

Simon O'Donnell
Consultant

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Committee Clerk
Enterprise and Business Committee,
National Assembly for Wales
Cardiff Bay
CF99 1NA

Hines

Dear Sir

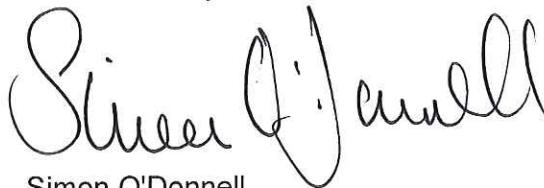
I act on behalf of Legal & General and Hines UK in respect of Gateway Wales, a new business development proposed at Cardiff Airport. The site is included within both the Vale of Glamorgan draft LDP and the recently announced Enterprise Zone.

The concept behind the development is based upon Gateway Wales helping Cardiff Airport and Cardiff Airport helping Gateway Wales to create the business destination we envisage which could attract a range of businesses both large and small.

We believe strongly that the Welsh Government, Cardiff Airport, the Vale of Glamorgan and Cardiff City Council must work closely for the long term if the Airport and its hinterland is to prosper.

I therefore have pleasure in attaching our responses to some of the questions the Committee has raised relative to the Airport, connectivity, infrastructure investment together with some suggestions as to areas of improvement.

Yours faithfully



Simon O'Donnell

GATEWAY WALES - THE AIRPORT ENTERPRISE ZONE

Introduction

This response has been prepared by Simon O'Donnell, a Consultant to Hines UK (a leading property developer and investor), and the Gateway Wales Team. Mr O'Donnell has extensive property development experience with particular specialism in land surrounding airports having been Development Director at BAA Lynton. He is leading the Gateway Wales project - an exciting development to deliver a business destination at Cardiff Airport. Gateway Wales is being promoted by Hines and land owner Legal & General.

The Airport is considered a strategic asset that is not sufficiently exploited to deliver its full potential for Wales. The Welsh economy is dependent on global actions and trends. Wales must have the right conditions to market and deliver globally and not be dependent on other countries for this delivery. To exploit this valuable asset a vision has been created for the airport region.

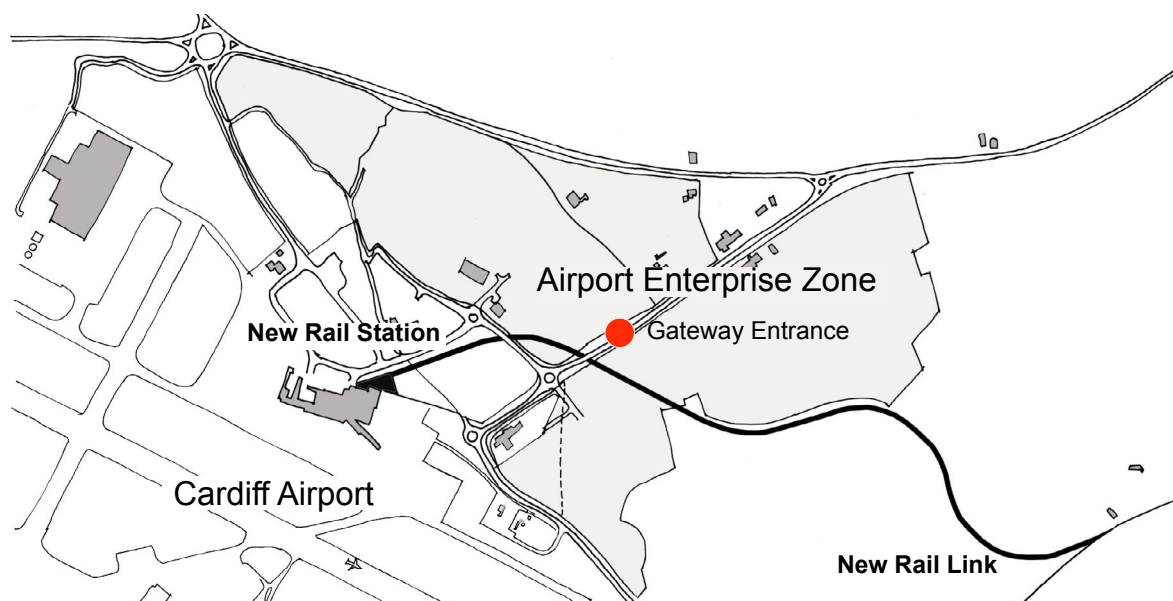
The Gateway Wales Vision

“To see Cardiff Airport develop as a major economic generator and a transport hub, and to develop the area around it as a thriving business destination.” This will be delivered through a concept known as an Airport City or Aerropolis strategy, which has been successfully developed at several leading airports around the world.

The vision for Gateway Wales is based upon investment at and around Cardiff Airport that will complement the existing offering in Cardiff and the new Cardiff Financial Enterprise Zone, whilst also benefitting the Vale of Glamorgan and the Capital Region.

The following are the key components of that vision:

- A recognised aviation destination
- A major transport interchange including a new rail station and direct rail link
- The provision of increased airport capacity outside SE England
- A business destination for local and international business
- A cluster for major technology and science related businesses
- A specialist location for education and training
- A delivery, development and marketing plan



The Welsh Government's initiative - the Airport Enterprise Zone ("AEZ") - provides the structure through which the Gateway Wales vision can be implemented. We would be happy to deliver a presentation of our vision for Gateway Wales with the Committee, if that would be helpful to the inquiry.

The Committee's inquiry

In our response below we have addressed the terms of reference for the inquiry and key issues where we have the relevant experience of connectivity or where we are able to make recommendations for the future. We have limited experience of working with the Welsh Government, and therefore we have contained our response where relevant.

