

## Welsh Affairs Committee

### Oral evidence: [One-off session on the future of Air Passenger Duty](#), HC 283

Thursday 24 June 2021

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[Watch the meeting](#)

Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Robin Millar; Dr Jamie Wallis.

Questions 1 - 19

#### Witnesses

[I](#): Roger Lewis, former Chairman, Cardiff Airport.



## Examination of Witness

Witness: Roger Lewis.

**Q1 Chair:** Good afternoon. Welcome to this session of the Welsh Affairs Committee. Today we are looking at the future of Air Passenger Duty in the Welsh context. We have two panels this afternoon. We are delighted to be joined for the first panel by Roger Lewis, who was the chairman of Cardiff Airport for five years, from 2015 until last year, and was appointed by Welsh Government to develop the airport strategically and was a very strong proponent for devolving Air Passenger Duty. In an hour's time we will be joined by the Exchequer Secretary, Kemi Badenoch, and the Secretary of State for Wales, Simon Hart, to give us the current UK Government perspective on this issue.

Roger, we have a fair amount of ground to cover in the next hour. I will start by asking you, in very general terms, how you see the current strategic context for Cardiff Airport. You were appointed by Welsh Government with a mission to develop the airport, almost to reimagine what the airport could be and its contribution to the Welsh economy. It was an incredibly challenging set of conditions to work against, but you worked with enormous energy to develop the links with Qatar and to bring new airlines to the airport.

Looking back on your time as chairman, how much progress do you think was made in taking Cardiff Airport to the next level? Covid has come along and smashed apart the strategic context for all airports around the world, but how much progress do you think was made and how optimistic do you remain that Cardiff Airport can have a successful and profitable future?

**Roger Lewis:** Thank you, Chair, for inviting me today, and I thank you and your colleagues for all of your help and support over the five years of my tenure in office as chair of Cardiff Airport. I also thank you all for the views and opinions that you have expressed on Air Passenger Duty and how it impacts on Wales.

To answer your question directly, I believe Cardiff Airport is of strategic importance not only to the region that it serves but to the south-west of the United Kingdom. On your question of what progress we made pre-Covid, I think we made outstanding progress and I pay tribute to an incredible team at Cardiff Airport. The executive was truly outstanding, led by a brilliant chief executive in Debra Barber and also Spencer Birns, and Huw Lewis as FD. They were truly great people. Spencer Birns has now stepped up to become CEO. We have lost Huw to the Royal Mint as FD, but that shows the quality of the people we had there, a great team of people.

We took the airport and we grew it exponentially over my period of office. It was 16%, 8%, 9%, 8% leading up to March 2019. We got to about 1.7 million passengers. Moreover, we were producing positive EBITDAs—



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earnings before interest, taxation, depreciation and amortisation—which is the key metric of valuation for airports. Also of strategic importance, it is the home of the British Airways maintenance centre, which employs 700 highly skilled jobs, not only for Wales but for the United Kingdom, and is part of a very critical aviation supply chain within Wales and beyond. Great strides were made there.

It generated somewhere well in excess of £163 million of economic benefit to the region, fundamentally important for the region, but as you mentioned, we also had an international play. I thank you, Chair, for your support in the back end of 2014 when you introduced me to His Excellency Yousef Ali Al-Khater, the Qatari Ambassador to the UK, and we developed a strategic relationship between Wales and Qatar. In Milford Haven we have the entry point for liquid gas from Qatar that supplies over 20% of the UK's gas needs. It is a fundamental, strategic, key relationship for the UK. By creating a link to the Gulf, Cardiff is the only airbridge in the south-west of the United Kingdom beyond London and Birmingham.

That is why the strategic importance for Cardiff was proved during this period, and huge strides were made just prior to entering Covid. I feel very optimistic that Cardiff Airport's future can be secured once more. However, we have to be realistic that the next couple of years are going to be hard yards again for everyone in UK aviation.

**Q2 Chair:** Thank you, Roger. Welsh Government stepped in to take ownership of the airport after years of what I would describe as neglect by its previous private sector owner. My understanding was that that was supposed to be a relatively short or medium-term structure for the airport. How long into the future do you see it being necessary for the state to own Cardiff Airport, or do you think that is not a relevant question in this?

**Roger Lewis:** I think it is a very good question. Early on in this discussion, I would like to give a bit more context of APD for Wales in the context of the UK. I feel we could explore a UK direction of travel that would help Wales and also help the UK in a range of agendas, if I may return to that.

