to give your names and titles for the Record of Proceedings?

[4] **The First Minister:** Carwyn Jones, the First Minister.

[5] **Mr Collins:** Jeff Collins, delivery director, the Directorate for Business, Enterprise, Technology and Science.

[6] **Mr Thomas:** Jason Thomas, deputy director, the Department for Business, Enterprise, Technology and Science.

[7] **Nick Ramsay:** Thank you for being with us today. As we have a number of questions, I propose that we get straight in to them. The first question is from Byron Davies.

[8] **Byron Davies:** My question relates to the second recommendation that was made by this committee, regarding Welsh ports and airports. We said that the Welsh Government should formulate a clear, strategic evidence-based position for developing air transport in Wales, which was accepted by Government. Could you tell us what strategy, if any, has been developed in an all-Wales context?

[9] **The First Minister:** The first thing to do is to secure the future of our major airport, which is Cardiff Airport; that is what we are doing in terms of its purchase. In terms of other airports, if we take Anglesey as an example, there is great potential at Anglesey airport: we know that there are commercial flights from that airport to the Isle of Man in the summer, as well as the flights back and forth to Cardiff all year round. I raised the issue of Anglesey airport's potential with one airline when I was in Ireland during the last week.

[10] **Byron Davies:** Are there any other airports involved in your consideration?

[11] **The First Minister:** There are no other airports involved at the moment in terms of developing commercial passenger traffic, but we know that the owners of airports such as Pembrey, Aberporth and Welshpool will be looking to develop that in the future.

[12] **Byron Davies:** I appreciate that you might have some views on the due diligence side of things, but can you fill us in a bit more about what the taskforce did in relation to Cardiff Airport?

[13] **The First Minister:** The taskforce was set up in order to see how all those who have an interest in the airport could work together to develop the airport's services. Its first task was to understand what challenges were facing the airport, and once they were identified, to find ways forward. That involved talking to airlines, which has been done via officials. The situation has changed somewhat with the announcement that was made in December.

[14] **Byron Davies:** Can you share some of those challenges with us?

[15] **The First Minister:** The first thing that needs to be done is to look at the fabric of the airport building, particularly the entrance and areas such as the executive lounge and its size. There will be a further need to ensure better access to the front of the airport for public

transport, and beyond that there is a continuing need to discuss potential new services with airlines. That is something that officials have been taking forward.

[16] **Byron Davies:** Regardless of the outcome of the due diligence, will the taskforce continue?

[17] **The First Minister:** First things first; we have to go through the due diligence exercise, and once that is complete, and assuming that all is well, it will be our intention to buy the airport. We will then look to continue the taskforce, certainly in the short term, in order to involve all those with an interest in the airport.

[18] **Alun Ffred Jones:** O'r trafodaethau sydd wedi bod, a ydych yn optimistaidd bod gan gwmni awyr ddiddordeb mewn dod i Gaerdydd?

Alun Ffred Jones: In terms of the discussions that have been held, are you optimistic that an airline company has an interest in coming to Cardiff?

[19] **Y Prif Weinidog:** A ydych yn siarad am redeg y maes awyr neu—

The First Minister: Are you talking about the management of the airport or—

[20] **Alun Ffred Jones:** Nac ydwyf. Roeddech yn sôn gynnu eich bod wedi bod yn siarad â chwmnïau hedfan, a gofyn rwyf i: o'r trafodaethau sydd wedi bod, a ydych yn ffyddiog neu'n optimistaidd bod gan gwmnïau ddiddordeb mewn hedfan allan o Gaerdydd?

Alun Ffred Jones: No. You said earlier that you had been talking to airline companies, and I am asking: based on those discussions, are you confident or optimistic that companies have an interest in flying from Cardiff?

[21] **Y Prif Weinidog:** Rydym yn optimistaidd. Mae sawl cwmni wedi dangos diddordeb, ac mae trafodaethau yn cymryd lle ar hyn o bryd gyda nhw.

The First Minister: We are optimistic. A number of companies have shown an interest, and negotiations are ongoing.

[22] **Alun Ffred Jones:** Pam felly mae'r perchnogion presennol wedi methu denu cwmnïau ac yn wir wedi colli cwmnïau o Gaerdydd?

Alun Ffred Jones: Why, therefore, have the current owners failed to attract companies and, in fact, have lost companies from Cardiff?

[23] **Y Prif Weinidog:** Mae'r sefyllfa fasnachol yn sialens ar hyn o bryd ynglŷn â'r ffioedd sy'n cael eu codi ar rai cwmnïau. Mae'n rhaid ystyried hynny. Hefyd, mae'n wir i ddweud bod pryder wedi bod gan rai o'r cwmnïau ynglŷn â dyfodol y maes awyr ei hun. Nawr bod hynny wedi cael ei ddatrys, mae mwy o ddiddordeb gan gwmnïau nag yr oedd o'r blaen.

The First Minister: The commercial situation is challenging in terms of the fees charged in terms of certain companies. That has to be taken into account. Also, it is true to say that there been concern among some airlines as to the future of the airport itself. Now that that has been settled, there is greater interest among airlines than there was in the past.

[24] **Nick Ramsay:** Are you finished, Byron?

[25] **Byron Davies:** Yes.

[26] **Nick Ramsay:** Eluned Parrott is next.

[27] **Eluned Parrott:** When was the decision to progress towards the purchase of Cardiff Airport and enter into a due diligence process actually taken?

[28] **The First Minister:** The announcement was made, as you know, in mid December. The decision was taken a few days beforehand.

[29] **Eluned Parrott:** So, the decision was taken before the Assembly broke for its winter recess, in that case.

[30] **The First Minister:** I cannot confirm whether that is true or not. What I can say is that the final agreement between us and the operators was not concluded in time for it to be announced to the Assembly itself.

[31] **Eluned Parrott:** I see. When did you begin to consider the option of purchasing the airport?

[32] **The First Minister:** It happened about a month or two beforehand. It was not a question of us approaching the owners; it was something that they raised with us. We looked at that and decided that we would pursue that option subject to due diligence. The issue arose as a result of a discussion with officials that took place in Barcelona and which was reported back to me.

[33] **Eluned Parrott:** I see. Who was involved in that decision-making process over that period of a month or two months?

[34] **The First Minister:** There were officials who were reporting back to me on what the company was saying to us. On that basis, the Minister for Business, Enterprise, Technology and Science and I discussed the issue, and the decision was taken that we should look to buy the airport subject to due diligence.

[35] **Eluned Parrott:** Was this possibility discussed with the airport taskforce?

[36] **The First Minister:** No. It is not a matter for them; it is a matter between us and the owners.

[37] **Eluned Parrott:** I see. What factors did you consider and what inputs were fed into the decision-making process on buying the airport? Why did you choose to do it, essentially?

[38] **The First Minister:** To secure the future of the airport.

[39] **Eluned Parrott:** And you felt that the future was at risk if you did not buy the airport.

[40] **The First Minister:** Yes.

[41] **Eluned Parrott:** Did the owners give you any reason to believe that to be the case?

[42] **The First Minister:** We know the difficulties that exist within the airport at the moment. In my discussions with senior officials from the company involved, they were keen to say how difficult it was for them to run the airport as it was. On that basis, given the fact that we were being offered the airport, we felt that it was right that we should secure the future of what is a strategic asset.

[43] **Eluned Parrott:** Were you aware that the owners of the airport were looking at other options for development, for example, partnership investment proposals such as those that have been suggested in the past, or whether there were any other purchasers?

[44] **The First Minister:** Yes, there have been negotiations—we are aware of those—but they led nowhere.

[45] **Eluned Parrott:** I see; so, there have been other purchase discussions that have not—

[46] **The First Minister:** We are aware that other companies have, over the years, discussed the issue of the airport's ownership with the current owners, but, as we know, those discussions have not led anywhere.

[47] **Eluned Parrott:** Do you know for what reason those negotiations have been unsuccessful in the past?

[48] **The First Minister:** We were not party to those negotiations, but it was to do with the purchase price, I suspect.

[49] **Eluned Parrott:** I see. Today, and previously in comments on 8 January, you have described the Welsh Government as having secured the future of Cardiff Airport. Surely that prejudices the outcome of the due diligence process, because at this point in time, surely, no decision has been taken.

