

Andrew Slade
Director General – Economy, Skills & Natural Resources
Group
Welsh Government

14 December 2020

Cardiff Airport

Dear Andrew,

Thank you for attending the meeting of the Public Accounts Committee on 16 November 2020 to discuss Cardiff Airport. Having considered the evidence, the Committee has a number of issues to raise with you, as detailed below.

Airport Chair and personnel

We were concerned to note the large scale changes at Board level, within a short period of time, at the Airport. We acknowledge and appreciate why the previous Chair of the Board remained in post as the incoming Chair could not be released from his previous role until summer 2020. However, the revised end of the Chair's tenure coincided with the planned departure of the Chief Executive. The Director of Finance also left around the same time. Although the timing of these departures were not intentionally co-ordinated, these are significant changes at the very senior level of the Airport's management. This is at time of unprecedented change and challenge which we believe could have a negative impact on the operation of the Airport. We suggest that any such changes in the future are staggered where possible.

Chair of Holdco

We welcome the standing down of Mr Simon Jones in his role as Chair of Holdco given the potential conflict of interest that could arise from him his role as Director of Economic Infrastructure at the Welsh Government. In the interests of transparency and accountability, we hope that the new appointee to the role is not a Welsh Government



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employee. Please could you provide details of how the appointment process has been facilitated.

Loans

During our evidence session we asked you to confirm the total value of the new loan agreement announced on 21 October 2019.

The Airport has previously told the Committee its new agreement with the Welsh Government was for a total of £71 million, which comprised the facility of £38.2 million, over £4 million accrued interest and £28 million of ‘new money’, of which £21.2 million was readily available to them.

This is higher than the amount suggested by the Welsh Government’s written statement and previous evidence given to both this and the EIS Committee. This noted the £21.2 million was in addition to the existing facility of £38.2 million, which suggested a new total of £59.4 million.

We are concerned about the lack of clarity and transparency in terms of the reporting of the total value of loans provided to the Airport. The public announcements about the financial support provided do not make clear what is new funding, what has been consolidated and whether loans have been provided to pay back interest on existing loans.

Despite deferring our questions on this to the private session, it was clear that the figures shared with us, are all available in the public domain. The figures are simply not easily accessible or held in one place. We are most concerned that Ministerial announcements to date have not made reference to all the figures and no reference has ever been made to the separate loan facility. The most recent [Ministerial announcement](#) about the financial support to the Airport during the pandemic (April 2020) said ‘Welsh Government will provide finance to the airport, through varying its existing agreed commercial loan facility, to support its reduced operations and to maintain solvency’. This did not suggest a separate loan facility or ‘emergency bridging facility’. We call upon the Welsh Government to make this important financial information much clearer so the taxpayer, as well as Members of the Senedd, can clearly track the amount of public money that has been provided to the Airport.

Furthermore, your letter of 24 February 2020 said the loan extension provided flexibility to the Airport to refinance the existing loan and cover accrued interest associated with the previous agreement (negotiated in 2016–17). During the evidence session, we asked you to confirm the amount of interest that was due but not paid by the Airport at the time the extension of the loan facility was agreed. We were told that the arrangement was such



that the payment of the interest was backloaded in the repayment profile. This we find most concerning as it appears that loans are being provided to pay back the interest on existing loans creating a worrying spiral of debt. We would be grateful if you could confirm the plans for future funding of the Airport once these existing loans have been fully drawn upon.

You also agreed to provide details about the profile of the repayment of loan capital of interest, given your comments that it was usual for Governments to incorporate a 'interest holiday' in their agreements. Please could you include evidence to support these comments as well as the additional details you agreed to send.

Role of UK Government

We discussed the Airport's funding requirements during the pandemic. We note that much of the responsibility for the strategy for UK regional airports rests with UK Government. However, we believe the Welsh Government, as the sole stakeholder, needs to continue to make strong representations to UK Government on the future of Cardiff Airport and do as much as it can to secure future funding as part of the wider UK Government strategy for regional airports.

We support the Minister for Economy, Transport and North Wales' call for a greater and clearly signalled package of support from the UK Government as these are reserved areas. We understand that the Welsh Government does not have the means to fund the kind of work that would be needed for a very important sector to the UK as a whole. We are concerned that, at the time of our evidence session, a strategy for UK regional airports was not in place and we highlight the importance of Welsh Government continuing to make representations to UK Government on these matters.

During our evidence session with you we also noted the Report of the House of Commons Transport Committee on 'The impact of the coronavirus pandemic on the aviation sector' published on 13 June 2020. The Report recommended that the Department for Transport, the devolved administrations and industry, publish a strategy for the restart and recovery of the aviation sector as soon as possible. Can you provide an update on this and how this recommendation is being actioned from a Welsh Government perspective.

Future of the Airport

We note the profound impact of the pandemic on the aviation industry including unpredicted decline in passenger numbers which have thrown future plans for airports into disarray across the UK and beyond. We acknowledge the related uncertainties including when passenger numbers will begin to increase, what the appetite for air travel



will be in the post COVID-19 world and what impact remote working may have on the number of business travellers.

We fully appreciate that the situation is, and will remain, unclear for some time, and accept both the Welsh Government's and Cardiff Airport's difficult position in not being able to seek alternative ways of generating income from other investors, either public or private, or a partnership deal as was previously suggested.

Therefore it is imperative that the Airport reviews its masterplan and strategy in light of current conditions, reflecting the importance of the Airport to the wider economy. As part of this review it is important that all funding decisions are transparent.

With the future looking so uncertain and the Welsh Government clearly having to continue to commit significant public funding into supporting the Airport, we will be likely to recommend in our Legacy Report that this is matter for our successor Committee to revisit and continue to monitor operations during the next Senedd.

Finally, we were pleased to note the developments at the Airport with the airline Wizz Air reported to be setting up a permanent base at the Airport from March 2021. We would welcome some information about this, including details of any incentives or commercial deal that has been agreed to attract the Airline.

I look forward to hearing from you by 29 January 2021 in order for us to follow up any further areas of interest with you when you appear before the Committee on 8 February 2021.

Yours sincerely,



Nick Ramsay MS
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English.