On your specific point, the whole public-private debate is fascinating. In the UK there are 10 airports that are wholly community owned. That includes London Luton, which is fascinating. It is owned by Luton Borough Council, albeit it has a concessionary partner in Aena, who operate the facilities on its behalf, but it is fundamentally owned by Luton. The next largest is the Highlands and Islands, which has 11 airports, and that is owned by Scottish Government. Then very quickly through the rest of the list you have Teesside, Newquay, Derry, Glasgow Prestwick, Jersey, Guernsey and Isle of Man.

A bit of context here, which is that we are not on our own, but a more fundamental context—which may come as a surprise to some—is that the



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ownership structure of Manchester Group, which is a fabulous airport that controls not only Manchester, but also Stansted and East Midlands, comprises of public and private. Manchester City Council owns 35.5% and the Greater Manchester local authorities own 29%, so 64% is in public ownership, and IFM Investors owns the other 35.5%. That is an interesting case. Birmingham Airport has a similar blend of public and private, as do Newcastle and Liverpool.

There are some interesting points on the UK, and I will return to the specific on Cardiff, but in the context of global aviation ownership, the majority of airports across the world have a public relationship with their airports because it is of such strategic connectivity importance. In America there are only three airports that are FAA controlled and in wholly private hands. We should not feel uncomfortable with this model, because the Government have to be confident of their national assets in a global connected world.

Going back to your question, I have always been of the view that there should be a public-private blend for Cardiff Airport. I have always been public about that. I discussed it with Welsh Government. I don't think we can always look to the public purse to support our expansion plans. As we emerge from Covid, I think that discussion will be returned to, but I feel—not politically at all—that there needs to be a public relationship to these critical assets.

**Q3** **Simon Baynes:** Thank you, Mr Lewis. It is great to meet you by Zoom and to have your evidence this afternoon. I want to move on to the issue of Air Passenger Duty, which you touched on in your comments. What was your sense during your tenure as chair of Cardiff Airport of the importance of APD for the airport's attractiveness to airline operators?

**Roger Lewis:** Without doubt, APD is seen by the global aviation industry as an impediment, so Cardiff is not alone in this position. If you could bear with me, I would like to focus on APD in the context of global UK, albeit through the lens of Cardiff Airport. The UK Government published their aviation tax reform in March this year, and it is most welcome. It is very timely, not only in a post-Brexit Britain, but in the time of a post-Covid United Kingdom. Please be patient with me for a moment, because I think this will frame the rest of our discussion today.

I want to attempt to base my arguments today on the belief that we need to understand, preserve and enhance our UK aviation supply chains and help facilitate UK trade through increased passenger and cargo movements. That is why I touched on the Qatar relationship earlier, because that is a south-west United Kingdom play. I also feel that we need to support the UK Government's emerging international trade strategy, which is so of the moment, by identifying global patterns of trade growth, where I feel Cardiff Airport, with its length of runway and the facilities around it, can work in a UK sense.



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We also need to recognise the significant inward investment into the United Kingdom at the moment, which benefits all of Wales. We might touch on some of the recent investments within Wales, literally in the last week. We all want to protect jobs and we must protect jobs, but we also must safeguard the UK aviation infrastructure, because it is under threat through Covid. Aviation infrastructure such as Cardiff Airport is critical. Pre-Covid we supported 1,900 aviation jobs and, as I mentioned, it is the home of the British Airways maintenance centre. Some 30% of our 1.7 million passengers were visitors to the UK. You know the impact of that when they leave with APD and so on, and I mentioned the direct economic benefit.

As I said, I believe Air Passenger Duty is an impediment to the UK economy. I will come on to a report that PwC did a number of years ago that addresses some of the concerns that the Treasury may have, quite rightly, by such a statement. I believe it is an impediment to the UK economy. I also believe it is an impediment to recovery and it is long overdue for reform. By making changes now to APD—by the way, it is a mysterious and misunderstood tax for the majority of people—I feel we can advantage the UK in the route-making decisions of global carriers and we can win back the international trade connectivity lost to other nations.

The reason I say this is that if you look at American airlines, where do they point their planes? If they are looking at onerous APD issues in the likes of Manchester, Birmingham and Newcastle, they will point their planes somewhere else. That has happened from North America to the UK. We have lost out, as the United Kingdom, on that relationship. Short-haul carriers will also decide where to point their planes, and if there is an onerous taxation in the UK that does not exist in other European countries, they will take a different view of Cardiff. I will expand this discussion and continue to focus on your question, Simon, but I feel, with the zeitgeist of the moment, we can strengthen the Union by bringing the people of our four nations closer together through a truly connected UK aviation strategy that addresses and leverages a position on APD.

