

**NATIONAL ASSEMBLY FOR WALES: ENTERPRISE & BUSINESS  
COMMITTEE  
HOUSE OF COMMONS: WELSH AFFAIRS COMMITTEE  
INTERNATIONAL CONNECTIVITY THROUGH WELSH PORTS AND  
AIRPORTS**

**MEMORANDUM BY THE UK DEPARTMENT FOR TRANSPORT**

1. The Inquiry's terms of reference were these:
  - How important are major Welsh ports and airports, both to the economy of their own regions and to Wales as a whole?
  - What factors limit realisation of the potential offered by major Welsh ports and airports; what opportunities are available to develop this potential; and how can these be realised?
  - How effectively do Welsh Government policies support the development of major Welsh ports and airports?
2. Firstly it is necessary to define what we mean by 'major' ports and airports. By definition major transport nodes should be economically important.
3. Broadly, ports carrying more than 1 million tonnes *per annum* are usually classified as major ports. Those in Wales are:
  - Milford Haven
  - Cardiff
  - Holyhead
  - Newport
  - Port Talbot
  - Fishguard
  - Swansea

The last two have traffic below 1 million tonnes but are classified as major ports for statistical purposes.
4. Milford Haven is much the largest Welsh port by tonnage and is highly important to the UK as well as to Wales and its more immediate hinterland. It is the third-largest UK port by tonnage, and the largest of all for bulk fuel, oil products and liquefied gas.
5. Cardiff Airport, which is owned and operated by Abertis SA, handled 1.4 million passengers in 2010. Cardiff Airport is the only airport in Wales offering international services, with scheduled flights to eight destinations in the UK and Ireland, and several to the continent including the hubs at Paris and Amsterdam (which provide worldwide connectivity). An extensive charter programme serves Mediterranean and the Caribbean routes.

6. Welsh ports and airports are free to compete with those elsewhere in the UK. Geography imposes its own inevitable limitations as well as advantages, but subject to these there are opportunities for commercial expansion, and most Welsh ports have capacity to deal with substantial traffic growth.
7. We do not propose to comment at this stage on the effectiveness of Welsh Government policies, beyond noting that the Department's officials have a constructive working relationship with those of the Welsh Government, for which we express appreciation.

***What role do the Welsh Government and local authorities play in facilitating the development of Welsh ports and airports?***

8. Ports policy is not devolved in Wales, except for small fisheries and leisure harbours. Nevertheless, the Department recognises that the Welsh Government and local authorities have significant interests, not least in relation to inland connectivity and hinterland planning, where policy responsibilities have been transferred. They would also be consulted on ports planning more generally.
9. Although aviation policy is generally a reserved matter in the UK, the Welsh Government has devolved powers relating to airports in terms of land use planning and airport surface access issues.
10. The Government has no plans for further devolution in relation to ports or airports. Any requests fall to be considered in the context of the Silk Commission's report.

***What factors have contributed to the decline in business through Cardiff Airport?***

11. Regional airports in the UK experienced significant growth in passenger numbers until 2007, when the effect of the current economic downturn reduced passenger demand. Between 2008 and 2010 overall passenger demand at regional airports dropped off by around 17%. At Cardiff Airport passenger numbers have reduced from a peak of 2.1 million in 2007 to 1.4million passengers in 2010.
12. The current economic climate has resulted in uncertainty for services from many regional airports. In a competitive, demand-driven market, some air services from regional airports have inevitably ceased as airlines rationalise their networks to focus on the most profitable routes.

***How effectively does Welsh Government policy, primarily in the areas of transport, economic development, and land use planning policy, support the development of Welsh ports and airports?***

13. The Welsh Government has responsibility for airport land use planning and airport and port surface access issues and is accountable for its policies in these matters. It would not be appropriate in this memorandum to express views on the effectiveness of Welsh Government policy.

***How can the Welsh Government develop economic opportunities, for example from tourism, international trade, freight and, in the case of ports, opportunities including the energy and renewable energy industries? What role do ports and airports, particularly Cardiff Airport, play in the key sectors identified by the Welsh Government?***

14. This is primarily for the Welsh Government to answer. Industrial development funding, including for promoting renewable energy manufacturing facilities at ports, is a devolved matter and it is for the Welsh Government to decide whether and how to provide support in so far as would be compatible with State Aids rules. Investment in port and airport facilities generally can and should be funded on a commercial basis, to ensure fair competition within and beyond Wales.

***How effective is Welsh transport infrastructure and interconnectivity in supporting the development of Welsh ports and airports?***

15. This again is a matter primarily for the Welsh Government.

***Given that ports and airports policy is a reserved matter, how effectively does the Welsh Government engage with the UK Government in the interests of Wales?***

16. The Department for Transport welcomes the positive engagement it receives from the Welsh Government on ports and airports matters.

***What impact do EU State Aid regulations have on the ability of the Welsh Government to provide support, and what opportunities are presented by EU ports and airports policy to support development in Wales?***

17. HM Government has primary responsibility for compliance with State Aid rules, and we also apply, as a matter of policy, the general presumption against revenue support to ports in Wales as in England. On the other hand, ports in Wales as in England are at liberty to apply for grants from available funding schemes, which may be subject to block State Aid exemption provided that appropriate conditions are met. It is also appropriate for the importance of international gateways to be recognised when setting priorities for connecting public infrastructure investment.

18. EU State Aid rules regulate the provision of aid for airline services and airports. The Aviation State Aid Guidelines (2005) prescribe the rules in relation to route development funds and the provision of aid to airports. The rules for imposing Public Service Obligations (PSO) are set out in European regulations (Regulation 1008/2008).
19. All UK transport aid schemes require the Department's policy clearance before they can go forward to the European Commission for determination. A PSO service is currently operated between Cardiff and Anglesey, linking north and south Wales. In addition, in May 2011, the European Commission granted state aid clearance for the Welsh Government to contribute £5m to the Cardiff Airport's proposed capital investment programme.
20. The Commission is currently reviewing the 2005 guidelines. The UK has highlighted that the current guidance on start-up aid does not provide sufficient scope to support the establishment of routes from peripheral and development regions of the EU, including Wales.
21. The Commission is also consulting on the Community Guidelines on State Aid to maritime transport. The latest guidelines were adopted in 2004. The Commission's consultation was launched on 14 February and the deadline for replies is 14 May.

**Department for Transport**  
**February 2012**