What role do the Welsh Government and Local Authorities play in facilitating the development of Welsh ports and airports?

The Welsh Government and Local Authorities have an important role in delivering direct support to Cardiff Airport and the economy around the Airport because it is Wales' key air gateway to the global economy. The Airport is a major asset to Wales that is not being optimised as regards accessing global business and tourism. Visitors to Wales should be able to arrive directly and, for the Welsh identity, it is important for Welsh people to be able to travel internationally from their own country.

The Welsh Government and Local Authorities should form a strong partnership with Cardiff Airport looking at new ways to deliver the advantage that the Airport can offer. The AEZ offers a way for the private and public sector to work together to maximise the potential synergies but recognise each other's constraints. The Welsh Government's role is to provide overall direction and to use its influence to assist in international development, accessing funding and, where necessary, removing barriers and cutting through red tape to enable programmes to be delivered in a timeframe that works for business. The Local Authorities have a key role to play delivering at the local level and working closely with business in the creation of economic activity and employment. The linkage between the Welsh Government and the Local Authorities should be stronger.

Looking forwards, the Welsh Government and Local Authorities should consider the following:

- What additional road and rail infrastructure is required to improve accessibility?
- What facilities are below standard or are missing compared with competitor locations?
- How can customer service be optimised e.g. the handling of goods (ground handling) and documentation clearance (Customs & Excise)?
- How can IT become world class to improve competitiveness?
- Should Duty Free status be introduced to help certain categories of manufacturing?
- How to reduce the barriers to delivery by looking directly at timelines of LDPs and the planning process?

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

External factors such as 9/11 and high fuel prices have not helped the aviation industry generally over the last decade. Conversely the impact of low cost airlines has seen a revolution in the development of air travel and some regional airports have taken advantage of the capacity constraints at Heathrow and in the South East Airports' system. Cardiff Airport appears to have failed to keep pace with its regional competitors.

It would appear that there has been a lack of investment in the Airport over recent years and it has failed to attract new airlines delivering leisure and business traffic. The Airport suffers from poor access by both road and rail, while its car parking charges are considered high by many of its users. In contrast, as Bristol has shown, with the right destinations, consumers will travel, even where access is poor.

With support from the Welsh Government, Cardiff Airport should attract a low cost airline and invest in facilities and staff training to provide the essential elements that low cost airlines demand (the ability to turn planes around quickly, competitive landing charges and service fees and better value airplane parking). The Welsh Government has to look at improving access to extend the Airport's catchment and assist with a marketing campaign.

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?

The Welsh Government has sound policy aspirations to attract business and deliver employment but it is disconnected from the reality of how businesses can be attracted to the area because of the Local Development Plan ("LDP") and planning processes, for which responsibility rests at the local level. The LDP process takes too long to deliver with the resultant effect that, by the time plans are adopted, the business environment and its needs have changed. Separately, the planning process appears to work against business because of the cost and time it takes to deliver planning. Taking these two together, delays of four years or more can be built into projects. The typical cost of a major planning application is in excess of £1m and committing such funds in the face of LDP and planning uncertainties is a challenge, particularly given the relatively lower returns on investment in Wales compared with, say, South East England. These are major barriers to attracting business into Wales and we are told that the Welsh Government is unable to intervene due to the fact it would be interfering with the local democratic process.

We would hope that the Welsh Government can use the AEZ to assist in implementing its policy to permit business growth and job creation. The decision makers for the AEZ must have a degree of independence, the ability to be flexible and the power to influence planning or, if required, shorten a planning process and reduce costs.

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?

Over the last twenty five years, world commerce has seen significant change on the back of globalisation. This has impacted on manufacturing, and on its associated logistics. Just-in-time manufacturing plays a major part in many manufacturers' processes, irrespective of where they are located, and this demands appropriate logistics strategies. High value goods, either in the form of components or finished goods, now travel by air, while bulk or heavy goods will generally go by sea in container ships. To keep pace with the rate of change in the logistics markets, considerable capital investment has been required at both ports and airports all over the world. In contrast to many competitor locations, this investment has not been made in Wales.

The Welsh Government needs to put in place long term strategies to attract business across different sectors and support these strategies with appropriate marketing plans. The Airport needs to be developed, both as a transport hub, with road, rail and air connections, as well as a major economic generator. Currently it falls short in both of these areas. New investment in infrastructure both at and to the Airport should be supported by employment strategies. These should be aimed at aerospace, high tech and bio-tech, green technology, education and training, and IT. In addition local universities can be important in bringing economic development close to an airport through the establishment of a variety of university research facilities. This could be replicated around Cardiff Airport.

The recent creation of the Airport Enterprise Zone is welcomed, but careful planning, with appropriate incentives, and dynamic delivery will be essential to ensure that the Welsh Government's long term strategy is implemented and maintained.

As noted above, Gateway Wales is aimed at delivering much of what is required, but it needs support from the Welsh Government.

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

Currently the transport infrastructure and interconnectivity of Cardiff Airport is poor compared to some of its competitors.

Some of the recent rail development proposals look encouraging but new road links to the Airport in particular need to be delivered. Too much appears to be going through assessment or planning stages.

Capacity problems are also an issue at many of the UK container ports. The Dubai Ports London Gateway development in the Thames Gateway is expected to set a new benchmark for service levels and should attract significant business. Can any of the Welsh deep water ports offer a similar opportunity? However, new road and rail infrastructure would be required to deliver a competitive product, compared say to the Bristol port facilities at Avonmouth.

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?

We do not have the relevant experience or expertise to comment on this question.

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?

We do not have the relevant experience or expertise to comment on this question.

Simon O'Donnell
Consultant to Hines UK

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