



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 20 - 47

Witnesses

[II](#): Kemi Badenoch MP, Exchequer Secretary to the Treasury, HM Treasury; and Rt Hon Simon Hart MP, Secretary of State for Wales.



Examination of Witnesses

Witnesses: Kemi Badenoch MP and Rt Hon Simon Hart MP.

Q20 Chair: Welcome back to the second panel in our meeting this afternoon looking at the future of Air Passenger Duty in the Welsh context. We are delighted to be joined for this part of the session by Kemi Badenoch, who is the Exchequer Secretary to Her Majesty's Treasury, and the Secretary of State for Wales, Simon Hart. We will go straight into it.

I will ask you first, Secretary of State, about the justification for devolving Air Passenger Duty to Northern Ireland and Scotland, but not to Welsh Government. Is that a difference in the devolution settlement that you are comfortable with?

Simon Hart: I think it is just different circumstances. It would be a mistake for us to look at any of the arguments around devolution as necessarily needing to be the same in Scotland, Northern Ireland and Wales. In my view, it rather defeats the objective of devolution, which is intended to cater for specific and unique features of the nations in question. The fact that there may be some variation in legislation and settlement around the UK is nothing that either surprises or worries me, to be honest.

Q21 Chair: I will ask you about Cardiff Airport generally. You were quoted on the BBC Wales website in March when the Welsh Government Minister, Ken Skates, gave a statement to the Senedd updating them on the financial position of Cardiff Airport, the losses and the writing down of the asset value. You were quoted as questioning where the value for taxpayers' money is in all of this. What is your take on the strategic position facing Cardiff Airport? Have Welsh Government tried to use you or reach out to you to help build a case for strengthening Cardiff Airport from your position as Secretary of State? Do you have much optimism about the future growth of that airport and the annual call that it makes on taxpayers?

Simon Hart: It is a very interesting question. To be honest, I have not had any degree of recent contact with Welsh Government about the future of the airport, so I do not know what their latest thinking is. Admittedly, there has been Covid, Senedd elections and a change of personnel in Welsh Government, and that may all have something to do with it. However, there has been very little dialogue, if any, with the Wales Office or anybody else that I am aware of. Kemi may put us right on that topic.

That said, I do not think anybody is disputing the idea that we should have a vibrant international airport in Wales. There might be some comment from colleagues in north Wales as to the geographical convenience—not that we can do much about it—of Cardiff for the economy of the whole of Wales, and of north Wales and maybe mid-Wales in particular.



As far as value for money for the taxpayer, there has not been any discussion about the Welsh Government's ambitions to meet that, other than the generalities that were around last year. Of course we should be able to boast a vibrant airport and, simply because of the economy of Wales, that may not always be exactly the same value per head of taxpayer as it might be elsewhere in the UK. That does not mean we should not be trying to create a situation where we can increase the number of destinations, we can increase the freight traffic and we can increase the profile and profitability of the airport.

Q22 Tonia Antoniazzi: It was a very interesting session with Roger Lewis earlier. He talked about the levelling-up agenda of the UK Government and working as a whole UK, so it will definitely be worth your looking back at it. One of the situations was that APD for all UK airports with 2 million passengers or less could possibly be lowered.

The last Committee, which I sat on with Geraint, recommended devolving Air Passenger Duty to Wales, and it was not taken on board. What plans do you have to continue having a conversation with the Welsh Government about the future of Cardiff Airport and how you can support it as a UK Government?

Simon Hart: Can I give a two-sentence opening remark, and then possibly Kemi can deal with the more substantive element of the question around UK-wide application of APD? I am very happy and very keen—as part of levelling up or, indeed, as part of the ongoing relationship—to have conversations with the Welsh Government and their ministerial teams on the sustainability and future of the airport, very happy to do that. I have a good relationship with Ken Skates in that regard. Now we have the new Government formed in Cardiff, hopefully we will be able to continue that dialogue.

As far as APD and Cardiff is concerned, and whether this is an area that warrants further devolution, it has been looked at on numerous occasions. There is no new evidence we can see to suggest that the existing arrangements around APD need to be changed or would, indeed, have any material benefits even if they were changed. There is a particular focus—which again has not altered as a result of the passage of time—on the distortion that might arise as a result between Cardiff and Bristol. That is where I am.