[50] **The First Minister:** The due diligence process continues; it has not revealed anything that concerns us until now. Should something concern us, that will influence our future decision, but there is no reason to suspect at this moment in time that the due diligence will reveal anything that is of concern.

[51] **Eluned Parrott:** To return to the role of the taskforce in the future of Cardiff Airport, has it continued to meet and have discussions while this due diligence process is ongoing, or have you suspended it?

[52] **The First Minister:** No, it has not been suspended. The taskforce will continue to meet in the future.

[53] **Eluned Parrott:** How much progress has it made towards its working objectives in the two meetings that it has had since its launch?

[54] **The First Minister:** The objectives, first of all, were to understand the challenges facing the airport and what could be done in terms of discussing future services with airlines. We know that, during the lifetime of the taskforce, Lufthansa and Prima Reisen have announced new routes and there are others in the pipeline.

[55] **Eluned Parrott:** However, the taskforce has been up and running for not quite a year now and has met only twice, I believe. How much progress did you really expect it to be able to achieve in that depth of interaction?

[56] **The First Minister:** It is a matter for the airport owners to run the airport on a day-to-day basis. With the taskforce, I wanted to make sure that the major issues surrounding the airport were understood by all parties, so that all parties could ensure that they helped the airport to turn the corner. In view of the interest in the airport and of the increase in passenger numbers in December, we are now confident that the airlines see the airport in a new light.

[57] **Eluned Parrott:** I see; thank you.

[58] **Byron Davies:** First Minister, what do you think that the Welsh Government can bring to the table to resolve the issues as opposed to what TBI has done?

[59] **The First Minister:** We can provide longer term planning. We can look at the airport over the course of the next five, 10 or 15 years in a way that the present owners cannot do. We are also able, if we have a level of control over the airport, to ensure that the airport has a secure future. We are not looking to run the airport, but to bring in a commercial operator, and there is substantial interest from commercial operators in running the airport. Nevertheless, it is important that we ensure that the airport is there as a strategic asset for Wales.

[60] **Byron Davies:** On that issue, I am sure that any commercial operator will want to take its fair share out of it. Do you think that the residual will be of benefit to the Welsh taxpayer?

[61] **The First Minister:** Yes, I do, and, in the future, we expect the airport to make a profit, for some of that profit to be reinvested in the airport and for some of it to be returned to the Welsh taxpayer.

[62] **Byron Davies:** That will be subject to due diligence, I guess.

[63] **The First Minister:** That is not so much an issue of due diligence as of the airport's future performance and of the nature or structure of any organisation that would run the airport in the future. There are a number of ways in which that could be done. We could lease the airport or there could be an arm's-length company that is a public-private venture. We will look at what is best for the airport in terms of planning for its future and of ensuring the best return for the Welsh taxpayer.

[64] **Alun Ffred Jones:** Wrth ateb cwestiwn Eluned Parrott ynglŷn â'r penderfyniad i brynu'r maes awyr, dywedasoch rywbeth fel bod y cwmni wedi awgrymu eich bod yn prynu'r maes awyr. Ai awgrym y cwmni oedd hwn yn wreiddiol, felly?

Alun Ffred Jones: In answering Eluned Parrott's question about the decision to purchase the airport, you said something like that the company had suggested to you that you should purchase the airport. Was this the company's suggestion originally, therefore?

[65] **Y Prif Weinidog:** Yr hyn a ddigwyddodd oedd ein bod wedi siarad â'r cwmni ynglŷn â phrynu'r maes awyr. Am beth amser, nid oedd diddordeb gan y perchnogion mewn gwerthu'r maes awyr ond, mewn amser, yn dilyn y drafodaeth a gymerodd lle, newidion nhw eu meddyliau a dweud, 'Efallai nawr bod achos gennym ni dros werthu gan fod diddordeb gennych'.

The First Minister: What happened was that we had discussed the purchase of the airport with the company. For some time, the owners had no interest in selling the airport, but, in time, after discussions had taken place, they changed their minds and said, 'There may now be a case for us to sell as you have an interest in it.'

[66] **Alun Ffred Jones:** Felly, a ydych yn dweud bod y cwmni yn awyddus i werthu'r maes awyr bellach?

Alun Ffred Jones: Therefore, are you saying that the company is now eager to sell the airport?

9.45 a.m.

[67] **Y Prif Weinidog:** Rwy'n credu bod y cwmni wedi gweld cyfle i werthu'r maes awyr. Mae'n gweld bod rhywun am brynu'r maes awyr. Nid ydym yn mynd i brynu rhywbeth a fydd yn broblem i bobl Cymru. Wrth edrych ar y *due diligence*, mae'n

The First Minister: I think that the company has seen an opportunity to sell the airport. It sees that someone wants to buy the airport. We are not going to buy something that will be a problem for the people of Wales. Looking at the due diligence, it appears that

ymddangos nad oes unrhyw broblemau mawr gyda'r maes awyr. Felly, yn ystod y trafodaethau a gynhaliwyd dros fisoedd, cyrhaeddom bwynt lle roeddem ni a'r cwmni am weld y maes awyr yn cael ei werthu.

there are no major problems with the airport. Therefore, during the discussions that were held over a period of months, we reached a point where we and the company wanted to see the airport being sold.

[68] **Alun Ffred Jones:** A gaf fi awgrymu un problem? Pan gyrhaeddais i yno nos Lun wrth ddod i lawr o'r gogledd, nid oedd un awyren arall yn y maes awyr. A ydych yn meddwl eich bod yn prynu maes awyr sydd â dyfodol iddo?

Alun Ffred Jones: May I suggest a problem? When I arrived there on Monday night having come down from the north, there was not another plane at the airport. Do you think that you are buying an airport that has a future?

[69] **Y Prif Weinidog:** Roedd maes awyr Lerpwl yn yr un sefyllfa, a thyfodd hwnnw ar ôl newid perchnogaeth. Roedd maes awyr Southend hefyd yn yr un sefyllfa. Felly, mae'n amlwg ei bod yn bosibl troi'r maes awyr rownd. Mae'n wir i ddweud bod sialens, a'r peth cyntaf y mae'n rhaid inni ddelio ag ef yw sicrhau bod mwy o bobl yn defnyddio'r maes awyr. Dyna fydd y nod gyntaf.

The First Minister: Liverpool airport was in the same situation, and that grew after a change of ownership. Southend airport was also in the same situation. Therefore, it is clear that it is possible to turn the airport around. It is true to say that there is a challenge, and the first thing that we have to deal with is ensuring that more people use the airport. That will be the first goal.

[70] **Eluned Parrott:** I would like to follow up, First Minister, on a couple of things that you said in response to questions from Byron Davies and me in terms of securing the future. You said that the reason you believed that the Welsh Government was able to secure the future of the airport was that you were able to take a long-term view. You also said that it would require some investment. How do you plan to invest in the airport without breaching state aid rules?

[71] **The First Minister:** We already have state aid cover for £5 million as a result of the previous agreement with the airport owners. Members will remember that an agreement was reached where the airport would contribute £21 million and we would contribute £5 million. Unfortunately, the airport was not in a position to contribute that money. That state aid cover remains.

[72] **Eluned Parrott:** However, that was a total investment of £26 million; you have talked about transforming the airport in terms of the fabric of the building, access to the front of the building and various other issues. Surely, that will come to more than £5 million. As you will be aware, a publicly owned airport is subject to the same state aid rules as public investment in a commercially owned airport, if it is involved in commercial activities. So, the state aid rules are still there, but you are now able to offer an investment of only £5 million as opposed to a combined investment of £26 million to achieve the same thing. Is that not correct?

[73] **The First Minister:** No. The original investment did not take place, because the company was not able to produce the money. Bear in mind that, if a commercial operator comes in—and the interest is very high—we would expect that commercial operator to invest its own money as well.

[74] **Eluned Parrott:** I see. So, you are expecting someone to come in and operate it on a management basis, rather than an ownership basis?

[75] **The First Minister:** No; one of the models is that we expect them to be joint owners.

On that basis, we expect them to bring money to the table.

[76] **Eluned Parrott:** I see. However, the fact remains that a significant amount of investment is required. You have state aid clearance for only £5 million, and that will not be adequate for the kind of investment that that airport requires to bring it up to the standards that you say you aspire to, is it?