That said—and I know you are hearing from the Treasury in about 40 minutes—I am truly mindful of the £3.6 billion that was raised through APD prior to the pandemic and I am realistic that we need to protect the Treasury's revenue-raising opportunities. I made reference earlier to a PwC report that was published about five or six years ago. That analysed the impact of taking off APD. It would lose the Treasury £3 billion-plus, but the positive impact on other taxation opportunities, job creation, import and export benefit is quite profound, and it not only washes its face, it adds value. It would be worth returning to that report. I won't dwell on it, because I will return to Simon's question.

I am conscious that we have a responsibility and commitment, which we will touch on during this debate, to our critically important climate objectives, and I will return to that, but also our strong ambition to level



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up all parts of the United Kingdom. When we talk about devolving Air Passenger Duty to the Senedd in Cardiff, I am mindful of the UK context in which aviation operates. I believe in devolution. I chaired the cross-party referendum campaign in 2011. The mantra was that if we want respect in Wales, we need self-respect. To achieve that we need to take responsibility, but aviation is a complex global activity. Yes, we have to act locally but we always have to think globally, and this can only be achieved through a UK and, in our case, Wales connected unity of purpose.

We require consensual and pragmatic aviation politics to ensure that we create a better and fairer Wales in a better, fairer and level United Kingdom. I feel this Committee has the potential to make a great positive impact on the UK through reforming this aviation tax by looking at it through a Welsh lens. I think there is time here. We need to kickstart the regional economies that need the most help. I might return to this later.

Post-Covid, when the time is right, the UK needs to hit the skies flying. As I mentioned at the start, the aviation world has changed beyond all recognition over the past 15 months. Debating the devolving of APD to Wales now may not be the best option to help the much-needed support for regional economic recovery. However, regional airports such as Cardiff need significant action now, and removing APD from them will undoubtedly build a fairer and more level United Kingdom and kickstart this sector. Later during this meeting, I would like to return to this and give you some very specific details.

Simon, the point I am making here is that APD is not only an impediment to our relationship as the United Kingdom with global carriers, it is also an impediment to Cardiff's relationship with global and short-haul carriers. Any change in this for the UK, as well as Cardiff, would be most welcome, but I believe it is needed for the UK recovery.

**Q4 Simon Baynes:** Thank you very much for that. You have made your position very clear on APD, and you have also answered my second question, which was on the importance you attach to the devolution of APD. We can split it up into long haul and short haul, but your overall point, if I understood you correctly, is that that is perhaps not the issue at the moment for devolving it and that APD and the policy for it needs to be seen very much within a UK context. I will leave my questioning there, because you have answered both my questions in one fell swoop.

**Roger Lewis:** Thank you, Simon, because what I am trying to find here is a consensual approach to a solution. The world has changed so radically in the last 15 months, and I feel this Committee can have influence beyond the agenda we have set today. You have been debating this for many years now, but the world has moved on and I think there is an exciting opportunity for this Committee to make a mark. Perhaps it will be touched on with the Treasury Minister who joins you later.

**Q5 Tonia Antoniazzi:** Hi, Roger. You have already spoken about the blend



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of public and private ownership of some of the airports. How do you respond to the suggestion that Cardiff Airport already has a competitive advantage over other UK airports because it is state-owned?

**Roger Lewis:** Hopefully outlining the 10 directly wholly owned airports in the UK shows that we are not on our own. I think it is a mixed blend with Manchester in particular, with almost 65% public ownership, and Birmingham, which is in the catchment of other airports that do not have that benefit, and Newcastle and Liverpool. If you want to move it on, I believe in many of the positive levers of the free market. Let me be absolutely up front with you all. There are many positive levers in free market enterprise, and I have spent the majority of my career in the private sector. However, there is a downside to a pure free market play and the market can fail.

The market failed Cardiff Airport. It was bought as part of a bundle of airports by an overseas investor that had no interest in the development and evolution of Cardiff Airport. It did not invest in the asset or in the people. It was not ambitious or entrepreneurial. That is the paradox, that as a private sector player it was not ambitious and entrepreneurial for Cardiff, and it failed Cardiff because it was part of a global bundle deal. That is why I feel UK assets such as Cardiff Airport need that public wing, in a regional context, like those 10 I have shown you. Another airport very close by is owned 100% by a North American pension fund. Pension funds take a long-term view. They need a return, but they will take a more modest return and are prepared to invest hundreds of millions of pounds into that return.

We do not have that benefit, so you could say we are disadvantaged because we do not have the benefit of the public sector investing hundreds of millions of pounds. That is why I go for a public-private sector blend. I don't feel that we have an advantage in this particular context when you look at public and private and public-private sector blends.