Kemi Badenoch: Thank you, Simon, you have given a very good intro. Taking a step back to the original premise of the question around devolving APD generally, I believe my predecessor, Simon Clarke, wrote to the Committee a couple of years ago on this point. The main reason why Wales appears to be an outlier is because it is within a single aviation competition area with Bristol Airport. It is so close to the English airport that devolving APD would suddenly create tension in what we could do with that specific airport. That is not the case for Northern Ireland, which is on a completely different landmass and shares a border with a country that treats aviation tax completely differently. Scotland's



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airports are nowhere near English airports for there to be an issue around competition.

More broadly, the point Tonia raised about Cardiff Airport is a good one. Cardiff Airport has been the one most deeply affected by Covid-19. I speak as an MP who represents an airport constituency, and it has been an incredibly difficult time for the aviation sector. The thing that all the stakeholders say—both locally and within the Exchequer Secretary role—is that getting aviation back on its feet is going to take a while. There were pressures on the industry before Covid.

You will remember the loss of Flybe in March 2020, which I think was about 30% of the passengers at Cardiff. That happened just before Covid. The Covid support we are providing in the short term to deal with these challenging circumstances is going to be key. For aerospace and aviation sector customers, I think it is £11 billion we are supporting them with through loan guarantee, support for exporters, the Covid Corporate Financing Facility and so on. That is the key thing an airport like Cardiff will need right now.

Q23 Tonia Antoniazzi: Going back to the single aviation area, Cardiff is unique because it has a longer runway than Bristol and offers a link in international flights to Qatar, so the rest of the world, which Bristol does not. I remember the response from Simon at the time, which seems a little lame now, but never mind.

What steps have the UK Government taken to engage with the Welsh Government on the future of Air Passenger Duty? Are you going to look at further options? That is the thing, are there other options, as Roger Lewis has suggested, and are these viable for your consideration?

Kemi Badenoch: I did not know there was a previous session, so I do not know what Roger Lewis said. Are you asking whether there are other options for supporting Cardiff or other options around APD?

Q24 Tonia Antoniazzi: Other options around APD and potentially lowering APD for all UK airports. I am not looking for an exclusive deal for Cardiff, rather looking at a UK-wide levelling-up resolution. Air travel will continue whether we like it not. What are you looking at to resolve this? That is what I am asking: are you looking at it on a bigger picture level, not just at Cardiff?

Kemi Badenoch: Your first question was on our engagement. We do engage with the Welsh Government. Treasury officials have engaged with their counterparts in the Welsh Government to get their views on APD, because consultation is going to inform what we do in the future.

The proposed reforms are around domestic connectivity in particular—I know the Committee is going to be asking questions on that later, so I will not go into too much detail—and also supporting and promoting the Union and ensuring that the aviation sector contributes proportionately to public finances.



The challenge we have, to answer your question, is that on the one hand we want to promote our airports—I fully understand that and, as I said, I have an airport I would like to promote—but we also have environmental objectives and there is some serious tension there. How can we, on the one hand, reduce APD when we are concerned about emissions? Those are the sorts of issues I have been consulting on. I have spoken to stakeholders both from the environmental side and from the business side of aviation. It is a very difficult question and we need to work together. There is no way that we can look at these things in isolation.

Air Passenger Duty is just one of the many tools we will need to look at in terms of the environmental objectives as a whole. In terms of economic growth and development, I would look more broadly not just at aviation but at the Treasury's plan for growth, the Government's plan for growth and what we are doing on innovation, infrastructure and skills. Those are the things that will make Wales an exciting place for people to do business, and then Cardiff Airport will benefit more broadly from what we are doing around the economy.

Q25 Tonia Antoniazzi: Just a quick one, is there any reason why the Government chose not to invite views on devolving Air Passenger Duty in their aviation tax reform consultation?

Kemi Badenoch: No, the view on APD is very much around what is right for each area. Remember it is already devolved in Scotland and Northern Ireland. There is a specific reason why it is not devolved in Wales, as I alluded to earlier, and therefore we wanted to focus on those three elements I mentioned earlier around domestic connectivity, contribution to public finances and so on. It is not a devolution consultation, and I think it just closed last week.

