



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

02/02/2016

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Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn  
ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in  
the committee. In addition, a transcription of the simultaneous interpretation  
is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mohammad Asghar      Ceidwadwyr Cymreig  
[Bywgraffiad](#) | [Biography](#)      Welsh Conservatives

Jocelyn Davies      Plaid Cymru  
[Bywgraffiad](#) | [Biography](#)      The Party of Wales

Mike Hedges      Llafur  
[Bywgraffiad](#) | [Biography](#)      Labour

Sandy Mewies      Llafur  
[Bywgraffiad](#) | [Biography](#)      Labour

Darren Millar      Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)  
[Bywgraffiad](#) | [Biography](#)      Welsh Conservatives (Committee Chair)

Julie Morgan      Llafur  
[Bywgraffiad](#) | [Biography](#)      Labour

Jenny Rathbone      Llafur  
[Bywgraffiad](#) | [Biography](#)      Labour

Aled Roberts      Democratiaid Rhyddfrydol Cymru  
[Bywgraffiad](#) | [Biography](#)      Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

Debra Barber      Rheolwr Gyfarwyddwr a Phrif Swyddog Gweithredu,  
Maes Awyr Caerdydd  
Managing Director and Chief Operating Officer,  
Cardiff Airport

Roger Lewis      Cadeirydd, Maes Awyr Caerdydd  
Chair, Cardiff Airport

Matthew Mortlock      Swyddfa Archwilio Cymru  
Wales Audit Office

Ben Robertson                      Swyddfa Archwilio Cymru  
Wales Audit Office

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol  
National Assembly for Wales officials in attendance**

Fay Buckle                              Clerc  
Clerk

Claire Griffiths                        Dirprwy Glerc  
Deputy Clerk

Joanest Varney-                        Uwch-gynghorydd Cyfreithiol  
Jackson                                  Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:05.  
The meeting began at 09:05.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions**

[1]     **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. Just a few housekeeping notices: if I could, I remind everybody that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free to contribute to today's proceedings through either English or Welsh as they see fit. There are, of course, some headsets available for translation, and they can also be used for sound amplification for those who require it. I encourage everyone to switch off their mobile phones and remind everybody also that, in the event of a fire alarm, we should follow the directions of the ushers.

[2]     Are there any declarations of interest this morning?

[3]     **Jocelyn Davies:** Yes. A family member is employed by Thompson Airways at Cardiff but, at the time of the acquisition, was based at Bristol.

[4]     **Darren Millar:** Thank you, Jocelyn. We'll note that. Any further declarations? There aren't any. If there are, obviously, we can raise them as we come to them on the agenda.

[5] **Jocelyn Davies:** Obviously, other airlines are available. [*Laughter.*]

[6] **Darren Millar:** That's right.

09:06

### **Papurau i'w Nodi Papers to Note**

[7] **Darren Millar:** Item 2, then: papers to note. We've got the minutes of our meeting held on 29 January. Can I take it from Members that those are noted? That's great.

### **Maes Awyr Caerdydd: Sesiwn Dystiolaeth 1 Cardiff Airport: Evidence Session 1**

[8] **Darren Millar:** Item 3, then: Cardiff Airport inquiry. This is the first evidence session of this inquiry, following the publication of the auditor general's report last week on the acquisition and ownership of Cardiff Airport by the Welsh Government. I'm very pleased to be able to welcome to the evidence session today Roger Lewis, the chair of Cardiff Airport, and Debra Barber, the managing director and chief operating officer at Cardiff Airport. Welcome to you both. Obviously, Members have had the opportunity to receive a briefing from the Wales Audit Office, and we've also managed to digest over the weekend the detail of the report that was published by the Wales Audit Office.

[9] Can I ask you, from your perspective—and this is probably more to you, Debra, given your length of service at Cardiff international airport—what your perspective is on what happened to the airport in the run-up to the acquisition by the Welsh Government and that process of transition? Perhaps you can give us your perspective.

[10] **Ms Barber:** Yes. I arrived at Cardiff Airport in May 2012. We were owned at that stage by Abertis airports, as part of the TBI group in Luton and Belfast. I think it's fair to say that the airport was struggling at that time. We'd had a number of years of declining passenger numbers. We'd also had a number of years of limited capital investment in infrastructure. I think, also, we had a sort of poor perception of the airport amongst a lot of our passengers and also airline partners. So, that was the kind of environment

that we came into.

[11] We became aware of the—. Obviously, at the time, the Welsh Government had quite a lot of interest in the airport. I think the First Minister's taskforce was set up towards the end of that year, and we became aware of the Welsh Government's plans to acquire the airport around the same time as everybody else, really—the airport team—in December. I think, actually, it was very well received when we got that message, because people could see that the future of the airport was potentially in doubt. So, I think the general sort of mood at the airport at the time was that this was a good way forward.

[12] **Darren Millar:** The previous owners were not talking about closing the airport, though, were they, Debra, or was that something that was mooted at the time?