[77] **The First Minister:** The airport owners will need to bring money to the table. They are not able to do that at the moment. A new airport company would need to do that, and we would expect commercial operators to bring that money forward in order for that investment to take place.

[78] **Eluned Parrott:** If one of the models you are looking at currently is a joint-ownership model for managing the airport in future, why are you taking the risk of going into the purchase process? Why are you not allowing one of these viable commercial operators to purchase the airport itself?

[79] **The First Minister:** It is because the owners have not indicated that they would sell to anyone else.

[80] **Eluned Parrott:** Okay, thank you.

[81] **David Rees:** Good morning, First Minister. Just to clarify that point, is it therefore the case that there is a more solid guarantee, with public ownership of the airport, that it will have longevity than is the case with the current commercial situation?

[82] **The First Minister:** We know that public ownership of airports is a very successful model. Manchester is publicly owned; Stansted has, by one definition, just been nationalised, because it has been bought by an arm's-length company where the main stakeholders are 10 local authorities in Greater Manchester; and Barcelona airport is the same and a huge amount of investment has been put into it. So, it is quite common for publicly owned airports to be extremely successful in terms of footfall and investment.

[83] **David Rees:** Will this model attract commercial organisations to work with you?

[84] **The First Minister:** There has been a great deal of interest from large commercial operators in terms of working with us to run the airport. We will negotiate with them the best deal for the Welsh taxpayer.

[85] **David Rees:** Thank you for that. I would like to move on to due diligence. I know that you have already been asked about your statements about securing the future of the airport having a negative impact upon the due diligence process, but, to my mind, due diligence is more of an information gathering and an informative process as part of any decision on a negotiation position. Is that the correct interpretation?

[86] **The First Minister:** It is an investigation of the accounts to make sure that there is nothing lurking in the accounts that would cause alarm to a buyer.

[87] **David Rees:** So, it is fair to say that it does inform the process rather than it being the process.

[88] **The First Minister:** It informs the process.

[89] **David Rees:** Who has undertaken that process on behalf of the Welsh Government?

[90] **The First Minister:** A number of organisations are involved. We have engaged the services of Jon Horne as an aviation expert to assist us. We have Eversheds involved, and there are a number of other external expert organisations that we have engaged.

[91] **David Rees:** Will the outcomes be publicly available on completion of the process?

[92] **The First Minister:** As far as they can be, but we have to consider the commercial confidentiality of the transaction, of course.

[93] **David Rees:** I understand that last bit. Will this also include a cost benefit analysis?

[94] **The First Minister:** Again, as much as we can publish, we will. Given the commercially sensitive nature of the negotiation process, there is a limit to what we can do.

[95] **David Rees:** To just confirm the point—because it has been taken out of proportion in one sense—your original statement stated that you were looking to purchase based upon a due diligence process. So, basically, it is going to be informing you as to whether it is a viable project to take on and purchase.

[96] **The First Minister:** The announcement was made in December, as agreed with Abertis, in order to ensure that there were no rumours about the airport's future. It helps us, and it also helps Abertis. The decision was taken by both parties that there would be an announcement that this was the plan, subject of course to the due diligence process.

[97] **David Rees:** I have just one more question on this point. Abertis owns several airports. Are we looking, therefore, at a due diligence process just for Cardiff Airport?

[98] **The First Minister:** Yes.

[99] **Nick Ramsay:** Byron Davies, did you want to ask a supplementary question?

[100] **Byron Davies:** Yes. I have just a very quick question, First Minister. You talked about the success of other publicly owned airports. Would you not agree that they began and were successful in more friendly financial circumstances?

[101] **The First Minister:** Given the fact that a consortium including 10 local authorities in Manchester have just bought Stansted in a recent transaction, that would suggest to me that there is plenty of scope for airports to be successful under a model that includes that element of public ownership.

[102] **Byron Davies:** But that is up and running at the moment as a successful airport.

[103] **The First Minister:** Cardiff has only just started to lose money in the last financial year. It is a relatively small amount of money. We believe that that can be turned around very quickly.

[104] **Joyce Watson:** Good morning, First Minister. How do you think the purchase of Cardiff Airport presents value for money for the Welsh taxpayer, compared with expenditure on other areas of Government programmes?

[105] **The First Minister:** It is in terms of Wales's image and connectivity. It is absolutely crucial that we have connectivity into the south of Wales. That is true, and I accept that the airport is not well placed to serve those who live in the north and in the middle of Wales. One of the questions that I am often asked when I am abroad is, 'Does Wales have an international airport?'. If the answer to that question were ever to be 'No', it would give the impression that

we were in the back of beyond. That would make it far harder for us to attract investment to any part of Wales, not just to the area of Wales around the airport.

[106] **Joyce Watson:** Thank you for that. Also, First Minister, what is the relationship of the Welsh Government with Bristol Airport? Would the proposals to purchase Cardiff Airport affect attempts to bring Euro 2020 football matches to Cardiff? We have had media reports that the two airports might be required for that.

[107] **The First Minister:** I have seen the reports. I have seen what Bristol Airport has said about this. It is important to point out that this is not in some way an attempt to do down Bristol Airport. Bristol Airport has 5.7 million passengers, of whom some 700,000 come from Wales. Even if every single one of those passengers started to fly from Cardiff, Bristol would still have substantially more passengers at this stage. We would like to work with Bristol Airport, where that is appropriate, but we cannot help Bristol Airport in any way financially, because it is in England. I recognise that there will still be many services that will be provided from Bristol Airport. It has had a lot of investment; it has a very good terminal building, but we would want to ensure, of course, that Cardiff Airport also has sufficient footfall and an increase in passengers in the future. There is room for both airports.

[108] **Byron Davies:** Do you really think that there is room for both airports? If you look at the population of south Wales, you will see that a great deal of people, particularly from Monmouthshire and Newport, may well go towards Bristol. So, that leaves the south-west of Wales. Do you think that there is sufficient clientele to make it a worthwhile exercise?

[109] **The First Minister:** Yes, I do. The alternative is to let it close and I am not prepared to see that happen. If the airport were never in a position where it could be turned around, then perhaps that might be an option, but that is not the case at all. The airport was making money until very recently, and aviation experts, in our discussions with them, have indicated that the airport can be turned around pretty quickly.

[110] **Nick Ramsay:** Which option is the Welsh Government considering to fund the purchase, subject to due diligence being satisfied? Which programmes will see their funding reduced as a result?

[111] **The First Minister:** There are a number of potential options. I do not know whether it will be a one-off payment or several payments in stages in terms of when that payment might be made. We have identified funds in the BETS budget that will help in that regard, but it depends on what the final deal is.

[112] **Nick Ramsay:** So, you cannot tell us from which areas of the BETS budget the money will be taken.

[113] **The First Minister:** There are areas that we are looking at in terms of capital underspends, which could be utilised to purchase the airport. However, if we are in a situation where a commercial operator comes in and seeks to part-own the airport, we will expect the other operator to part-buy the airport. That will have an effect on the net cost of the airport as far as Welsh Government is concerned.

[114] **Alun Ffred Jones:** Mae gennyf gwestiwn byr. Cyfeiriasoch at Jon Horne, ond beth yw ei brofiad? **Alun Ffred Jones:** I have a brief question. You referred to Jon Horne, but what is his experience?

[115] **Y Prif Weinidog:** Ef oedd prif weithredwr y maes awyr ar un adeg ac y mae yn nawr yn gweithio i gwmni o arbenigwyr **The First Minister:** He was the chief executive of the airport at one time and he now works for a firm of experts in the field of

ym maes meysydd awyr.

airports.

[116] **Alun Ffred Jones:** Bu i chi hefyd gyfeirio at ddiddordeb mawr gan gwmnïau yn y diwydiant. A ydych felly yn rhagweld y gallech brynu'r maes awyr ar y cyd gyda chwmni arall?

Alun Ffred Jones: You also referred to great interest from companies in the industry. Do you therefore anticipate that you could buy the airport in conjunction with another company?

[117] **Prif Weinidog:** Na, nid wyf yn credu y byddwn yn ei brynu ar y cyd ond, mewn amser, o ran perchnogaeth y maes awyr, byddai'n bosibl iddynt brynu i mewn i'r maes awyr. Mae hwnnw'n un opsiwn, ond mae sawl ffordd i wneud hwn.