Simon Hart: Of course I know the official Government response to the Select Committee's findings last time around. The fact is—this may help answer some of the questions—nothing has changed since then, as far as the Government are concerned, in terms of the evidence that would be needed to persuade them to take a different view. There was a pretty thorough analysis of what the Welsh Affairs Committee's thoughts were. The Government took a view and, notwithstanding Covid, not much has changed in terms of the evidence since that time.

I just checked, and there is significant concern about generating tax competition between England and Wales and where that sits in terms of some of the issues that Tonia raised, particularly around levelling up and the Union. There is some conflicting evidence or a conflicting view. There does not seem to be any additional clarity since the Committee last opined on this and since the Government responded. That, coupled with ongoing concerns about tax competition, leads us to where we were before and hence why, as I said, there has not been any fresh effort to re-engage in this particular debate.

Q26 Virginia Crosbie: Thank you, Secretary of State and Minister, for joining



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our group this afternoon. What discussions have the UK Government had with the Welsh Government ahead of the publication of the aviation tax reform consultation?

Kemi Badenoch: We work closely at official level. I am not sure if the Welsh Government put in a response to the consultation—you might know more—but they were, of course, able to. I know the representations I had from the Scottish Government. We endeavour to work closely together. I think it will be when we look at the results of the consultation that we will be able to have views on how we progress the changes and reforms to APD.

Virginia Crosbie: Secretary of State, do you want to add some comments?

Simon Hart: Nothing to add.

Q27 **Virginia Crosbie:** In terms of the discussions the UK Government have had with the Welsh Government and Cardiff Airport regarding the proposals to reduce the domestic rate of APD and potentially introduce new distance banding for international APD, Minister?

Kemi Badenoch: The proposal for reducing APD for domestic connectivity is to help improve regional connectivity. It is not just for flights within a particular country, but for flights between all the four nations. It is not necessarily something we are going to do. We want to hear the views of all the relevant stakeholders on whether it will help. The views I heard, in the meetings and roundtables I had, were mixed. I do not think it is something people have very strong positive views about. We will wait and see what the sum total of the consultation is.

The distance bands proposal is an environmental one to see if we can more closely correlate what people pay to how far they are travelling, because that is closely correlated to how much carbon is being emitted.

Q28 **Dr Jamie Wallis:** Have you undertaken any assessment on how these changes might benefit Cardiff Airport and its connectivity to other UK airports?

Kemi Badenoch: All of that will be done as part of the consultation.

Q29 **Dr Jamie Wallis:** I understand. Are the Government actively pursuing domestic APD policies that aim to help small regional airports, such as Cardiff?

Kemi Badenoch: We do want to help airports. The aim is Union and domestic connectivity. Whether APD is the right tool or not is something that we will decide on post the consultation. However, it is not the only tool and it probably will not even be the main tool that will help drive economic growth. It is one of many different levers we will have.

Q30 **Dr Jamie Wallis:** Are small regional airports, such as Cardiff, higher up the list than their much higher passenger number competitors?



Kemi Badenoch: I am not sure that is something I would say. I do not think we are looking at it in that respect. Every airport is unique and different and has its own individual circumstances that come into play, whether they are owned by the Welsh Government, like Cardiff Airport is, or whether they are privately owned. We need to look at all of the decisions in the round. Whether Cardiff Airport specifically needs additional support in some way, which I think is the question you are asking, rather than for all of the regional airports, those are representations we would expect the Welsh Government to make around the consultation while we are looking to reform APD.

Q31 **Dr Jamie Wallis:** You mentioned the reasoning behind increasing the number of bands, obviously being the climate change argument that the further people travel the more carbon they are emitting. One of the issues raised by our previous witness, Roger Lewis, was that he felt we also needed to take into account the number of road miles travelled on average to an airport. For example, Bristol Airport may attract customers from much further afield than Cardiff, and so will London Heathrow, Gatwick and so on. That carbon footprint needs to be taken into account as well. Will your thinking on this be informed by that view?

Kemi Badenoch: You will be able to speak to the questions that were in the consultation, but I am not sure there is an easy way to capture the exact number of miles people have travelled to Bristol Airport compared with Cardiff Airport. There is an argument that could be made for that, but it could happen for any airport depending on the mix of flights. If you have a better mix of flights and a better offer, people will come from further away. What you want to do, I think, is ensure that Cardiff Airport and all the other regional airports are offering a competitive enough offer that no one needs to travel too far to get to where they need to go.

