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Llywodraeth Cymru
Welsh Government

Nick Ramsay MS
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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1 February 2021

Dear Chair

CARDIFF AIRPORT

Thank you for your letter dated 14 December to Andrew Slade. During the evidence session on Cardiff Airport that we attended with Public Accounts Committee on 16 November 2020, we undertook to write to you to provide further information on how the interest on the commercial loans is managed, along with the outcome of appointing the new Chair of Holdco. I have addressed the above and each of the points raised in your letter below.

Airport Chair and Personnel

I recognise that the timings of the changes to the executive team at Cardiff International Airport Ltd (CIAL) during 2020 were unfortunate, particularly considering the enormous challenges that the airport has been facing since March with the ongoing impact of COVID-19. As noted, the timing of the incoming Chair, Wayne Harvey, was outside of our control, and we were very grateful to Roger Lewis for agreeing to extend his tenure in order to ensure consistency until Wayne could take up his new role. The Finance Director simply sought alternative employment but fulfilled his contractual obligations with CIAL – including any notice period. HoldCo agreed to release of the then CEO (Deb Barber) – a decision which was not taken lightly, but one that ensured the priority needed to maintain a quality, focussed and passionate leadership during the most testing time in the airport's history, since our acquisition in 2013. It was vital that we continued to have a clear, trusted and recognised leadership structure for both the business and its employees, and I am very pleased with Spencer Birns performance as interim CEO to date. Future changes to the CIAL board will remain under review by HoldCo and any future significant changes will be staggered, where possible, in order to maintain a business as usual approach.



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Chair of Holdco

I officially resigned as a Director and Chair of Holdco on the 30th November 2020. Jason Thomas – Director of Culture, Sport and Tourism within the Welsh Government was identified as a potential replacement and advice was issued to the Minister for Economy, Transport and North Wales to formally begin the process of appointing Jason as an interim Director. This advice was agreed and HoldCo is currently in the process of completing the administrative arrangements to appoint Jason as Director and they will then decide on the Chair. This is an interim appointment until we have clarity on the future direction of Cardiff Airport. Once that has been agreed we will undertake a formal review of the current HoldCo arrangements

Loans

We understand the Committee's concerns over reporting methods between CIAL and the Welsh Government over what loans and their values have been provided to the airport since acquisition. For the purposes of transparency, I will commit to publishing the value of loans provided to the airport on the Welsh Government website, however I will not be able to provide any of the details behind the loan for reasons of commercial sensitivity.

The total value of the 27 September 2019 loan agreement announced on 21 October 2019 is for the total sum of £71.59m.

The total debt outstanding at the time of executing the 27 September 2019 WG loan agreement was £43,599,174. This was represented as follows:

Capital sum, drawn down in tranches over a period of time:	£38,200,000
Accrued interest, capitalised to the debt monthly:	£5,399,174
Overall loan balance at completion date:	£43,599,174 Dr

Interest continues to accrue and is capitalised to the balance of the debt monthly, for 72 months following completion.

The September 2019 loan agreement also includes £21.2m of "new money" and an option for a further £6.8m of "new money" which is subject to further Financial Due Diligence and Ministerial Approval.

£16.4m has been paid out of the September 2019 loan facility making the actual total of payments drawn down by Cardiff Airport to date £54.6m. The loan is repayable over 19 years with the first payment due on 31 March 2026. The final repayment date is 31 March 2044.

Interest on the loan facility between the Welsh Ministers and CIAL is calculated on the daily outstanding balance and is applied to the capital balance monthly. For the current loan, this arrangement is in place for 72 months following drawdown of the loan in September 2019.

The most recent financial support announced for Cardiff Airport was a separate emergency loan facility for the sum of £4.8m to support the Airport through the pandemic.

We are not in position to provide any details relating to future funding for Cardiff Airport at present. Officials are working very closely with CIAL's executive board to evaluate the impact of the Covid-19 pandemic on the Airport including future funding actions in relation to recovery options.

Role of UK Government

We were very disappointed to hear that the UK Government's new £100m airport COVID support package was for English airports only. Ministers continue to press the UK Government for detail on its Airport support scheme but nothing has been forthcoming despite repeated requests since it was first announced in November.

The UK Treasury has indicated a funding consequential in relation to this scheme is reflected within our existing Covid Guarantee, but we will not have certainty until we see the breakdown of the Guarantee as part of the UK Government Supplementary Estimates process.

Ministers have welcomed the appointment of Sir Peter Hendy by the Secretary of State for Transport to undertake the UK Government's Union Connectivity Review and they have indicated that they hope this goes some way to levelling up its own connectivity responsibilities across the UK and in Wales. Towards the end of last year, the Minister for Economy, Transport and North Wales met with Sir Peter to discuss our concerns and it was made clear that Welsh Government would support a review where it leads to the UK Government adequately funding its existing responsibilities to Wales in areas such as rail infrastructure and aviation.

Ministers are content that Sir Peter will do an excellent job of reviewing the rail and aviation situation, but they have noted that he has been hampered by not being asked to include broadband in his remit. Given the recent changes to working patterns and to people's lives it is more important than ever that UK Government fulfil its reserved obligations to ensure that every premises in Wales has access to a least Superfast broadband.

Despite the ambitions set out in the UK Government's Aviation 2050 strategy, the UK Government's policy decisions have been focussed significantly on the larger commercial airports in England, so regional airports like Cardiff appear to be less important in UK policy terms.

Unlike other parts of Europe, before and during the COVID crisis the UK Government has prohibited financial support for safety and security – the cost burden on smaller airports can equate to as much as 30% of their operating expenses. Ministers continue to call on the UK Government to change its position in relation to 'allowable aid' for safety and security costs for airports – which would go some way towards levelling the playing field particularly for those airports that are and will continue to struggle as a result of the pandemic.

We continue to have discussions with DfT about the need to have a UK strategy on the restart and recovery of the aviation sector. To date no strategy has been published or indeed shared with us.

Towards the end of 2019, the Minister launched a consultation on Llwybr Newydd: a new Wales transport strategy which sets out our future ambitions for the whole of the transport sector in Wales which includes our ongoing support for Cardiff Airport.

Future of the Airport

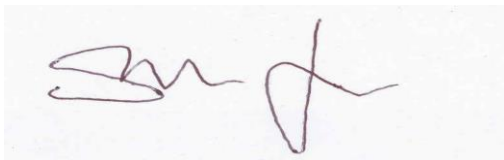
We continue to work closely with the CIAL executive team and will be working with them to revisit the future strategy for the airport, which will include a revision of its Masterplan to reflect the impact and changes that COVID-19 has brought to the airport.

I welcome the Committee's recognition of the difficulties that we, CIAL and the aviation sector now faces, and welcome the opportunity to work with the next Committee Chair and its Members to re-establish the airport as we come out of the pandemic.

Ministers are pleased that across the UK we now have mandatory testing for those passengers arriving into the UK, and hope that this will help the market and industry to recover. This cooperative approach with the UK Government and other devolved nations was vital to assist economic recovery and to protect the whole of the United Kingdom and its citizens.

On a final note, we see very strong benefits to the business of Cardiff Airport following the recent announcement that low cost carrier Wizz Air will be calling CIAL its home and introducing nine new routes from Cardiff. I can confirm that the Welsh Government has provided no incentives to the airline – this is a commercial relationship between the airport and Wizz Air, and as such any agreements between the two parties are commercial in nature. This shows considerable confidence in the airport from Wizz Air. This is a very exciting new opportunity for CIAL at a time when it is sorely needed.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Simon Jones', is centered on a light-colored rectangular background.

Simon Jones
Director, Economic Infrastructure