The First Minister: No, I do not think that we will jointly purchase the airport but, in time, in terms of its ownership, it would be possible for them to buy in to the airport. That is one option, but there are several ways of doing this.

[118] Ar y cwmnïau hynny, rwyf wedi siarad gyda sawl un ohonynt eisoes. Rydym wedi trafod y pwnc gyda hwy ac y mae sawl un arall wedi dangos diddordeb.

On those companies, I have already spoken with several of them. We have discussed this with them and several others have expressed an interest.

[119] **Mr Thomas:** Jon Horne was the previous managing director of the airport and he brings enormous experience to the team working on the due diligence process. Jon is also assisted by York Aviation, which are experts in the field of passenger growth forecast. So, they are also assisting.

[120] **Alun Ffred Jones:** Pe na baech chi wedi cymryd y cam hwn, a oedd perygl y byddai'r maes awyr yn cau?

Alun Ffred Jones: If you had not have taken this step, was there a danger that the airport would have closed?

[121] **Y Prif Weinidog:** Rwy'n credu y byddai hynny'n wir yn y tymor hir.

The First Minister: In the long term, yes, I think so.

[122] **Alun Ffred Jones:** Yn eich barn chi, beth yw'r prif faterion sydd wedi effeithio ar berfformiad Maes Awyr Caerdydd?

Alun Ffred Jones: In your opinion, what are the main issues that have affected the performance of Cardiff Airport?

[123] **Y Prif Weinidog:** Yr hyn y mae pobl yn ei ddweud wrthyf yw bod angen denu mwy o gwmnïau hedfan i Gaerdydd ac, erbyn hyn, mae mwy o ddiddordeb o ran y trafodaethau yr wyf wedi'u cael. Fodd bynnag, mae hynny'n dibynnu ar ddyfodol y maes awyr ei hun. Bu problemau gyda rhai cwmnïau yn gadael, sef Bmibaby, a oedd wedi gadael yn gyfan gwbl. Wedi dweud hynny, mae diddordeb yn y maes awyr ei hun, ond mae'r cwmnïau am wybod bod dyfodol y maes awyr yn sicr. Un pwynt nad sydd yn cael ei drafod yw'r cysylltiadau trafnidiaeth.

The First Minister: What people tell me is that we need to attract more airline companies to Cardiff and there is now more interest in terms of the negotiations that I have had. However, that is dependent on the future of the airport itself. There have been problems with some companies leaving, namely Bmibaby, which pulled out entirely. Having said that, there is interest in the airport itself, but the companies want to know that the future of the airport is secure. One point that has not been discussed is the transport links.

[124] **Alun Ffred Jones:** Rydych yn edrych ymlaen yn y sylwadau hynny, ond, wrth edrych yn ôl, beth sydd wedi arwain at sefyllfa bresennol y maes awyr? Beth yw'r

Alun Ffred Jones: You are looking forward in those comments, but, looking back, what has led to the airport's current position? What are the main problems that have led to this

prif broblemau sydd wedi arwain at y sefyllfa hon, lle'r ydych yn gorfod camu i mewn?

situation, where you have to step in?

[125] **Y Prif Weinidog:** Yr oedd colli Bmibaby yn un ffactor, ac, wrth edrych ar y cyfrifon, yr oedd problem gyda'r pris glanio yn y maes awyr. Yn ogystal â hynny, mae pobl yn teithio i Fryste oherwydd maent yn gweld eu bod yn cael gwell gwasanaeth yno. Rwyf wedi clywed nifer o gwynion ynghylch parcio ym Maes Awyr Caerdydd a'r ffaith bod pobl yn gorfod talu i godi pobl neu eu gollwng o flaen y maes awyr, a'r ffaith nad yw pobl yn gallu dod o hyd i dacsis. Mae'r ffactorau hyn yn tueddu i gronni i'r fath raddau fel nad yw pobl yn defnyddio'r maes awyr o ganlyniad. Felly, nid yw'r cwmnïau yn gallu llenwi seddi oherwydd hynny. Fodd bynnag, gellir datrys y problemau hyn yn eithaf hawdd a dyna'r cam cyntaf i'w gymryd yng nghyd-destun dyfodol y maes awyr.

The First Minister: Losing Bmibaby was one factor, and, in looking at the accounts, there were issues in terms of landing charges in the airport. Furthermore, people travel to Bristol because they consider that they get a better service there. I have heard many complaints about parking at Cardiff Airport and the fact that people have to pay to pick people up or drop them off in the front of the airport, and the fact that people cannot get taxis. These factors tend to snowball to such a degree that people stop using the airport as a result. This then means that companies cannot fill seats. However, these problems can be resolved relatively easily, and this is the first step to take in terms of the airport's future.

[126] **Alun Ffred Jones:** Sut y bydd Llywodraeth Cymru yn ychwanegu gwerth at y maes awyr fel perchennog? Dyna'r cwestiwn, oherwydd nid yw llywodraethau, ar y cyfan, yn rhedeg meysydd awyr.

Alun Ffred Jones: How will the Welsh Government add value to the airport as an owner. That is the question, because governments, as a rule, do not run airports

10.00 a.m.

[127] **Y Prif Weinidog:** Na. Mae Llywodraeth Ynys Manaw yn gwneud hynny, ond nid ydym am ei dilyn. Byddwn yn cynllunio i'r dyfodol. Ar hyn o bryd, mae perchnogion y maes awyr yn cynllunio o flwyddyn i flwyddyn—nid oes cynllun pum mlynedd na chynllun 10 mlynedd. O achos hynny, mae'n anodd cynnig cyfleoedd buddsoddi ac mae'n anodd edrych ar sut y dylai'r maes awyr ddatblygu. Felly, yr hyn y byddwn yn dod i'r bwrdd yw sicrhau bod gennym gynllun hirdymor nad ydyw cweit yna ar hyn o bryd.

The First Minister: No. The Government of the Isle of Man does so, but we do not intend to follow it. We will plan for the future. The owners of the airport currently plan from year to year—there is no five-year plan or 10-year plan. Therefore, it is difficult to offer investment opportunities and it is difficult to look at how the airport should develop. So, what we will bring to the table is to ensure that we have a long-term plan, which is not quite there yet.

[128] **Alun Ffred Jones:** Yr hyn nad wyf yn ei ddeall yw pam bod Abertis, cwmni mawr rhyngwladol sy'n rhedeg meysydd awyr mewn llawer gwlad, yn llwyddiannus hyd y gwn i, wedi methu yng Nghaerdydd?

Alun Ffred Jones: What I do not understand is why Abertis, a large international company that operates airports in many countries, successfully as far as I am aware, failed in Cardiff?

[129] **Y Prif Weinidog:** Nid wyf yn credu ei fod wedi cymryd llawer iawn o sylw o Gaerdydd. Mae ganddo feysydd awyr eraill, fel Luton ac Orlando Sanford, sy'n llawer mwy. Daeth Caerdydd fel rhan o becyn pan

The First Minister: I do not think that it paid very much attention to Cardiff. It has other airports, such as Luton and Orlando Sanford, which are much bigger. Cardiff came as part of a package when the company

brynodd y cwmni sawl maes awyr. Rwy'n credu ei bod yn hollol deg i ddweud bod Maes Awyr Caerdydd yn hollbwysig i ni yng Nghymru, ond efallai i Abertis un maes awyr ydyw ymysg rhai eraill. Felly, pwysigrwydd yw'r gwahaniaeth rhwng ein safbwynt ni a safbwynt Abertis. Ar hyn o bryd, rydym yn trafod pethau gydag Abertis ac rydym am sicrhau bod pethau yn symud ymlaen. Gall pawb fod yn hapus wedyn, ac rydym am sicrhau bod dyfodol y maes awyr yn sicr.

[130] **Alun Ffred Jones:** Sut y gallai datblygu Maes Awyr Caerdydd gefnogi ardal fenter Sain Tathan?