Q6 **Chair:** I think the argument you were making previously about public ownership and a blend of public and private was well made, and the argument you are making at the moment about comparisons with other airports that benefit from large pension funds is also a strong point. Can I ask you about the level of state subsidy required? You did the job of running the airport for five years. Can you ever see a point when Cardiff becomes subsidy-free, or should we be willing to recognise that an airport like Cardiff, in the same way as some of the Scottish airports, will always require state subsidy? If so, what is the appropriate level and what is an unacceptable level of call on the taxpayer?

**Roger Lewis:** My direction of travel was always to be subsidy-free. That was my ambition, and that is why we looked at not only how we expanded our routes for passengers, but how we developed our cargo play and how we expanded a range of activities. For instance, a direct relationship with fuel supply was always on our agenda, and to be a fuel





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player for airlines; to work hand in glove with the British Airways maintenance centre was always on our agenda. This is an aviation diversification play. We took on the management of the St Athan runway, so that is now wholly managed by Cardiff Airport. We then looked at how we could expand our activities for cargo, for other relationships with other aviation experts.

Without giving too many things away, because these are all hot, when I left last year we were looking at a range of strategic aviation plays that leveraged the airport, leveraged the maintenance centre, leveraged St Athan and also the land that we have around the airport. I personally was hugely ambitious, but also confident that we could get to a position where we would be self-sufficient. The UK needs to manage its critical strategic assets, my goodness me, in this global world, so there is always a role for Government to play within airports. But my ambition was always to arrive at a position where we would not be dependent on the public purse, but we would always try to align our strategies, which is so important.

There was a fabulous announcement this week—and perhaps we will return to this—further down towards Tonia’s constituency of a new facility for creating aviation fuel. There is this relationship with the sector, with how we relate not only to BAMC and other aviation sectors, but also how we work with Airbus. Our airspace was used by Airbus as well, so we would always be looking for ambitious ways to connect with the players in the industry, which would give us the sustainability that is not a drain on the public purse.

**Q7** **Dr Jamie Wallis:** Thank you, Roger. It is wonderful to have you here today and I am very moved by your enthusiasm in answering these questions. Can I bring us to Bristol Airport briefly? It always features in the debate on devolving APD. Could you start by characterising and describing the competitive relationship between Cardiff Airport and Bristol Airport, please?

**Roger Lewis:** Operationally, we have a great relationship with Bristol Airport. Cardiff Airport has continued to have a great relationship with Bristol Airport because we have a responsibility for managing airspace. Before I left, we had a series of meetings with the chair and the chief executive of Bristol Airport and we looked at a range of operational synergies. To reassure you that we pick up the phone to each other, this is a good, positive operational relationship.

Inevitably there is a competitive edge here. I think Bristol has done remarkably well as a business and, pre-pandemic, it was over 9 million passengers. It has hit a ceiling. It has applied to extend its passenger position, and that would be a request of its investor, its funders—it is 100% owned by a North American company—but the local authority has declined that request because it has hit a ceiling.





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There is a logic that says, particularly in the levelling-up agenda, one cannot look purely at certain areas of the UK that suck in all these things from other parts of the UK. Not least of all Bristol, to achieve 9 million, is getting its passengers from south of Birmingham, west of London, all of the south-west, so ignoring the likes of Exeter Airport and Southampton Airport. It is then encouraging people to drive, to go on the road, increasing their carbon footprint to a level that is crazy, because it has managed to position itself in that particular way. It takes over 1 million people driving from Wales down the M4, then down the M5 or through the country lanes to get to Bristol, and that is simply not sustainable in this ecologically pressured world.

I think there is an argument, but I would suggest a different approach. It is not just a Bristol-Cardiff argument; this is more a UK perspective. We need a UK view on connectivity that addresses our objectives for reducing our carbon footprint, addresses the levelling-up agenda and, most importantly, supports regional connectivity and strategic assets. Jamie, forgive me for talking around that, but by all means drill into me if you feel I have not addressed it specifically.

**Q8 Dr Jamie Wallis:** As with my colleague, not only did you answer the question, Mr Lewis, you also answered one of my next questions as well. Thank you very much for that. I guess the crux of the issue is that it has been suggested—and there are strong indications—that should APD be devolved to the Welsh Government it could lead to tax competition between specifically Cardiff and Bristol, but also Welsh and English airports in general. Do you think that is the case? If so, is it a good thing?

