

Tracey Burke

Director General - Climate Change and Rural Affairs Group

Welsh Government

3 August 2023

Cardiff Airport

Thank you and your officials for attending the meeting of the Public Accounts and Public Administration Committee on 22 June 2023.

I list the action points from the meeting, together with the areas about which we would welcome additional information or an update, as appropriate.

Rescue and Restructuring Plan and related targets

In my letter dated 6 April 2023, I sought an explanation why your six monthly update about Cardiff Airport, dated 21 March 2023, had not included any information about the target for Cardiff Airport to commit by 31 March 2023 to become carbon neutral. In your response, you noted, given the current economic climate, it was "extremely challenging for any regional airport to achieve the objective of achieving Net Zero by 2050 across all of its operations".

You told the Committee the Welsh Government is able to amend the targets in the Rescue and Restructuring Plan, noting the climate change targets had not been abandoned and suggesting the timescale for meeting them had changed.

We would welcome information about the process for agreeing changes to the Rescue and Restructuring Plan (the Plan) and the targets included in it, including who needs to approve any revisions, as well as how the Welsh Government has applied this process to the climate change targets. We would also welcome information about the revisions to the climate change targets,



including any new measures and target dates, which the Welsh Government and Cardiff Airport have agreed.

We also asked about Cardiff Airport's performance against some of the other targets in the Plan, such as that for profitability and Earnings Before Interest Taxation Depreciation and Amortisation (or 'EBITDA'). It was clear from the evidence that some of the targets require interpretation and further information is needed to explain them. We welcome your confirmation that, in future correspondence, you will be clearer about the targets. We would like you to reflect this in your next six-monthly update to the Committee about Cardiff Airport.

Reviews

In your last six-monthly update (March 2023), you noted Welsh Government officials were working with the Airport to understand the impact of the withdrawal of Wizz Air on the timescale for self-sustainability. You also noted Ministers asked Welsh Government officials to work with the Airport to consider potential mitigations, given the impact of inflation on the cost of maintaining regularity compliance and the consequential pressures on the capital investment budget. You set out some of the considerations on 22 June 2023 but we would welcome more information about the findings of these reviews and any actions taken as a result of them.

In the evidence session, Cardiff Airport told the Committee the cost of the new high-tech scanners, which the UK Government requires airports to install by 2024, is higher than anticipated and projected in the Rescue and Restructuring Plan. You noted Welsh Government officials were working with Cardiff Airport to understand the additional cost pressures and formal advice would be presented to Welsh Ministers. We would welcome an update once you have presented this advice to Welsh Ministers.

WGC Holdco Chair

Having decided the WGC Chair would continue to be a senior civil servant, you told the Committee the Welsh Government had sought applications for the role from staff at director level who did not report to you. We would welcome an update once the Welsh Government has completed the process and selected the successful candidate. We would also welcome an update once the new non-executive directors have been appointed.

WGC Holdco Working Capital

We note the decision report on 14 June 2023, which stated the Minister and Deputy Minister for Climate Change had approved "additional working capital for WGC Holdco Ltd for this financial year to meet its legal, governance and statutory audit expenditures". The Welsh Government reported it had provided an additional £15,000 to WGC Holdco for 2023-24, saying this "enabled the company to meet its specific governance commitments and undertake functions for the purpose of monitoring the Welsh Government's investment in the airport", such as cost of the audit of the annual accounts,

filing of the accounts at Companies House and tax returns to HMRC. It also allows for external legal advice to support WGC Holdco's work on behalf of Welsh Ministers.

We would welcome further information about what prompted this decision and the process in place to agree the additional funding.

Intra-Wales Air Service

On 22 June 2023, the Committee asked for an update about the financial implications of the Welsh Government's decision to terminate early the contract with Eastern Airways. We would welcome a summary of all costs relating to the decision to terminate the Intra-Wales Air Service and the closure of Anglesey Airport, including the additional grant the Minister and Deputy Minister for Climate Change approved to the Isle of Anglesey County Council, included in the Welsh Government decision report on 30 March 2023.

We would welcome your response by 1 September 2023.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Isherwood', with a long horizontal line extending to the right.

Mark Isherwood MS

Chair of the Public Accounts and Public Administration Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