[131] **Y Prif Weinidog:** Mae'n agos iawn i'r ardal fenter. Rydym am sicrhau fod gennym barth menter yn yr ardal gydag awyrennau, a bod hynny yn digwydd gyda Sain Tathan. Nid ydych yn gallu cael un heb y llall, yn fy marn i. Mae'n bwysig dros ben hefyd i gwmni British Airways Maintenance, Cardiff. Mae BAMC yn defnyddio Maes Awyr Caerdydd ac mae'n gefnogol iawn o'r parth menter yn yr ardal. Yr ofn oedd gan y cwmni oedd na fyddai'r maes awyr yna yn y dyfodol. Heb faes awyr, nid oes BAMC, a byddai'r swyddi hynny yn cael eu colli yn y dyfodol. Felly, mae'n rhaid cael y ddau er mwyn sicrhau bod y parc menter yn effeithiol.

[132] **Byron Davies:** What is your vision for Cardiff Airport? You talk about the other publicly-owned airports, but many of these airports, such as Douglas airport in the Isle of Man, have thriving general aviation. How do you see that fitting into Cardiff Airport? Does that form part of the vision? It is not just about airlines, is it?

[133] **The First Minister:** No, you are quite right. BAMC is exceptionally important. The enterprise zone, including St Athan, is exceptionally important, and we believe that the airport has great potential to develop further freight capacity and freight traffic, which has not performed well in the last few years. You are perfectly right to say that it is not all about commercial passenger traffic, but given the area around the aviation sites, there is tremendous potential for more general aviation to be developed in the area. We are seeing it with the announcement regarding aircraft maintenance in St Athan, but the runways in both airports need to be in operation in order for that to happen.

[134] **Byron Davies:** How critical is the British Airways operation to Cardiff Airport?

[135] **The First Minister:** It is critical to the area—it is a massively important employer. It is hugely important in terms of training and the way in which Wales is perceived abroad. To lose that site would be disastrous for the local area.

[136] **Nick Ramsay:** Before I bring in Eluned Parrott, when does the Welsh Government intend to publish an air strategy or something strategic in nature that shows how Cardiff

bought a number of airports. I think that it would be perfectly fair to say that Cardiff Airport is vital to us in Wales, but to Abertis it is perhaps one airport among many. So, importance is the difference between our position and the position of Abertis. We are currently in discussion with Abertis and we want to ensure that things move ahead. People can then be content, and we want to ensure that the future of the airport is secure.

Alun Ffred Jones: How could developing Cardiff Airport support St Athan enterprise zone?

The First Minister: It is very close to the enterprise zone. We want to ensure that we have an enterprise zone in the area with aeroplanes, and that that happens with St Athan. You cannot have one without the other, in my view. It is also very important for British Airways Maintenance, Cardiff. BAMC uses Cardiff Airport and it is very supportive of the enterprise zone in the area. The company feared that there would not be an airport there in the future. Without an airport, there is no BAMC, and those jobs would be lost in the future. So, you must have both to ensure that the enterprise zone is effective.

Airport fits into the wider programme?

[137] **The First Minister:** We will do that as soon as the purchase is completed. Once that has been done—well, the work has already been done, but we can then move on to reveal the work that has been done in terms of the future.

[138] **Eluned Parrott:** So, there was an outline business case before you entered into the due diligence process.

[139] **The First Minister:** No, the due diligence process comes first. We are looking at a business case, of course, but that will come as the due diligence process is being completed. If you are talking about a business case to examine the future of the airport using organisations such as York Aviation, that is part of how we wish to see the airport develop. However, the due diligence is an important part of the process.

[140] **Eluned Parrott:** Certainly, First Minister, but what I am talking about here is a strategic context for the decision-making process. You say that what the Welsh Government brings to the table is a long-term plan, but what we have heard from you is a lot of aspiration and a great deal of desire to change things at the airport, but no strategic context. We have no aviation strategy; we have no outline business case. What we have is a selection box of different tactical solutions for fixing the airport overnight.

[141] You have confirmed that you purchased the airport on the basis that you are afraid of what would happen if you had not. That is not long-term planning; that is a knee-jerk reaction. Is this really indicative of your approach to long-term planning, and can we have any real confidence that you are going to turn the airport around if you are not able to put together the kind of strategic context that we ought to be seeing in this kind of scenario?

[142] **The First Minister:** I will ask Jason to come in in a second, just to answer those questions. Before that, I have to say to the Member that unless she has any alternatives, she gives the impression that she would be happy to see the airport close. If that is not the case, I offer her the opportunity to say that she does not believe that and, secondly, what she perhaps believes should be done as an alternative. I will bring Jason in first, though. I am in your hands, Chair; I am not trying to chair the meeting.

[143] **Nick Ramsay:** Was that the starkness of the choice that the Welsh Government was confronted with? That is, if you do not do this, then this airport will close.

[144] **The First Minister:** That is a real danger, yes.

[145] **Nick Ramsay:** You say that it is a real danger; is that what the company said to you? What did it say to you?

[146] **The First Minister:** It said to us that circumstances were difficult and that regional airports face a difficult future. You can read into that what you will.

[147] **Nick Ramsay:** And you were left with the impression that that would mean that the airport would be unviable.

[148] **The First Minister:** Yes; that the airport was in trouble. That was the impression that we had, but it is also what we were hearing from aviation experts. We were hearing from people in the industry that they were concerned that the airport had a few years before it might not then be a commercial airport. We were hearing this from several different sources, both externally and internally.

[149] **Mr Thomas:** The development of a business case is an iterative process. The Treasury Green Book will say that this is a moving document; you start off with a set of different options and an overarching strategy for the development of the industry.

[150] **Eluned Parrott:** Do you have a strategy for the development of this industry?

[151] **Mr Thomas:** Of course, and—

[152] **Eluned Parrott:** Why has it not been published, and why do we not have it? Why was it not—

[153] **Nick Ramsay:** Eluned Parrott, can you just let Jason Thomas answer?

[154] **The First Minister:** There are elements of it that are commercially confidential. We cannot publish the whole thing in the middle of the negotiation; that would be naive.

[155] **Mr Thomas:** Thank you, First Minister. Chair, we would not publish a strategy relating to such a highly commercial industry as the airport and airline industry. I believe that it would be commercially naive to show our hand at this stage, when we are in a period of due diligence. The Treasury Green Book analysis says that you prepare your full business case at the point at which you are close to the signature of the deal, and we are in that process now. We are in the development of the full business case, in line with the Treasury Green Book analysis.

[156] **Eluned Parrott:** The Treasury Green Book also states that, before you enter into the due diligence process, there is an outline case, and you have just said that you would make those decisions and enter into the due diligence process on the basis of a strategic context. That strategic context, to the knowledge of the Assembly, is completely absent. Does it exist?

[157] **Mr Thomas:** The strategic context is absolutely clear. We have been working extremely closely with the airport for a number of years, and the facts speak for themselves. Passenger numbers have declined at the airport from 2007, year on year. Competition in the industry has meant that Cardiff Airport, without a different form of intervention, will clearly not be viable over the long term, and I believe that there is a strategic imperative there.

[158] **Nick Ramsay:** I am going to bring Alun Ffred Jones in, but before that, were you saying that there is a strategy there, ready to announce, once the due diligence process is over? Did I hear you right?

[159] **The First Minister:** Yes.

[160] **Eluned Parrott:** Is that a strategy for Cardiff Airport, or is it an aviation strategy for Wales?

[161] **The First Minister:** It is for Cardiff Airport, because we are engaged in the purchase of Cardiff Airport at the moment. We take the view, however, that it is important to ensure that the airport has a future, rather than see it close—and I have not heard the Member suggest that she would want to see an alternative other than closure.

[162] **Nick Ramsay:** I want to bring Alun Ffred Jones in now, Eluned; you have had a fair crack of the whip.

[163] **Alun Ffred Jones:** Soniasoch yn gynharach am beidio â dangos eich llaw, ond yr ydych wedi siarad y bore yma fel petasech
Alun Ffred Jones: You talked earlier about not showing your hand, but you have spoken this morning as though you have already

chi wedi prynu'r maes awyr. A yw hynny'n safbwynt call a chithau mewn trafodaeth â'r cwmni hwn ynglŷn â'r pris?

[164] **Y Prif Weinidog:** Rydym yn gwybod y pris.

[165] **Alun Ffred Jones:** Rydych yn gwybod y pris?

[166] **Y Prif Weinidog:** Mae prisiad wedi digwydd. Mae'r ddwy ochr wedi derbyn sylfaen hynny, ac nid ydym yn bell o'n gilydd o ran y pris.