Simon Hart: I did not hear Roger's evidence, but I think we need to be careful about not applying the criteria he was referring to as an in-perpetuity situation. The mode by which people will be travelling to airports, the type of vehicles in which they will be travelling and the infrastructure that supports that will change. What might be an adverse carbon footprint comparison today, in five or 10 years very well might not be. To use today's status quo as a means of predicting what we should be doing with an airport in five or 10 years' time is a mistake, because air travel will have changed, road travel will have changed and rail travel will have changed. Infrastructure generally will have changed; our travelling habits will have changed. It is an impossible estimation to make with any degree of accuracy. In terms of it being used as a lever to persuade the Government to alter its tax regime, to me it is not a very reliable means by which to do it.

Q32 **Geraint Davies:** Minister Badenoch, we heard evidence from the former chair of Cardiff Airport, Roger Lewis. He basically expanded the argument that has been put already, which is that the APD in Cardiff should be lower so lots of people do not drive all the way to Bristol—I think 1



million people drive from Wales to Bristol—which therefore increases the carbon footprint. He suggested there is a case for the smaller airports, which have less than 2 million passengers, having a lower APD than the bigger airports of over 2 million passengers, bearing in mind that half of the 300 million people who travel each year depart from the three biggest airports. Is that something you might consider, as it would give a welcome boost to all regional airports and stop people travelling so far to other airports?

Kemi Badenoch: I think we should look at the purpose of Air Passenger Duty. It is a per-passenger duty, and because a smaller airport has fewer passengers less Air Passenger Duty is paid. I think I understand the point Roger Lewis is making.

Geraint Davies: It is per passenger. With respect, should it be lower per passenger in smaller airports is the question.

Kemi Badenoch: Should it be lower per passenger in smaller airports? I understand the point he is making, but what we have consulted on is a more general domestic reduction. That will benefit regional airports more because it will impact both outgoing and incoming flights. I think that is a better way of looking at how we can use APD to benefit regional airports. However, they are all—as I said earlier—unique and we cannot necessarily compare them. Without talking about it on a case-by-case basis and without the outcome of the consultation, it is very hard for me to say anything more in terms of what could be done specifically for regional airports.

Q33 **Geraint Davies:** If I could pursue this—I appreciate you do not want to say anything more, and I respect that—and ask that you do at least look at this. The basic case being made by Mr Lewis was that if smaller airports of under 2 million had no APD or lower APD, people would not travel so far generally to bigger airports. There would be less stress on bigger airports; there will be more levelling up; there will be less carbon footprint; and there will be more regional redevelopment. That, of course, would include Cardiff in particular, given that Bristol has hit its 9 million peak and Somerset will not let it expand. From our point of view, we want people in Wales to stay in Cardiff and travel less distance when they fly.

Kemi Badenoch: Yes, it is something we are looking at in the consultation. I can assure you it is an option that will be considered when we provide the response. I am sure officials will take that away.

Geraint Davies: That is very kind.

Q34 **Virginia Crosbie:** My last question relates to the assessment made of the potential economic implications for UK airports if APD is devolved to the Welsh Government.

Kemi Badenoch: The economic implications for Wales or for the airports?



Virginia Crosbie: For other airports, yes.

Kemi Badenoch: It goes back to the single aviation competition area point I mentioned. It is a very difficult one, because if Wales was able to become more tax competitive, Bristol could quite rightly ask for similar subsidies and that would have a domino effect on lots of other English airports, everyone saying, "If they can have it, why can't we?" We have not seen any arguments that trump the aviation market point over the last few years. Therefore, for that specific reason, it is not something we are considering.

Q35 **Robin Millar:** I know a number of taxes are currently devolved, including the partial devolution of income tax. That could be used to encourage more competitive and dynamic approaches. Why is Air Passenger Duty considered to be too distorting a tax by the UK Government to devolve to the Welsh Government? Perhaps you could shed some light on that, please.

Kemi Badenoch: Why is it considered a distorting tax?

Robin Millar: Yes, which was a comment the UK Government made.

Kemi Badenoch: It is because of the closeness of Bristol Airport to Cardiff, which does not appear on any other national border, whether Scotland or Northern Ireland. It has that distorting effect because of the proximity the airports have to each other.

