

# **SUBMISSION OF MARTIN EVANS TO THE PUBLIC ACCOUNTS COMMITTEE OF THE NATIONAL ASSEMBLY FOR WALES - CARDIFF/ANGLESEY AIR SERVICE**

## Background

Martin Evans is a Visiting Fellow at the University of South Wales. In 2008, working with the Wales Transport Research Centre at the University and Halcrow, he undertook the first year monitoring report of the Cardiff/Anglesey air service on behalf of the Welsh Government. No further monitoring reports have been published by the Welsh Government.

## Introduction

The possibility of Welsh internal air services was proposed in ‘The Future of Air Transport - Wales’ White Paper published by the UK Department for Transport in 2003. A feasibility study was undertaken by The Welsh Government and published in the form of a consultation in 2004. The consultation document examined the feasibility of a number of different networks for Welsh internal air services and the level of investment required for the necessary infrastructure.

There are no internal air routes in Wales that would be viable if operated on a commercial basis. The Welsh Government acquired the powers to fund internal air services under a Public Service Obligation (PSO) in the Transport (Wales) Act 2006.

The conditions to be followed in funding a PSO route are set out in Article 16 of the Air Services Regulations 1008/2008 of the European Union.

*“3. The necessity and the adequacy of an envisaged public service obligation shall be assessed by the Member State(s) having regard to:*  
*a) the proportionality between the envisaged obligation and the economic needs of the region concerned;*  
*b) the possibility of having recourse to other modes of transport and the ability of such modes to meet the transport needs under consideration, in particular when existing rail services serve the envisaged route with a travel time of less than three hours and with sufficient frequencies, connections and suitable timings;*  
*c) the air fares and conditions which can be quoted to users;*  
*d) the combined effect of all air carriers operating or intending to operate on the route.*

The effect of these conditions is to eliminate all possible internal routes in Wales except for north west Wales to south Wales.

RAF Valley was chosen as the northern terminal for the route due to a number of costs being covered by RAF operations. However the choice of RAF Valley severely limited the development of the service due to Valley’s limited opening hours.

The southern terminals were intended to be Cardiff and Swansea. However, scheduled air services ceased at Swansea before the route commenced and therefore Cardiff remains the sole southern terminal.

The service providers operating the PSO have been

<b>DATE</b>	<b>TICKET SELLER</b>	<b>AIR CARRIER</b>
May 2007 - March 2010		Highland Airways
April 2010 - November 2012	Manx2	FLM
November 2012 - January 2013	Manx2	Links Air
January 2013 -	Citywing	Links Air

Paragraph 10 of Article 16 of the Air Services Regulations 1008/2008 states

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*“The right to operate the services referred to in paragraph 9 shall be offered by public tender in accordance with Article 17, either singly or, in cases where justified for reasons of operational efficiency, for a group of such routes to any Community air carrier entitled to operate such air services. For reasons of administrative efficiency, a Member State may issue a single invitation to tender covering different routes.”*

A Community air carrier is defined as

*“ ‘Community air carrier’ means an air carrier with a valid operating licence granted by a competent licensing authority in accordance with Chapter II”*

The regulations do not mention the funding of an unlicensed ticket seller, only a licensed air carrier.

The Welsh Government approved the novation of Manx2’s responsibilities as a Service Provider in relation to the PSO Air Service Compensation Agreement to Citywing.

### Economic benefits of the Air Service

Whilst the 2008 Monitoring Report found that over 50% of the additional trips generated by the introduction of the air service where for leisure purposes, nearly 25% of the additional trips were new business trips.

Passenger comments given in the 2008 Report

- 1) They now undertake work in one day that previously would have taken two days with an overnight stay
- 2) The air service not only gave them more time but more productive time
- 3) One passenger calculated giving his employer an extra 12 hours per week
- 4) Driving would leave them tired for the rest of the week
- 5) The reduced travel time saved their company on money and resources
- 6) They now attended more meetings in Cardiff which helped raise the profile of north west Wales bringing significant economic benefit to the region
- 7) The new air service has opened new business opportunities for their organisation. If their business continues to grow they would consider a north Wales office

The effects would be limited by passenger numbers but it was clear that a number of new leisure trips were generated which will have had an impact upon the tourism sector.