[167] **Alun Ffred Jones:** Nid ydych yn barod i roi ffigur ar hwnnw, a ydych?

[168] **Y Prif Weinidog:** Nid yw'r pris wedi cael ei gadarnhau yn hollol, ond nid ydym yn bell oddi wrth ein gilydd, ac mae'r broses hon yn mynd rhagddi. Roeddem yn gwybod hynny cyn i'r datganiad gael ei wneud.

[169] **Keith Davies:** Rydym wedi bod yn trafod yr hyn yr ydym yn ei wneud. Fodd bynnag, mae Llywodraeth y Deyrnas Unedig yn edrych ar y fframwaith hedfan terfynol. Faint ydym wedi dylanwadu arni? Rwyf wedi darllen rhai pethau sy'n dweud bod yn rhaid i ni edrych ar feysydd awyr rhanbarthol, am eu bod yn bwysig i'r Deyrnas Unedig. Felly, pa drafodaethau yr ydych wedi'u cynnal â Llywodraeth y Deyrnas Unedig?

[170] **Y Prif Weinidog:** Rydym wedi bod yn trafod y mater hwn gyda Llywodraeth y Deyrnas Unedig. Mae'n bwysig dros ben ei bod yn ystyried meysydd awyr sydd y tu allan i Lundain. Un o'r syniadau yr ydym yn gobeithio ei ddatblygu yw cael terfynfa 6. Ein barn yw na fydd unrhyw beth yn digwydd yn Heathrow, a fydd yn gwaethygu. Ni fydd maes awyr newydd ar aber y Tafwys—deallaf mai dyna yw'r gair Cymraeg am 'Thames'—o unrhyw fudd i unrhyw un sy'n byw i'r gorllewin o Lundain. Felly, mae cyfle'n bodoli i faes awyr ddenu rhagor o draffig allan o Heathrow. Mae hwn yn rhywbeth hirdymor, wrth gwrs, ond byddai'n un ffordd y gallem ddatblygu Caerdydd, ac rydym wedi bod yn ei ddatblygu yn ein trafodaethau â Llywodraeth y Deyrnas Unedig.

bought the airport. Is that a sensible position while you are in discussions with the company over the price?

The First Minister: We know the price.

Alun Ffred Jones: You know the price?

The First Minister: A valuation has taken place. Both sides have accepted the basis of that, and there is not much between us on the price.

Alun Ffred Jones: You are not prepared to put a figure on that, are you?

The First Minister: The price has not been absolutely confirmed, but we are not too far apart, and this process is ongoing. We knew that before the statement was made.

Keith Davies: We have been discussing what we are doing. However, the UK Government is looking at the final aviation framework. How much have we influenced it? I have read a few things that say that we have to look at regional airports, because they are important for the United Kingdom. Therefore, what discussions have you had with the United Kingdom Government?

The First Minister: We have been discussing this with the United Kingdom Government. It is extremely important that it takes account of airports outside London. One of the ideas that we hope to develop is to have a terminal 6. It is our opinion that nothing will happen in Heathrow, which will get worse and worse. A new airport in the Thames estuary—I believe that 'Tafwys' is the Welsh word for 'Thames'—will be of no benefit to anyone who lives to the west of London. So, there is an opportunity for an airport to attract more traffic from Heathrow. This is something for the long term, of course, but it would be one way in which we could develop Cardiff, and we have been developing this theme in our discussions with the United Kingdom Government.

[171] **Keith Davies:** Roedd cyfarfod yma neithiwr gyda Network Rail. Gofynnais gwestiwn i un o'r bobl a oedd yno am drydaneiddio. Mae trydaneiddio'n gweithio'r ddwy ffordd, onid yw? Mae'n gweithio o Lundain i lawr i'r fan hon, ac mae hefyd yn gweithio o'r gorllewin i Gaerdydd. A ydym yn edrych ar drydaneiddio'r rheilffordd i mewn i'r maes awyr?

Keith Davies: There was a meeting here last night with Network Rail. I asked one of the people there a question about electrification. Electrification goes both ways, does it not? It goes from London to here, and it also goes from the west to Cardiff. Are we looking at electrifying the railway going into the airport?

[172] **Y Prif Weinidog:** Bydd y rheilffordd sy'n mynd heibio'r maes awyr yn cael ei thrydaneiddio, sy'n bwysig dros ben. Maes o law, byddwn yn gorfod ystyried gwella'r cysylltiadau â'r maes awyr. Serch hynny, yn gyntaf, mae'n rhaid sicrhau bod y maes awyr yn bodoli. Dyna pam rydym yn mynd drwy'r broses hon. Maes o law, fodd bynnag, byddwn yn ystyried sut y gellir gwella'r cysylltiadau.

The First Minister: The railway that passes the airport will be electrified, which is extremely important. In time, we will have to consider improving connections to the airport. However, the first thing to do is to ensure that there is an airport there. That is why we are going through this process. In time, however, we will look at how connections can be improved.

[173] **David Rees:** To clarify a point on the strategy, the Davies commission has been looking at that, as you mentioned; will that feed into the Welsh Government strategy for aviation as well?

[174] **The First Minister:** It is important that we work with the UK Government to make sure that it recognises the importance of Cardiff Airport. We will work with the UK Government to get the best outcome for passengers in the western part of Britain.

[175] **David Rees:** Can I go back to transport and transport links? You have just mentioned to Keith Davies that you need to secure the airport before you secure the links, and the links will therefore be critical to encouraging people to use the airport. As such, when will you develop the strategy for the links and transportation to and from the airport?

[176] **The First Minister:** That will come. The first issue, as I said, is to secure the airport. On attracting more airlines, it has shown no interest one way or the other in terms of the airport's ground links; that does not concern it. Bristol's ground links are not exactly ideal either, so it is not as if Cardiff is in an exceptionally difficult position. The airlines tend to look at other factors. In terms of improving the links to the airport in time, we would want to see passenger numbers increase and then provide the services in order to allow passenger numbers to increase further.

[177] **David Rees:** As you mentioned, the Vale of Glamorgan line will be part of the electrification process announced by the UK Government. Is there consideration of spurs into the airport as well, which would have to be funded by the Welsh Government, in one sense?

[178] **The First Minister:** A spur is one proposal, but there are other proposals as well. I am aware of a proposal that there should be an interchange closer to the Porthkerry viaduct. There are suggestions that there should be a physical rail spur into the airport with possibilities of improving access from Rhoose station. These are all possibilities that we will look at in time.

[179] **David Rees:** We have also undertaken an inquiry into rail transport, and as part of that, we looked at the bus funding aspects. Clearly, we have seen a reduction in bus funding;

will there be any impact upon links to the airport as a consequence of that bus funding reduction?

[180] **The First Minister:** No, but we are evaluating at the moment what can be done to improve the bus service to the airport, and we hope to be in a position to make an announcement on that in due course.

[181] **David Rees:** I know that you had a couple of questions on the link between Swansea and Bristol Airport yesterday, First Minister. I know that it is a commercial operation, but are you in discussions with the commercial operators to look at similar options for Cardiff Airport, if and when the airlines start coming in?

[182] **The First Minister:** We are looking at providing a faster link between Cardiff station and the airport. That would not be via the Greyhound service that goes to Swansea. My view has always been that people will use Cardiff Airport if they have the right flight at the right price, because it is closer. So, I am not hugely worried about the service to Bristol Airport.

10.15 a.m.

[183] **Byron Davies:** What comes first then, First Minister? Is it the transport infrastructure? You say that airlines are not too concerned about what happens on the ground around the airport, but passengers are. I cannot, for one moment, believe that people would not consider that when coming to Cardiff—whether they are coming to Cardiff on business, hopefully, or for a holiday—and having to make their way to the railway station, as I did quite recently coming back into Cardiff Airport on a soaking wet night. I would have thought that it is a cart-before-the-horse scenario to think about terminal improvements when you have these real infrastructure problems transport-wise around the airport.

