

7th January 2019

Cardiff Airport, Vale of Glamorgan, Wales CF62 3BD
Maes Awyr Caerdydd, Bro Morgannwg, Cymru CF62 3BD

Sir Paul Silk

Email: paulsilk@aol.com

Dear Sir,

Welsh Affairs Committee Inquiry into the Devolution of Air Passenger Duty to Wales

I understand that you have been asked to provide evidence to the Welsh Affairs Committee tomorrow afternoon, on the potential impact of devolving Air Passenger Duty to Wales.

As you will appreciate, this is a subject of considerable interest to Cardiff Airport and I thought it might be helpful for us to provide you with some information about the topic from the Airport's perspective, that may be useful background information for you ahead of the evidence session.

The Welsh Government (WG), and indeed all of the Welsh political parties are keen to see the tax devolved to Wales, as it has been to Northern Ireland and Scotland. I am attaching with this letter a copy of the correspondence the Airport Board received from the former First Minister that confirmed that the WG intention would be to stop charging the tax, if it were devolved in order to stimulate economic growth for Wales.

As you may be aware, the current set up of the tax is such that it is collected by the airlines for all adult passengers over the age of 16 that depart on their flights from a British airport.

The taxes are not allowed to be annotated by airlines as extra charges and as such are not transparent to consumers. They are included in the ticket price and are charged as follows:

Trip type	Example destination	APD charges
Return ticket short haul	Paris or Malaga	£13 per passenger
Return ticket domestic	London or Manchester	£26 per passenger
Long Haul flight	New York or Dubia	£78 per passenger

These charges are all doubled when you book a business class ticket.

The challenge for the airlines, is they effectively absorb this tax into their ticket costs when competing with the market for business. This impacts on their viability to sustain the services, especially in the smaller city markets.

When an airline chooses their markets to service, they have a vast array of choices across Europe to fly between. The track record when looking to develop into smaller city and regional centres, is they often will choose those that have lowest tax regimes with populations that have higher propensity for travel.

This impacts the developments for smaller city markets due to the following reasons:

- the airlines, working as investors choose to either service much bigger city markets if the taxes in those countries do apply
- or simply move to other smaller city markets in Europe where the taxes don't apply. In many cases, the airlines expect the airports to pay contributions towards the cost of the tax in order to secure their services
- This creates further viability challenges for the smaller airport that are invariably struggling to make profits

A recent example of the impact of this tax at Cardiff Airport were our efforts to maintain services to London City airport with flybe, which were set up during the closure of the Severn Tunnels for electrification works in 2016.

- The airline struggled to charge more than £120 for a return ticket
- £26 went to the treasury as APD
- The net result was that it was not viable for the service to be maintained
- This service was competing with the trains
- The consumers and operators are not taxed anywhere near this level for taking the tickets on the train.

We have on many occasions been advised by airlines, that if Air Passenger Duty were removed in Wales, they would very likely choose to grow from Cardiff Airport.

This indicates that the taxation no longer being applied from Cardiff, would have great potential to assist Wales in attracting long haul air services to North America in particular and in developing our domestic flight networks beyond services to include more major British cities like London and Manchester. All of which would bring significant stimulation to our economy.

Along with the letter I mentioned earlier, I have also attached a copy of our submission for the committee.

I trust this letter and the information we provided will be helpful ahead of your evidence session tomorrow.

Kindest regards

A handwritten signature in black ink, appearing to read 'Roger Lewis', with a long horizontal flourish underneath.

Roger Lewis
Chairman
Cardiff International Airport Ltd

c.c. FM letter
Cardiff Airport submission