**Roger Lewis:** May I expand on my opening comments? Covid has changed all of our thinking, and I would like to suggest a new and innovative approach to addressing Air Passenger Duty for Wales in that context and addressing your point of a regional UK aviation solution. If this Committee was so minded, it could possibly be part of a late submission to the UK Government's aviation tax reform consultation that closed on 15 June.

The reason I want to take a little bit of time on this, and why I feel it is, dare I say, quite profound, is that it is an approach that not only supports the UK Government's commitment to levelling up all parts of the UK, strengthens the Union, aids regional economic recovery, protects jobs, safeguards vital UK regional aviation infrastructure, which is under great stress at the moment, but it also helps reduce our carbon footprint, hence what I was mentioning about the Bristol position, also recognising the Treasury's tax-raising opportunities. The PwC report is worth returning to on that analysis. Also on the taxation point you are making, Jamie, it avoids creating complex bureaucracy and potential non-aviation related UK-Welsh political arguments. I think this could be implemented very quickly.

Chair, may I give you a bit more context of the world in which we are working?



**Chair:** Please do.

**Roger Lewis:** The 40 largest airports in 2019, pre-pandemic, had total passenger numbers of over 300 million. London Heathrow was No. 1 with 81 million, and it went down the list in 40th position to Alderney with 53,000. In second place was London Gatwick with 46 million. In third place was Manchester with 29 million, interestingly in a public-private ownership, but 65% owned by the public sector. In fourth place was London Stansted with 26 million, and in fifth place London Luton with 18 million. The top 13 UK airports had passenger numbers in excess of 5 million. However, 22 of the 40 UK airports had fewer than 2 million passengers.

I believe at the heart of a levelling-up agenda is the implication that you need to proactively assist and support those parts of the UK that need the most help. Therefore the same APD tax rates for the top three London airports, which accounted for 156 million passengers in total, pre-Covid, surely should not be the same APD tax rates at the three airports of Teesside, Southampton and Cardiff—I pick those of geographic significance—because they account for 3.6 million. That is 3.6 million versus three London airports of 156 million with the same APD tax rates. It is nonsense.

What I suggest today is that APD be abolished for all domestic, short-haul and long-haul flights for all UK airports that have 2 million passengers or less. This will immediately kickstart our regional airports as they emerge out of Covid. It certainly protects jobs and safeguards vital regional aviation infrastructure. For this Welsh Affairs Committee, it immediately offers a UK-wide solution on our Welsh APD conundrum. The impact on the Treasury's revenue-raising opportunities of this suggestion is so modest—it is a tiny drop in the ocean—but the UK regional economic benefit is considerable.

I also feel that this complements our climate objectives. It helps create new routes closer to where people live and so reduces the number of people who drive millions of miles to airports far from their homes. I will give you another statistic. Over 1 million people from Wales drive down the M4 to fly from the London airports. We know we can come up with economic cases that can give us not only long haul to the Gulf, which we proved with Qatar, but long haul to North America as well.

I mentioned strengthening the Union. I passionately believe this will bring the people of our nations closer together, because the list of airports benefiting from this would include Southampton, Jersey, Cardiff, Exeter, Doncaster, Bournemouth, Guernsey, the Isle of Man, Norwich, Prestwick, Derry, Newquay, Humberside, Teesside, the Scilly Isles, Alderney and even Land's End—64,000 people flew to Land's End in 2019. All of these airports have the opportunity to enhance their air links across the UK. As a note of reference, I have included Scottish and Irish airports. As you know, they have different arrangements at the moment, but I believe they could benefit from this thinking.



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I have one more thing to say on this. This can all be further nuanced and can be put into a period of a moratorium. Let's do it for five years. To answer your point on Bristol, Jamie, let's see the impact of this in five years. The cycle for airports is usually two years.

I think this can be very carefully managed and quickly delivered. It also shows that our Welsh issue can be addressed with a UK will. I believe Cardiff Airport to be of vital UK importance, for the reasons I said at the start. That is why I believe, to ensure the future of not only Cardiff Airport but those regional airports and also to come up with a UK strategy leveraging APD and using our conundrum, the difficulty that we have trying to address the APD issue for Wales and devolution by abolishing it not only for Cardiff but alongside our sister regional airports today, is a huge step forward in creating a sustainable enterprise.

This is possibly going to come new to the Minister later this afternoon, but I think it is worthy of discussion. As we emerge from Covid, it is a consensual political approach. I would welcome yourselves in Westminster working hand in glove, with a consensual approach in Cardiff. I pay tribute to Simon Hart, the Secretary of State for Wales. Chair, when you were Secretary of State for Wales, you had a consensual and good relationship with the then First Minister. I think the relationship between Westminster and Cardiff is so critically important because the tsunami of economic challenge that is not that far ahead of us is going to be considerable.