[184] **The First Minister:** They both come together. The first thing to be done is to ensure that when people come to the airport for the first time, their impression is positive; I do not believe that that is the case. I was in the airport last Friday and the experience of landing there was not hugely positive; I know that others have had the same experience. That is the first thing to do. The second thing is that when people leave the airport terminal, they are able to access transport. I have had numerous complaints about people not being able to get taxis, for example, and the fact that taxis, apart from one company, are not able to pull up outside the terminal. I do not know of any other airport anywhere where that is the case. Of course, the issue of the link to the railway station at Rhoose is important; that will improve because when the area resignalling is done in the Cardiff area from 2015, it will be possible to run a half-hourly service, which will make it far easier to get to the airport than is the case now.

[185] On top of that, we are giving consideration to a faster bus link from Cardiff station. In terms of people's access to Bristol Airport, I know that it is very awkward to get to. As somebody who has been there many times, I know that it is not easy to get through the middle of Bristol, or indeed through any other route. We know that it is not the case that Bristol is somehow exceptionally easy to access from the M5, because it clearly is not. There are a number of options that we can take forward for Cardiff Airport to improve the passenger experience.

[186] **Nick Ramsay:** Can I just come in there, First Minister, for the record? In the evidence that Flybe gave to the committee, it said that

[187] 'Surface access and public transport, both road and rail, needs to be improved to the overwhelming majority of the airports we serve and Cardiff is no different.'

[188] It phrased that very carefully. So, although Cardiff may not be worse than Bristol in

terms of access, that is not to say that Cardiff does not need to be improved in terms of transport.

[189] **The First Minister:** There is no question that the ground transport can be improved and we want to pursue that. I have already mentioned the issues in relation to taxis and access to the front of the terminal, as well as issues of improving the frequency of the rail service and of putting in a bus service. Flybe has a base in Exeter International Airport, which is almost on the M5, which is a geographical advantage for that airport.

[190] **Kenneth Skates:** Good morning, First Minister. The bay area of California has two very successful airports—San Francisco International Airport and Oakland International Airport—serving about the same population as south Wales and the border areas. In the north-east of Italy, there are four airports—Treviso, Trieste, Gerona and Venice—again serving a similar population. Treviso is an interesting case, because it has grown quite considerably in the last 10 years, but you have to get a taxi to the railway station there as well; it is similar to Cardiff. Its growth has been down pretty much to the visitor economy. Opponents of the purchase of Cardiff Airport rarely mention the damage that would be done to the visitor economy. First Minister, are you able to outline to what extent the visitor economy, and our aspirations to increase tourism in Wales, has informed the decision? Also, will policies on tourism be feeding into the marketing and the branding of the airport, as well as improvements to it?

[191] **The First Minister:** Yes, very much so. As I mentioned earlier, if you do not have an international airport, you are perceived as being in the back of beyond. It does not matter where the airport is and it does not matter if the airport is not accessible to some parts of the population—we know that is true of much of the north of Wales—but it is the fact that a country has an international airport. That is not a reason to buy a current airport, of course, unless you can be sure that the airport has a bright future, and we believe that it does.

[192] In terms of tourism, the issue over the years has been that not enough has been done to attract inbound tourists to Wales. Cardiff has tended to be seen as a place where people leave to go on holiday and to come back again. We are working with the Catalan authorities to promote the Barcelona route and we have had success in attracting Lufthansa, bringing inbound passengers in from Düsseldorf, and Prima Reisen, which is bringing inbound passengers in from Vienna, or certainly from Austria. So, we know that there is a market and we are working to ensure that that market is more fully developed in the future.

[193] **Kenneth Skates:** Thank you. Once the due diligence process is complete, are you able to give any indication as to how you will select a commercial operator for the airport?

[194] **The First Minister:** Once the purchase is made, we will have a team in place to run the airport in the interim. It will be run on a commercial basis; that is already in place. We will first consider what the best model is for the airport's ownership and operation, and then we will outline, through a tendering process, what we expect any new commercial operator to deliver financially and in terms of services.

[195] **Kenneth Skates:** Grand. Are you confident that the Government has the skills, expertise and experience necessary to own the airport?

[196] **The First Minister:** To own it; yes. To run it; no. That is not what we are trying to do.

[197] **Kenneth Skates:** Finally, with regard to Flybe and its recent announcement about cost reductions, have there been any talks, before or after the announcement?

[198] **The First Minister:** It does not affect Cardiff; we know that. Flybe informed us of that as soon as the announcement was made.

[199] **Nick Ramsay:** Eluned Parrott is next; please be very brief, as I want to bring in Dave Rees.

[200] **Eluned Parrott:** First Minister, you have just said that not enough has been done to bring inbound tourists to Wales. Who decides Wales's tourism marketing spend?

[201] **The First Minister:** We do. That is why we have been working with a number of airlines, two of which have already been revealed in terms of bringing in inbound passengers. There are others in the pipeline as well, which are looking to do the same thing.

[202] In the past, the tendency has been to look at Wales as a destination for tourists arriving by land and sea; perhaps not so much by air. That situation clearly needs to be rectified and we have already seen evidence of that working.

[203] **Eluned Parrott:** Have you secured an increase in the budget for tourism marketing for next year?

[204] **The First Minister:** It is a question of how the money is spent; that is the important thing. These are difficult financial times, but we have already had a rebranding exercise for the airport; we are also going through a similar exercise in terms of tourism and how Wales is sold. You would have seen some evidence of that if you watched Sky last night, as some of us did; you will have noticed some of the adverts during the Swansea City versus Sunderland game, which strategically promoted Wales during the advert breaks. We are now looking at Dublin routes, and at Catalan routes in particular to ensure that we attract more inbound passengers to Wales in the future.

[205] **Nick Ramsay:** Thank you, First Minister. We are into the last eight minutes and I want to bring in Gwyn Price.

[206] **Gwyn R. Price:** Good morning, First Minister. Does research carried out by the Welsh Government on air passenger duty indicate that the economic case for the variation of air passenger duty is equally strong for long or short-haul flights?

[207] **The First Minister:** As a Government, we would prefer to see APD devolved generally. The point that I made to the Silk commission was that if APD were devolved generally, it would help us with Anglesey airport and other airports across Wales. The recommendation was that it should be devolved for long-haul; that is not quite what we wanted, but there will now be a series of negotiations with the Treasury on that. We do not know what the outcome of those negotiations will be, but we know what our position is, as a Government.

[208] **David Rees:** Long-haul flights have been tried from Bristol Airport; I think that Continental Airlines have flown from Bristol to Newark.

[209] **The First Minister:** Yes, on a daily basis.

[210] **David Rees:** There were difficulties as a consequence. Have you had discussions with airlines about long-haul flights, because Bristol Airport provides predominantly short-haul flights?

[211] **The First Minister:** Yes. It is right to say that the Continental Airlines' flights to New York were daily. I do not believe that Bristol could support that and I do not think that

Cardiff could support that with the level of passenger traffic. We believe that it would be possible to support a reasonably frequent transatlantic service and that other long-haul routes could also be developed. The runway at Cardiff Airport has a sufficient capacity; I do not think that it could take a fully-loaded A380, but just about anything else, and it has 24-hour operation. On that basis, we believe that Cardiff Airport is in a better position for long-haul flights compared with Bristol Airport.

[212] **Nick Ramsay:** First Minister, when you target individual routes, given the importance that the committee attaches to inward investment, is that part of the—

[213] **The First Minister:** We are already doing that. We have been in talks with some airlines. There are issues that need to be resolved, such as the issues regarding state aid, which are not easy, but there have been ongoing discussions with a number of airlines. That has been done through the airport.

[214] **Nick Ramsay:** Will that become more evident when the air strategy is revealed?

[215] **The First Minister:** Yes, as far as it can, because any discussions that take place with any airlines are confidential until those discussions come to a head. However, there have been a number of discussions via the airport and involving officials.

[216] **Mr Thomas:** On the point about the Bristol Continental Airlines service, we understand that for the route to be successful there has to be strong two-way traffic, inbound and outbound, because the airlines are very much concentrating on the yield that they could make from such routes. Wales has a good proposition in terms of selling inbound services to American passengers, which is potentially really attractive to airlines, and it arguably has a stronger market dynamic than that of Bristol.

[217] **Nick Ramsay:** We are into the last five minutes, so it would be helpful if Members could be brief and succinct in their questions and if the First Minister could be as brief as possible in his answers.