Q36 **Robin Millar:** That is the key point for me, it is the geography that is the distorting factor.

If the UK Government are concerned about competition and the impact on Bristol, would a report, an inquiry—"inquiry" is probably the wrong word—or a piece of research that demonstrated devolving APD would not be economically detrimental to Bristol Airport be a persuasive piece of information for the UK Government that would help them to consider the question?

Kemi Badenoch: I think it depends. We all know on this Committee that it is not hard to get a report that gives you the answer you want to have. What we are very focused on are the measures within the existing framework. For something like a proposed reduction in domestic APD—which we have not decided on, because we want to make sure we are not sending the wrong signals—we look at it in the context of Cardiff, where about 30% of its flights are to locations within the UK. That would have a much bigger impact on Cardiff than it would have on Heathrow, for example.

Bristol and Cardiff being so close together, if there was some evidence to show that there was not a knock-on effect, some evidence we felt stood up to scrutiny, I am sure—like we do with all other taxes—we would keep it under review. However, we have looked at this issue ourselves, I believe, and it is not something we found. Circumstances might change, as the Secretary of State was saying, which might change the nature of



the discussions we are having, but nothing has changed in the last two years.

Q37 Robin Millar: Your point about circumstances changing takes me nicely on to my last question. I am not sure where to direct this, so if anybody has a comment I will be grateful to hear it. Somerset County Council has stopped or halted some of Bristol Airport's plans to expand capacity. That implies there is unmet demand that perhaps Cardiff Airport could take up. The argument would go then that perhaps devolving Air Passenger Duty would enable the Welsh Government to help Cardiff Airport take up some of that unmet demand. Does that carry any weight?

Kemi Badenoch: Not really, and I say that because I had similar issues around Stansted Airport from a local perspective. I cannot comment on the Bristol issue in too much depth, because it is a live planning application and I do not want to prejudice any consideration by Transport and MHCLG Ministers.

What I do know from speaking to airport stakeholders is that the projections around demand have changed post-Covid. I also know the projections around demand are very much into the medium and long term for an airport like Stansted, it is planning ahead rather than an immediate change. Without knowing the full details of the mix of flights that were at Cardiff Airport, it would be very hard for me to give an answer to that question and I cannot comment on the live planning, as I said. Making sure our aviation sector survives is the primary concern of the Treasury and of the Government as a whole. It is too soon, given no one is really flying anywhere at the moment, to have conversations about unmet demand.

Robin Millar: Thank you. I do not know if the Secretary of State has anything he wishes to add.

Simon Hart: I do not, but on your previous question, the Committee is probably aware DfT did some work on the market overlap between Bristol and Cardiff. I am sure it must have been published, but I have not seen it myself. All I know is that it was done, and I think it was provided to the Committee in some distant part of the past. Maybe we could all refresh our memories as to whether that work is still valid.

This is a general observation on the session so far. I wonder if we are concerning ourselves too much with APD being the single silver bullet that will resolve all of these issues. There are a number of different things, and Kemi has touched on some of them, which if implemented will contribute, if you like, to reviving the fortunes of Cardiff Airport and its becoming more of a success than it is. We should not think that APD is the only thing that will deliver that. There are quite a lot of other things that will as well.

Kemi Badenoch: I agree with that. Robin, to answer your question, the figure I was given in terms of how much Cardiff Airport raised from APD



was about 0.2% of all receipts, about £6 million a year. That is the quantum we are talking about. I am not certain that would be what they will be looking for in terms of a replacement for bigger economic growth. Developing Wales's economy, improving the business environment and the economic environment more generally will be much better things to focus on than APD.

Q38 Robin Millar: I have my own concerns about one-way devolution, if you like, and tinkering around circumstances that may change—Covid is one, but also local competition changes and so on—as you pointed out.

Secretary of State, to your point, I suggest the amount of public money that has gone into the airport is perhaps leading to some of this close scrutiny of different factors, including APD.