**Dr Jamie Wallis:** Thank you very much, Mr Lewis. That is going to give this Committee and certainly myself a lot to think about.

Q9 **Chair:** Roger, forgive me if you have said this already in your answer and I missed it, but has there been an estimate of what the revenue loss to the Treasury would be from the proposal that you have just outlined?

**Roger Lewis:** Not recently, but I will turn to the report that was done by PwC. It is dated, so this is old, but the thinking behind it is relevant. It looked out to 2015, so it is now six years behind, but it said that abolishing APD would boost the level of UK GDP—UK GDP, obviously using the language of then—by 0.45% in the first 12 months and would average thereafter 0.3% to 2015. This increase would permanently raise UK economic output to the point where the UK economy would be up by £16 billion as a result of increased investment and exports. This implies that investment would rise by 6% in total during the period that it looked at, with exports rising by some 5% in the same period and creating some 60,000 UK jobs, which is so exciting.

It said that this would potentially result in a £3 billion to £4 billion loss to Treasury receipts. However—and it said it was a cautious analysis—this would be offset by increased receipts from other taxes. The report concludes that, at that particular time, this would lead to a positive net gain of £0.25 billion to Government revenues from other sources, primarily due to business growth achieved through the benefits of



abolishing APD. That was written pre-Brexit. In a post-Brexit world, I think that is very exciting indeed when we are looking to a range of other countries and we will have the opportunity to develop relationships with a range of other nations around the world. There was work done on it, and there were real numbers addressed to that answer.

**Chair:** That is very helpful. Thank you very much.

Q10 **Tonia Antoniazzi:** Roger, you have come up with some great ways forward, and I think that is key to our discussion. You talk about APD being got rid of for all UK airports with 2 million passengers or less, but the UK Government have proposals to modify distance bands instead of devolving Air Passenger Duty. Would this be sufficient to support Cardiff Airport?

**Roger Lewis:** The blunt answer is no. I understand the Treasury's predicament. It has generated £3.6 billion from APD, but that is driven, as you saw with my numbers, from the major airports, the London airports, Manchester and then you go down to Birmingham, which is 12 million. That is the top seven upwards. This would give those a little bit of help, but I don't think it is sufficient help to the regional UK airports and I feel it is not part of a levelling-up agenda. No, I feel what has been suggested will not help UK regional airports.

Q11 **Geraint Davies:** Responding to some of your very welcome suggestions, I appreciate you are saying that if we reduced APD generally it would increase demand for aircraft and so on, but do you accept that there is a problem here with carbon and climate change as we come out of the pandemic? Is there a differentiation here between relative APD, namely if all the smaller airports had lower APD, as you have suggested, and perhaps balanced off with very slightly higher APD in the larger airports? Is that something you might suggest?

**Roger Lewis:** Supporting regional UK airports in this way will hopefully encourage greater passenger take-up in regional airports. It then allows people not to make the long car journey to London from the south-west to Bristol, up to Birmingham, but very much London and then around the country it will encourage people not to use their cars. Apart from a few exceptions, everyone makes their journey to airports by road. The carbon footprint that cars create through those journeys will be diminished by this. We can address the carbon footprint issue in that way, but also I feel we need to be encouraging, and it is happening, by the way.

This might not have hit your desk at the moment, but if I may touch upon it, the aviation sector is working its socks off in coming up with sustainable aviation fuel. NASA, working with the German Aerospace Centre, DLR, has come out with a fantastic study that proves that certain fuels have a profound and very quick impact on global warming. It is a terrific report, published by NASA last Friday. But there is something that is exciting for us in Wales, where Cardiff Airport is working in conjunction with the aviation sector, something that was announced this week, which



the Secretary of State might touch on when he joins you later today. LanzaTech, which is part of the South Wales industrial decarbonisation project, is working with UK Government and several industrial partners to build and commission the world's first ethanol-based, alcohol-to-jet production facility in south Wales. It is towards your neck of the woods, Tonia, which is hugely exciting, heading down west Wales. This facility will be used by UK-based airlines, so the industry is making great strides in this.

The Secretary of State said a couple of days ago that developing south Wales into a net zero industrial zone will create thousands of jobs as well as delivering improvements in the local economy but, most importantly, driving the transformation in reaching the UK Government's climate targets. That is why I feel Cardiff Airport, on the doorstep of this sort of facility—as we have BAMC literally on our airfield, as well as aviation and aviatronic sectors in south Wales—working with them, we can come up with the required solution to our carbon footprint. I feel the APD answer will start addressing this. We have long yards to go to make sure we have sustainable aviation fuel, but the work is being done.