[218] **Byron Davies:** You talked about the capacity of the runway, in terms of the weight that it can take, but what about the capacity of the airport in terms of what it can manage? You talked about Heathrow—the gateway to the west, given its capacity—how do you see Cardiff Airport as a hub? Can it really cope with that, because airlines want a hub where they can fly in and people can join other long-haul airlines?

[219] **The First Minister:** When we talk about a hub, we talk about a major airport that has a number of flights coming into it from different parts of the world, such as Schiphol.

[220] **Byron Davies:** Certainly.

[221] **The First Minister:** I am clearly not suggesting that Cardiff will suddenly become Schiphol, Munich or Dubai, because they are major hubs. However, it can be an international gateway, as far as western Britain is concerned.

[222] **Byron Davies:** For whom?

[223] **The First Minister:** For American traffic and we would hope to see it become a gateway for middle-eastern and far-eastern traffic.

[224] **Byron Davies:** They will want to join up with somebody.

[225] **The First Minister:** What is then important is that they have access to London. We

are aware of that. One of the stages that we will have to consider then is the rail link into London, and, in time, developing a rail service from the airport to London. That is important in terms of what I call the 'terminal 6' strategy. However, it is a matter of first things first. The first thing to do is to increase footfall at the airport, and that means getting flights in, regardless of where they go. It is important to increase footfall for the shops and for the catering facilities, to make sure that they feel confident about the future. That has to be the first step, and there is plenty of capacity in the airport in terms of the present terminal building to do that.

[226] There are other issues. For example, and I will finish on this point, if we were to bring in a number of large flights, with large business-class cabins, then the issue of the size of the lounge becomes alive. Developing the lounge is an important part of the airport's future. It is not just about route development, it is about providing the infrastructure in the building itself to make sure, as you rightly say, that the building can cope in the future.

[227] **Alun Ffred Jones:** Rydych chi newydd ddweud eich bod yn credu y byddai Maes Awyr Caerdydd yn gallu cynnal gwasanaeth *long haul* i Efrog Newydd, neu America neu leoedd eraill. Ar ba sail rydych chi'n credu hynny? Ble mae'r gwaith ymchwil wedi cael ei wneud?

Alun Ffred Jones: You just said that you believe that Cardiff Airport would be able sustain a long-haul service to New York, or America or other places. On what basis do you believe that? Where has the research been done?

[228] **Mr Thomas:** We have extremely strong and robust data on the available market in Wales to serve those markets. There are two sources of data. The one that we particularly use is the Civil Aviation Authority data, which compiles surveys that look at the data of where people are travelling to and from. That data suggest that there is an incredibly strong market within the catchment area of Cardiff to support the services mentioned. There is also MITD, which is individual ticket data, which some of the airlines will look at. They will look at where people are flying to and from now. So, when they look at the MIT data, all they see is that people are flying from London to North America or to the middle east. They do not see where they have originated from. However, the CAA data provide that information, so we know that there is an incredibly strong catchment area that could support long-haul services. It is about convincing the airlines that that CAA data, which is UK data, is robust enough for them to make a commercial decision.

[229] **Alun Ffred Jones:** You paint a rosy picture of the future, with millions of people flying out of Cardiff. Why have the present owners not availed themselves of this information and done something about it?

[230] **The First Minister:** I do not think that they have been in a position to do it. That is my honest analysis.

[231] **Alun Ffred Jones:** They are a successful company running an airport.

10.30 a.m.

[232] **The First Minister:** I am not convinced that there is money available to improve the building, and we know that that has been the case for the last few years; not much has been spent on the building. It is probably right to say that, as long as the airport was making money, they were content. We know that, in the last financial year, that has not been the case. However, we know that there are examples of airports that have been turned around, even in the difficult financial climate that we have now. Southend is the prime example of that, as an airport that was on the verge of closure and which has been turned around successfully. We know that that happened with Liverpool. At one time, Liverpool was said to be on its last

legs; people said that, with Manchester 40 miles away, there was no point having an airport in Liverpool, but that was turned around. With the right level of commitment by Government and the right model of ownership, the airport can be a success in the future.

[233] **Nick Ramsay:** The Welsh Government believes that greater flexibility is necessary in state-aid rules on route development funds. Do you have anything specifically in mind as to what would help with regard to a change to state-aid rules?

[234] **The First Minister:** In terms of spending on the actual airport, we have to be careful that we are not seen as infringing state-aid rules. It means that we have to ensure that we get approval for what we do. I mentioned earlier the package that we were going to contribute of £5 million; that took two years, I think, to get clearance, so it is a slow old process sometimes, and speeding up the process would be hugely advantageous in terms of state aid, there is no question about that. We continue to make representations along those lines to the Commission. We think that state aid should be more flexible and also that decisions on state-aid exemptions could be taken far more quickly than they are now.

[235] **Nick Ramsay:** You have also said, or the Welsh Government has said, that a block exemption on regional airport infrastructure investment would be beneficial. How would the Welsh Government use an exemption?

[236] **The First Minister:** We would be able to fund more development at the airport than is presently the case, or fund it more quickly, because there would no longer be a need to obtain state-aid clearance.

[237] **Nick Ramsay:** Does the UK Government support the Welsh Government's position on state aid for regional airports? Have you had discussions on that?

[238] **The First Minister:** We have not had an indication thus far of what its position is.

[239] **Nick Ramsay:** Okay. That is fine. We are a minute over already. Have you got a minute or two left, or do you need to go? I think that some Members have some very brief supplementary questions. Dave Rees, please be very brief, and feel free to answer briefly, First Minister.

[240] **David Rees:** On the state-aid issue, are you working with other regions to look at how state aid affects regional airports rather than national airports?

[241] **Mr Thomas:** The state-aid issue is an issue for all regional airports, as far as we are aware. Briefly, the Commission guidance says that for regions or Governments to support route development, you can, essentially, only look at providing up to 50% of eligible marketing costs. Any airline that looks at that as an offering would not be particularly open to that. It is not something that would secure a route. What Cardiff Airport, the Welsh Government and other regions are saying is that we need more flexibility, so, if we make a decision that we want to invest in a route for a variety of reasons, we have the ability to do that. I think that is generally supported by other regions in the UK.

[242] **David Rees:** Have you also discussed this with other regions across Europe?

[243] **Mr Thomas:** We have met the European Commission and it says that the view put forward by the Welsh Government is not a unique view; it is a view shared by many member states across the European Union, and it is looking to revisit its policy and publish something this year.

[244] **The First Minister:** Could I ask Jeff to come in at this point, Chair?

[245] **Nick Ramsay:** Yes.

[246] **Mr Collins:** Just to give a little more information and background on the way that we are intending to procure the airport, state aid is one process by which Government intervention is limited. What we are looking at in the procurement of the airport is operating under a thing called market economy investor principles—so, we are looking to buy it as a commercial operation with a commercial return over an acceptable period. So, state aid is one form of intervention, but for this particular procurement we are looking to buy it and operate it as a commercial concern.

[247] **Nick Ramsay:** Finally, and briefly, Byron Davies.

[248] **Byron Davies:** First Minister, on a personal basis and your criticism of the airport leading up to your intended purchase of it last year, do you think that was wise, or was it part of a strategy?

[249] **The First Minister:** I was echoing what many, many people were saying to me—and my own experience. It cannot be right that, when people arrive at an airport, they are locked in the baggage hall. It cannot be right that people feel they cannot get a taxi. It cannot be right that people feel they cannot get served at the restaurant or the bar because there are too few people there. It was coming to a point where the issue of the airport was dominating the complaints that we get. Normally, in my job, you say something and attract a number of people who will criticise you in various different ways for what you have said or done. The usual way of assessing that is to judge how many capital letters are in the e-mail that is sent to you and how little grammar is in it. However, on this, what has struck me is that the vast majority of communications that we have had have been in favour. I was talking to the staff on Thursday and they now feel that they can look forward to the future; they were worried about the future of the airport. So, no, not in the slightest. I was reflecting what had been said to me on many occasions. So, yes, it was my personal view, but one reflected by many, many people.

[250] **Nick Ramsay:** It cannot be right that we have run out of time, First Minister, but we have. So, I thank Carwyn Jones, the First Minister, and his officials, Jason Thomas and Jeff Collins for coming here to give evidence today. It was very helpful. With that, I close today's meeting.

*Daeth y cyfarfod i ben am 10.36 a.m.
The meeting ended at 10.36 a.m.*