Simon Hart: I know this will sound a slightly odd thing to say, but I am a guilty party in this, as somebody who lives in west Wales and who, prior to Covid, occasionally had need to catch a plane. It is about a 15-minute differential for me to go from west Wales to Bristol as it is to go from west Wales to Cardiff. There is not a lot in it. We can sit here and talk about Cardiff until the cows come home, but the reality is its geographical location does not lend itself to many of the things we need to see if it is to attract substantial inward investment and, indeed, increased passenger numbers.

I go back to what I said, the infrastructure connections to Cardiff are not particularly good. We should at least be spending some time looking at whether there are ways of making it more accessible to a wider freight and general public community. Unless we do that, we are still going to come up with the fact that there are other airports that are, in many senses, much more convenient. I do not think for a minute anybody in Aberconwy would consider going to Cardiff at the moment; they will presumably go to Manchester, Liverpool or even Birmingham.

Robin Millar: Indeed, except perhaps the Members of the Assembly on the north Wales coast, who I believe have used the airport in Anglesey to get down. Thank you very much, Minister and Secretary of State.

Q39 Tonia Antoniazzi: My concern is that we wanted to have a review to see where we were with the devolution of APD, or the potential devolution, particularly in light of Sir Peter Hendy's Union connectivity review. What we have to look at here is the whole of the United Kingdom and how Wales plays into that.

Like you, Simon, I have the same journey to make, but I prefer and would opt to fly from Cardiff Airport. I find Bristol an absolute chore. However, you make a fair point. It is about how we move this discussion forward and where Cardiff Airport fits in the bigger picture. It is not about wanting more. It is about how it works moving forward, and I think that is positive. That is what we wanted to come out of this, how this conversation with the UK Government, the Welsh Government, the Welsh Affairs Committee and Cardiff Airport is moving forward, particularly in



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light of Covid. That is not a question, sorry; it is an observation, but I wanted you to know that.

Simon Hart: I want to make an observation about Tonia's observation, and it is a pretty sympathetic one, to be honest with you. I am trying to look at all these things in the UK round. As I have said, there are a number of things we are trying to do in a post-Covid recovery period as part of economic regeneration that will lend themselves to a greater future for Cardiff Airport as a recreational holiday take-off location and also for freight and other matters.

The effort we are trying to make as far as the Hendy review is concerned around connectivity—whether that is road, rail, digital or air—is relevant in that. If we make the UK a better-connected economy, we increase the likelihood that Tonia is right and more people will make more use of their local transport facilities. It will provide greater confidence to people who want to invest in our post-Covid economy in any part of Wales.

We are talking to companies all the time that are feeling their way and looking to make some quite exciting and quite big investments in Wales that will employ many thousands of people, not just in this particular area, but elsewhere in Wales, too. Glaringly obviously, I do not want to branch off into a discussion about freeports, but that kind of initiative is part of the levelling-up agenda and it is intended to do exactly that. Coupled with that are our net zero ambitions, which will create a greater sense of awareness about reduced travel generally, let alone air travel.

All these things combine to provide the right circumstances in which the airport can develop and flourish. I revert to my previous answer: I do not think that APD, which is a relatively small part of the jigsaw, is necessarily something we should spend too much time fixating on.

Q40 Chair: To follow up, Secretary of State, I have heard two broad strategic takes on Cardiff Airport around UK Government over the last few years. You have nodded in the direction of both this afternoon. One view says that the reality is Wales has three airports that are very well used already, three successful airports—Bristol, Birmingham and Manchester—recognising that is what people are choosing to use and that is a fact of life.

The other view—Roger Lewis articulated it very strongly in the first session, and you alluded to it as well in some of your answers, Secretary of State—is that Cardiff Airport is a Welsh national infrastructure asset. It is of regional economic importance, potentially of national economic importance, and with the right level of investment, love and strategic planning it can have a profitable future.

Can I press you, Secretary of State, on where you fall between those two views? It is about optimism for the future of Cardiff Airport and, beyond that, it is about what is then the plan. If Air Passenger Duty, as you say, is a fairly peripheral, minor tool in the future success of Cardiff Airport, given that aviation as a policy area is not devolved but is fully the



responsibility of UK Government, what is the plan from the UK Government end for supporting the successful future of Cardiff Airport?

Simon Hart: Obviously the Welsh Government took a view on that a few years ago when they spent £55 million buying it. They clearly took a view that, as a nation in our own right, we should have an airport with international capability. I do not disagree with that at all. In fact, it is interesting—I am guilty of this—that a lot of the conversation we have had today is about the convenience of Cardiff as a point of departure for Wales. It is as much of a concern for us that it should be a point of destination as well.