However, it is now nearly 6 years since the Monitoring Report was undertaken and this information is now considerably out of date particularly in the context of falling passenger numbers. Without more recent research it is not possible to explain the fall in passenger numbers.

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	2007	2008	2009	2010	2011	2012	2013
<b>Jan</b>		1020	911	524	660	658	512
<b>Feb</b>		1097	786	888	769	728	724
<b>Mar</b>		979	1155	813	996	831	702
<b>April</b>		1185	958	0	697	709	675
<b>May</b>	864	1161	1007	450	841	791	765
<b>June</b>	1153	1221	1084	808	931	705	819
<b>July</b>	1144	1336	1118	869	1005	799	727
<b>Aug</b>	1149	1085	839	657	489	675	667
<b>Sep</b>	1069	1176	1111	828	644	693	740
<b>Oct</b>	1222	1291	1093	844	677	821	874
<b>Nov</b>	1157	1157	1085	802	709	820	823
<b>Dec</b>	795	763	699	333	412	364	512

**Passenger Numbers on Cardiff/Anglesey Air Service (CAA Statistics)**

Quality Issues

In February 2011, another operator operating on behalf of Manx2 experienced a fatal accident at Cork Airport.

The Accident report by the Ireland's Air Accident Investigation Unit highlighted a number of issues

1) "The UK CAA stated that there were concerns that the Ticket Seller was allowing the impression to be created that it was a licensed airline in its own right. The CAA addressed these concerns by requesting the Ticket Seller to amend its website. The Investigation notes that the term 'airline' was not defined or addressed in EU regulations.

The Investigation is of the opinion that the Ticket Seller, an 'air carriage contractor' as defined in Regulation (EC) No. 2111/2005, Article 2 c, was portraying itself as an airline. The Investigation further considers that in the eyes of the travelling public, an airline is synonymous with an air carrier, an entity which is required to hold a valid operating license. Such an operating license can only be held by the holder of a valid AOC.

The Ticket Seller was nominated as a joint 'Service Provider' in the PSO Air Service Compensation Agreement granted according to Regulation (EC) No. 1008/2008. The Investigation notes that this Regulation states that: *'the Member State concerned may compensate an air carrier...'* and contains no provision for any undertaking other than an air carrier to be granted such compensation.

2) "The Investigation was informed by the Luftfahrt-Bundesamt (LBA), the regulatory authority responsible for the issue of operating licences in Germany, that AOC No. D-275 and operating license of FLM Aviation were revoked with effect from 1 November 2012 due to financial/economical reasons as the operator was no longer able to fulfil the requirements of Regulation (EC) 1008/2008, Article 5. Accordingly, FLM Aviation ceased operations. Subsequently, the Ticket Seller continued to sell tickets on this PSO route with FLM Aviation being replaced by an Air Carrier operating under an AOC issued by the UK CAA.

The Ticket Seller informed the Investigation in late 2012 that its assets were being sold to a new company as

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part of a management buy-out of certain parts of its business. The new company commenced operation on 2<sup>nd</sup> January 2013 and continued to sell tickets on the PSO route.”

3) “It is the view of the Investigation that the role of a ticket seller who engages in providing passenger air services is not clear. While the role and responsibilities of an air carrier are well defined, the involvement of ticket sellers in this activity requires that their role and responsibilities should be clearly defined. The Investigation therefore makes a Safety Recommendation to the European Commission in this regard.

**Safety Recommendation No.6**

It is recommended that the Director-General for Mobility and Transport, European Commission should review the role of the ticket seller when engaged in providing air passenger services and restrict ticket sellers from exercising operational control of air carriers providing such services, thus ensuring that a high and uniform level of safety is achieved for the travelling public.”

Conclusions

1) There were clear social and economic benefits for Wales shown by the 1<sup>st</sup> Monitoring Report, however this analysis is now very out of date and there is not enough current information to come to a meaningful conclusion about the air service. The data that we do have shows that passenger numbers have dropped since Manx2/Citywing became the ticket seller with a consequent reduction in benefit from the air service.

2) Future contracts should only be issued to licensed Community Air Carriers as required by EU Regulations.

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