**Q12 Geraint Davies:** So we are clear on this, I think we all want a sustainable economy, a growing economy and a sustainable environment, and this is the balance, isn't it? We have already suggested that APD be devolved to Wales in the past, partly because people don't have to drive all the way to Bristol. What you have done now is to expand that to a UK strategy for all small airports, which I welcome. On your last comment about sustainable and less damaging fuel, do you think there is a case that differential taxation could be deployed against aircraft that have cleaner fuel to try to accelerate this change towards sustainable futures?

**Roger Lewis:** Absolutely, and I turn this on its head. I would incentivise the airlines, air carriers and aircraft that are more fuel efficient. You see over my right shoulder the Boeing 787 Dreamliner, which is the plane that Qatar Airways flies. It is a smaller aircraft that can fly longer distances on less fuel. That is the aircraft I mentioned earlier that the British Airways maintenance centre at Cardiff is now maintaining. There are big steps and strides being made in the aviation industry. I think you are right, Geraint, one needs to incentivise the Boeings, the Airbuses and the carriers of this world to be fuel conscious, supporting not only sustainable fuel technologies but also aircraft that can achieve this.

I want to pay tribute to His Excellency Akbar Al Baker, the group chief executive of Qatar Airways, who is a true genius in world aviation. He is at the cutting edge of thinking in this way. Your Chair introduced me to him, and His Excellency Akbar Al Baker is a truly brilliant man. To give you a scale of the operation, the aircraft they have commissioned over the years is somewhere in the order of £80 billion, with perhaps a further £80 billion worth of investment in the likes of Airbus and Boeing. Incentivising them in a very proactive way to reduce the carbon footprint, I think personally, as a citizen, is most welcome.



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**Q13 Geraint Davies:** In addition to making our fuel greener, our planes greener and reducing the average distance people travel to airports through some of your suggestions, do you accept that there is a case for APD to put a limit on the growth of less regulated flying for climate change and to focus on more sustainable trains wherever possible, for example?

**Roger Lewis:** It is a good point, Geraint. I think the straight answer is yes, but to arrive at this position we need an integrated UK transport strategy and we need to look at those parts of the UK that are disadvantaged. We have not talked about PSOs, but we have a PSO between Cardiff and Anglesey, because to travel there by car, by rail or by bus disadvantages a significant part of the business community. PSOs exist around the United Kingdom for those reasons. I think this will be part of a broader UK transport strategy, and that is why I feel that regional UK areas are disadvantaged in this. I go back to the levelling-up agenda. For Cardiff to have direct routes, to sustain its routes to Glasgow, Edinburgh, Newcastle and Belfast is so important for our business connectivity and our economic sustainability, but also for the Union.

**Q14 Geraint Davies:** Is there an option of replacing Air Passenger Duty with a frequent flyer levy? Is that a flyer?

**Roger Lewis:** I think the frequent flyer proposal is a bit of a red herring, and I discount it. A frequent flyer programme is basically a loyalty scheme. It does not encourage the majority of people to fly more; it creates loyalty to a particular carrier. It is like a Tesco club card. If you have a Tesco club card, it doesn't mean you are going to eat more. It means you are going to go to Tesco more often as opposed to Asda or Sainsbury's. I think the frequent flyer suggestion is not a flyer, and to manage it would be hugely difficult.

I have two other points on that. I think the majority of frequent flyers are for business reasons, but in this post-Covid world we have learned, as we are talking today, that people will be using Zoom, Teams and Skype far more to communicate rather than getting on a plane, a train, a car or a bus to do their business. There are definitely times when physical presence is required, and the majority of frequent flyers are business people.

**Q15 Geraint Davies:** Do you think Wales should join hands with all these other places that would benefit from your proposals, whether that is Guernsey or whatever? You have mentioned a whole number of airports outside Cardiff that would benefit from small airports having lower APD relatively, even if it meant slightly higher APD for the big airports, so that we could get regional development. Do you think Wales should reach out so that we have a Union-wide approach to this rather than just talking from a Wales point of view?





**Roger Lewis:** Absolutely, but I emphasise that I am not proposing an increase of APD for the larger airports, because I feel the economic benefit and gain from supporting UK regional airports will offset a very modest drop in the Treasury's revenue-raising opportunities. I am not proposing an increase in APD at all. I feel that APD can be nuanced. It is not for me to say what should happen to the likes of Heathrow, Gatwick, Luton, Stansted, Birmingham or Manchester. I feel it can be nuanced in such a way, as the PwC report hinted at, that there can be changes that manage the transition from an APD world to a lower APD world to a non-APD world for UK regional airports.