There are some interesting statistics about the distance recreational holiday visitors will go from the airport at which they land in the UK. It is surprising, I think it is within two hours. Very few people venture further than two hours—I might be corrected on that, but it is not out by much—from the airport at which they land at the beginning of their holiday. Therefore there is a strong argument for making sure that as much of Wales as possible is within two hours of a major and convenient airport destination for European visitors or those from further afield.

I am not sure if your question was a polite way of asking whether we can have our cake and eat it, but the answer is yes. If that was the question, the answer is definitely yes. As part of the overall package we present to the rest of the world, we want an efficient and, as far as possible, conveniently located international airport with numerous destination possibilities. That has to be an asset. We can have an argument about what volume of traffic is needed to sustain that, and we may always come back to the same position. However, whichever way we look at it, it will be many years before we have a sustainable model.

What do we do in the meantime? Do we have to bite our lip and subsidise until that moment? I think to some extent that is a decision the Welsh Government have already taken. However, as Kemi has said, and I hope I support it, I am not sure that just looking at APD is not an easy way of saying, "Right, we have done that. We have ticked that box" and therefore we do not have to have this conversation ever again, because I do not think it will make much difference to the sustainability of Cardiff Airport.

It might make a difference to the devolution settlement, I do not know, but I do not think it will make much difference to the thing that really matters, which is sustainability and investment. Those are much bigger issues that will require integration with a wider connectivity review. I think future sustainability does not depend on the subsidy; it depends on making Wales a destination of choice for investment and job creation and, therefore, worthy of the infrastructure investment necessary to improve the outlook for the airport.

Q41 **Chair:** As freeports have been mentioned, Minister Badenoch—it is perhaps not directly your portfolio—have you been involved in any of the



discussions with Welsh Government about implementation of a freeport in Wales?

Kemi Badenoch: No, not directly. I have not had involvement on the freeports policy in that way.

Chair: Secretary of State, we spoke about this recently. Any update on that?

Simon Hart: Nothing. The moment I mentioned freeports, I knew it would create a whole new avenue of opportunity. However, I cannot add anything from our session last week. My feelings are the same; there is no change.

Q42 **Geraint Davies:** I have a couple of quick questions. Minister Badenoch, I know you are not involved with freeports, but it has been suggested by the Welsh Government that Welsh freeports were offered just £8 million by the Treasury compared to £26 million for English freeports. Can you illuminate us on those figures?

Kemi Badenoch: I can probably speak in broad terms about that amount. It is basically around the level of progression that the discussions on freeports have reached. Discussions are ongoing on how best to implement freeports in Wales. I cannot elaborate further on those internal private discussions, because I have not been privy to them. However, the freeports policy in England is further ahead.

We want to see a Welsh freeport. This is not something that should be a competition between the two nations. We intend to provide funding for a freeport in Wales. We are going to use Barnett at SR20, and we just need to hope the discussions progress swiftly.

Q43 **Geraint Davies:** You mentioned Barnett. So there is no move to ensure that Welsh freeports get the same amount of money as English freeports, it will be Barnett indifferent, is that correct?

Kemi Badenoch: That is how it has been explained to me. I cannot give you further detail than that. I think it is about seed funding to provide a freeport in Wales.

Simon Hart: It might be helpful, and I cannot remember if I mentioned it last week, it is not just at a stroke of the pen that there is this £26 million plays £8 million differential. Those figures were reached by calculating some of the benefits the Welsh Government would gain from the freeport. It is not just a case that somebody has been short-changed to the tune of £26 million minus £8 million. As I say, the Treasury did calculate that. What may happen in the future is a different matter, but those figures were quite carefully calculated so there was consistency across the whole of the UK.

Q44 **Geraint Davies:** Sorry, Minister Badenoch, I did not mean to distract, and I quickly want to get back to APD, if I may. It has been suggested—in particular by a former witness—that a previous bit of research by



PricewaterhouseCoopers found there is a significant benefit from reducing APD in terms of tax recovery from income tax, other investment and economic regeneration. Given that, will you also look at it alongside the suggestion that there may be a case to reduce APD for all the smaller airports of less than 2 million passengers in terms of this levelling-up agenda across the UK, bearing in mind the need to reduce our carbon in relation to people having to travel shorter distances?

