



Llywodraeth Cymru  
Welsh Government

**Tracey Burke**

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Newid Hinsawdd a Materion Gwledig  
Climate Change and Rural Affairs Group

Mark Isherwood MS  
Chair of the Public Accounts and Public Administration Committee  
Welsh Parliament  
Cardiff Bay  
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15 September 2023

Dear Chair

**CARDIFF AIRPORT**

Thank you for your letter dated 3 August 2023 in relation to Cardiff Airport, I am pleased to provide the Committee with an update and additional information, as requested.

**Rescue and Restructuring Plan and related targets**

Any amendment or variations to the targets set out for the Rescue and Restructuring plan must be done in writing by amending the terms and conditions of the Rescue and restructuring aid grant agreement, agreed and signed by the Welsh Government and Cardiff International Airport Limited (CIAL). This can be raised at any time by both parties, however there are regular quarterly, monthly and fortnightly reporting periods at which this can be raised. At this stage, no revisions, new measures or targets have been agreed by both parties on the climate change targets. I will update the Committee in my regular update if a revision is made to any target.

I can confirm that we will be clearer on performance targets and provide further background information in future. This will be reflected in our next six-monthly update to the Committee, which is due shortly.

**Reviews**

As stated during our session with the committee, this was less of a formal assessment in the sense of the word 'review' and more about closely monitoring the position. As stated previously to Committee, despite the withdrawal of Wizz Air, the airport outperformed its forecasted passenger numbers, recording 910k passengers through its terminal by the end of

the last financial year (31 March 2023) against a forecast of 820k passengers. There has been no immediate impact on the airport's recovery and its finances. Decisions by the airport's other airlines to add capacity and frequency this year have largely mitigated the impact of the Wizz Air withdrawal. Passenger numbers are forecasted to remain broadly the same for the next financial year, with limited growth. The airport's near-term passenger numbers are holding up and it is still on a trajectory to achieving 1.3m passengers by March 2026. Forward looking sales are looking positive with TUI recently adding an extra 40,000 holidays from Cardiff Airport for 2024. We will continue to monitor the position very closely with executives which will alert us to any performance concerns at the earliest possible opportunity.

We are in the process of preparing formal advice to Ministers regarding the additional cost pressures of Cardiff Airport being required to install new Next Generation Security 3-D baggage scanners by 2024, as required by UK Government regulations. We will update the Committee once Ministers have received advice and taken any consequential decisions, as part of our next scheduled update.

## WGC Holdco Chair

I am able to confirm that we are in the final stages of appointing a new Welsh Government Senior Civil Servant to the Board of Holdco. A candidate has been identified and I expect the matter to be completed in the coming weeks; I will provide further information to the Committee in our next scheduled update which is due shortly. In parallel, interviews have taken place for the new independent Non-Executive Directors of Holdco and Ministerial advice on appointments will be prepared shortly.

## WGC Holdco Working Capital

The Welsh Government, on behalf of the Welsh Ministers, operates Cardiff International Airport Ltd as an arms-length private limited company, with distinct separation achieved through WGC Holdco Limited (Holdco). Holdco was incorporated as a private company limited by shares on 21 March 2013. As Holdco is its own individual legal entity, it is required to directly pay for its own individual financial accounting and audit requirements in order to meet the company's own legal obligations. The Welsh Government cannot do this for or on behalf of Holdco.

To enable Holdco to fulfil these obligations, funding is agreed annually by Ministers, resulting in a transfer of funds from the Welsh Government into Holdco's bank account. The level of funding requested is estimated activity for the forthcoming year, which is based on Holdco's previous financial year spend which is indexed up to allow for inflation and usual cost increases.



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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In addition to its legal and regulatory obligations, Holdco must also pay for the cost of its Non-Executive Director (NED) remuneration. Owing to Holdco being a 'virtual' holding company, it does not have any staff or departments such as HR or payroll and, as a result, the NED fees are paid via the Welsh Government and claimed back, in full, from Holdco. Furthermore, in April, Ministers agreed to the transfer of £63,000 to the Holdco bank account for the recovery of NED remuneration for this financial year and previous years, which had not been claimed back by the Welsh Government at the time of the request.

There is nothing novel regarding the transfer of funds into the Holdco bank account and these requests are reviewed annually when required and all decisions are approved by Ministers. The Aviation Policy Team provides the secretariat support function for Holdco and processes Holdco's invoices and NED fees on its behalf. Policy officials obtain clearance from the Holdco Board prior to processing any invoices or claims.

## Intra-Wales Air Service

Following the withdrawal of funding for the Cardiff-Anglesey PSO air service in June 2022, the Isle of Anglesey County Council (IACC) determined that it had no resources to fund the Anglesey Airport itself and that closure was the only option. Ministers provided a commitment to the Leader of the Council at Anglesey Council that the Welsh Government will continue to fund all of the costs associated with the closure of Anglesey Airport, including all the costs and work that the Council will face from bringing the agreement with the Defence Infrastructure Organisation (DIO) to an end.

Officials have since been working closely with IACC to identify the relevant costs and processes involved.

Two main workstreams were identified and have now been completed:

- a. The disposal of WG owned assets at Anglesey Airport; and
- b. The exit of the lease along with the 'handing-back' of the building to the DIO.

The additional grant agreement issued to IACC in March 2023 was awarded to allow the reimbursement of these final closure and 'hand-back' costs. The value of the additional grant was for to a maximum of £66k. The total spend is expected to be c.£61k which is due to be finalised in the coming weeks.

I am pleased to confirm that all Welsh Government owned airport equipment was sold under a competitive bidding process along with surplus office furniture. No items were thrown away and the sale generated an income to the Welsh Government of c.£40k.

The table below illustrates the cost savings achieved against the Eastern Airways contract and IACC Grant as a result of the withdrawal of funding and termination of service in June

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2022:



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<b>Eastern Airways:</b>		
On the basis that service remained suspended in April and May, it resumed in June 2022 and then operated normally until the contract expired 17 February 2023, the anticipated maximum contract value was:  (£169k April 2022 – May 2022, suspended + £1.313 June 2022 – Feb 2023, operational)	Spend for the period:  (1 April 2022 – 17 February 2023)	<b>Saving:</b>
£1.482m	£478k	<b>£1m</b>
<b>IACC:</b>		
On the basis that service remained suspended in April and May, it resumed in June 2022 and then operated normally until the grant expired 31 March 2023, the anticipated maximum grant allowable was:  (£800k in FY2022/23 + £66k in FY2023/24)	Spend for the period:  (£187k in FY202/23 + £61k in FY2023/24)	<b>Saving:</b>
£866k	£249k	<b>£617k</b>
<b>Combined total:</b>		
<b>£2.348m</b>	<b>£727k</b>	<b>£1.617m</b>

I trust you find the contents of this letter address the issues you raised in your letter of 3<sup>rd</sup> August. I will update you further in my next 6-monthly update which is due shortly, but if you would like further information or clarification before that, please let me know.

Yours sincerely,



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