Q16 **Geraint Davies:** If we had no APD, wouldn't that be bad for the environment?

**Roger Lewis:** No, because I feel people will always want to travel. If they can't travel from the likes of Teesside, Southampton or Cardiff, they will make the journey to Bristol, Birmingham or London. People will always want to travel. We have seen it now, the urge to travel, and that will always happen. People will always chase a deal as well, but the reasons for air travel for the most part are based on three things: destination, price and time of departure/time of arrival, and you mix those around. If people can't travel from the likes of Cardiff, they will make the journey to Birmingham, Heathrow and Bristol. People from Wales will make the journey to Stansted, Luton and other places.

Q17 **Robin Millar:** Thank you, Mr Lewis. It is absolutely fascinating listening to your account of this, and your passion is evident. Thanks very much for your time here today and for answering our questions so fully. It strikes me, as I was listening to what you were saying, that all these different questions about ownership models—I am familiar with Manchester, having worked with Manchester City Council in a private capacity some years ago and getting into and under the skin of the ownership model there—all of these things, including the journey to a subsidy-free existence and so on, boil down to review points in the planning. Are you aware of when the next scheduled review point for the airport is and the investment that has been put into it?

**Roger Lewis:** I am afraid I am not, because I stood down last year, but we had developed a masterplan for Cardiff Airport and we had planned a very robust journey. As I mentioned, we got to two positive EBITDAs by the end of March before I stepped down, which was a huge milestone. Airports are bought on multiples of EBITDA, times 50 and sometimes times 40, and we were heading to a position where this would be very attractive to the private sector. There is also a tipping point for airports because, quite rightly, airports are heavily regulated for safety and security. There are a lot of fixed costs in airports, so there comes a very quick point where airports can become profitable, and we had certainly projected a very good timeline for our standalone position.

Q18 **Robin Millar:** I must interrupt you, because I know time is pressing. Within your plans there must have been a proposed review point. When



was that review point planned?

**Roger Lewis:** I am not ducking the question, Robin. I don't want to busk around it. The way the relationship works with Cardiff Airport is that we are a standalone business, and I should pay tribute to my fellow board directors at Cardiff Airport. They were terrific. It was a very small board working with a very small executive, and we made decisions—this is so important to emphasise—in the best interests of the business. They were fiduciary-based, mindful of our role as company directors, completely at arm's length from Welsh Government. The board reported into the holding company on a series of parameters.

This is perhaps a good way to answer your question. We reviewed the parameters and the KPIs annually, and then we outlined to the holding company what our plan was. The real scrutiny from the holding company came annually to the board. The board always acted in the best interests of the enterprise, and then of course Welsh Government would ask us to appear before them annually to be scrutinised. The holding company had that role.

Q19 **Simon Baynes:** Mr Lewis, did you float this idea on APD for the smaller airports to the UK Government when you were the chair, or did you have any sort of contact with them, trying to get an idea of what the reception would be to this idea? In other words, do you feel it has some degree of possibility of being a runner, or is it a fresh idea from your point of view?

**Roger Lewis:** The direct answer to your question is, alas, no. I think one of the things that Covid has done for us all is to look at the world differently. I looked at this particular issue in a different way because I know how politically sensitive it is, for many reasons. I looked at this through a UK lens. I have not rehearsed it with UK Treasury. If you could say in advance to the Treasury Minister, please forgive me for this. I was a bit terrier-like with the previous Secretary of State for Wales, and I put on record my apologies for perhaps being too robust with the previous Secretary of State.

I have worked with three Secretaries of State, Stephen, Alun and now Simon, and I was approaching it through one particular lens. However, I did say to Alun Cairns that the key issue for me is APD, not devolution. Even though I passionately believe in aspects of devolution, as I said to you earlier, for me it is about how we create a sustainable enterprise with a level playing field. The same APD rates for Cardiff, Southampton and Teesside, 3.6 million versus 160 million for London, is not appropriate, in my opinion.

**Chair:** We have to wrap up there, because we are going to move on shortly to panel two, when we will hear from the Ministers and have an opportunity to question them on the subjects that we have been talking about this afternoon. Roger Lewis, a huge thank you for your time. You were under no compulsion to appear in front of us as a Committee, but we appreciate your making yourself available and being so frank and



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open in your answers. It has been a very interesting and useful session, so thank you.