I am saying these things so we do not have this conversation about APD completely being locked in the debate about devolution. Whether you reduce APD for all smaller airports or not does not imply it has to be a devolved power. What do you think about that?

Kemi Badenoch: Yes, you are right. Whether we reduce it or not is not, strictly speaking, directly to do with devolution. I think I answered this question earlier when you talked about the distances, and we said it was something we would look at in the consultation response. However, we have to remember that there is an objective to the consultation. It is trying to answer three questions: the Union connectivity question I mentioned before, the question on environmental objectives and also whether aviation is contributing proportionately to public finances.

I think we are at risk of saying one thing, but doing something completely different. We have to be coherent and consistent in terms of what the objectives for the strategy are. That is why it is important to have this very wide-ranging consultation that we have just finished.

Q45 **Geraint Davies:** In terms of using APD for both economic and environmental benefits, would you consider a differential approach for charging APD on passengers on planes that use more environmentally friendly fuel? We have talked about innovations and, particularly in Wales, about generating fuels that would make a plane flying a given distance much less carbon intensive.

In terms of the general structure of APD and carbon, would you not just consider the smaller airports? If planes coming in had lower carbon emissions, would that be a case perhaps for lower relative APD so we can help the economy and the environment?

Kemi Badenoch: This was a discussion we had at one of the roundtables. The argument was put to the point in the proposals around the distance bands, whether this is the best way to reflect emissions and whether we should not be looking at exactly what the plane is doing, how efficient it is and so on. That is something we are looking at as part of the consultation. I can't speak to where we will end up. It is a consideration, but I think it is a consideration that will be for the future because we are not quite there in terms of jet zero, for example.

The Government have established the Jet Zero Council because we want to drive the delivery of the new technologies you are talking about that will cut aviation emissions. We have given £15 million for a competition on sustainable aviation fuel. Therefore we are working towards getting



the fuels, but I think it is premature to decide whether now is the time to look at efficiency rather than what proposals within the consultation are discussed.

Q46 Geraint Davies: Obviously we are coming out of the pandemic. The aviation industry has been on its knees so it does need a boost, we all understand that. Looking a little further to the future and the relative contribution to carbon of different modes of transport, do you think there might be a possible case for a higher APD on bigger airports using dirtier fuel in their aircraft, as we have just described, in order to cross-subsidise cleaner modes of transport like electric railways?

Kemi Badenoch: As with all these things, there are always possibilities. Without looking at the detail of what it means and the knock-on effects, it is not something I would want to speculate on too much. However, it makes sense to look at how many people are using an airport, how many emissions are coming out of a particular one, which aircraft are using them and which companies are using the airports. I think all those things are factors that should be brought into consideration when we decide on final policy. They are things that will change frequently with time. Using regulation or tax like APD, and perhaps other taxes, the Government can signal to encourage businesses to do better and to improve their green credentials. None of those things are being dismissed, if that is the question you are asking.

Q47 Geraint Davies: Finally, you mentioned that the consultation has closed on APD. Will you allow a further submission from this Committee in light of the evidence we have been receiving from Mr Lewis and others in relation to our suggestions—our possible proposals, anyway—for a wider look at smaller airports inside and outside Wales benefiting from a lower APD threshold to help both regional regeneration and our environmental objectives? Is that something you would look at, even though the consultation has closed?

Kemi Badenoch: I understand my officials were listening in on the call, so I am sure we can consider those proposals as well. The consultation only closed last week. We engage very happily with all Select Committees of Parliament. We will be very happy to look at the outcome of the previous session and the reports that you reference.

Chair: We are done. We got through the discussion we wanted to have, so thank you very much. Thank you, Secretary of State. Thank you, Kemi Badenoch. We really appreciate your time.

I was going to say to you, Secretary of State, we look forward to seeing you next week, but we are not going to see you next week—it is the week afterwards—so you have a free Thursday. Thank you, we appreciate the time you are giving us. It is a busy time with lots of issues we are taking an interest in.

Thank you to my fellow Committee members for making this a very interesting double session this afternoon. We will all catch up again soon.



HOUSE OF COMMONS