[13] **Ms Barber:** We did have a couple of board meetings where the chief executive officer did say that that was in his mind, but there was no active move to close it at the time. But, as I say, it was mentioned at a couple of board meetings.

[14] **Darren Millar:** The auditor general's report mentions the lack of capital investment and the public and airline perception, but one of the other things it also refers to is this increase in charges to carriers. Do you want to give us a bit of a background to that?

[15] **Ms Barber:** I think the Spanish approach to the business was that it was all about revenue generation, and the only way they could see of increasing revenue was to increase charges, which then obviously became quite counter-productive because our competitor airports weren't adopting that same approach. Obviously, when we've got passengers who are potentially not happy with the facilities and then we're charging them to use them—to use trolleys and things like that—that didn't help in terms of building the business.

[16] **Darren Millar:** You say that there was a general sigh of relief when the Welsh Government indicated that it wanted to progress with a purchase of the airport. There must have been some concern when public statements were made by people like the First Minister and other politicians from other parties raising concerns about the decline of the airport. Many people suggested that that was sort of talking down the airport's fortunes. Was that

a feeling on the ground as well?

[17] **Ms Barber:** Well, I think we've got a very passionate workforce at Cardiff Airport—a lot of people who are very loyal, who have been there for a very long time, and quite literally people who have dedicated all their working lives to it. So, I think people were hurt by that, but I think it just sort of spurred people on. We had to make it better.

[18] **Darren Millar:** Okay. Thank you. Sandy, you wanted to come in.

[19] **Sandy Mewies:** Yes. Good morning. I know that you can't perhaps go into great detail about this, but the context of this seems to be that Abertis—. It seemed quite clear that they were going to run down rather than push up the airport and what it did. Certainly, I wondered—I did ask—should I declare that I've travelled from that airport quite a lot since I've been here, and I've seen an enormous improvement in recent times. I went quite a lot last year. That in itself must have been having an effect on the workplace, but what impact did that have on what happened next, do you think? Because, you've talked about—well, the Chair brought in the First Minister and some statements he made in that context, I believe. What impact, then, did the position that Abertis seemed to hold have on what came next over the acquisition, and on looking at the airport, both as a commercial asset and as a public and community asset, with the associated impact that would have on jobs in the area, including those around the airport, and indeed the wider economic community?

[20] **Ms Barber:** Yes, I didn't actually quite follow the sort of question, there. Can you ask—?

[21] **Sandy Mewies:** Okay. The point was that this was—. The company running the airport, it would have been very easy for them, wouldn't it, to sell off the assets and get rid of it?

[22] **Ms Barber:** Yes.

[23] **Sandy Mewies:** That's the context I'm talking about.

[24] **Ms Barber:** Right. Okay.

[25] **Sandy Mewies:** So, when someone comes in to look at it—anybody, as a buyer—. We've already heard the impact the statements might have had,

but I would have thought the general feeling of, 'Well, this is a place going nowhere', might have had on the workforce, would have had an impact, but it would have also had an impact on the way the airport would have been looked at as an asset to somebody. So, do you think that there was a feeling of, 'Well, if something isn't done soon, it's going to go anyway', and that would have an impact? When you're looking at it for—. We know that there was a commercial assessment of the acquisition, but also there's a wider aspect, isn't there, of how many jobs would go, the workforce and so on, and the impact it would have on the community around there. So, I'm saying: the fact that that was a feeling with Abertis—the context that they were in. If you don't know, just say, 'Well, I don't know'.

[26] **Mr Lewis:** I'll come in there.

[27] **Ms Barber:** Yes, yes.

[28] **Mr Lewis:** Thank you. Before considering any further, I'd just like to say thank you for inviting us today. I'd like to take you up on your point, Chair, that I think this is going to be—hopefully—a positive exercise over the next couple of weeks, because I think it is about, as you say, building up the airport and creating a real future for Wales. I think the point that you're entering into is, quite rightly, one of conjecture and, having been involved in many mergers and acquisitions over my career in terms of the purchasing and selling of significant assets, obviously you need a willing buyer as well as a willing seller.

09:15

[29] Ultimately, the motivation from both parties will be driven by a strategic rationale and there will be a number of factors that will be brought to bear in terms of criteria for the purchaser and the seller. Having looked back at this particular moment, I think, strategically, it was the right decision for Wales. It was a right decision. I think, by any metric, it would be regarded as the right decision.

[30] You've mentioned job creation; yes, that is important. The economic benefit to Wales, that's important. But, fundamentally, coming from the private sector and as a businessman, the key metric must be, of course, creating an enterprise of value and you can measure that value in a number of different ways. Of course, the key measurement for ourselves, now—and we are very much a company that's in growth and looking forward—is, of



course, our passenger numbers, and as you know, our passenger numbers are up by some 13 per cent on last year, and we have some very ambitious targets for the year ahead, for growth this year and for next year. We've just published a report and we've published some very encouraging financial figures, as well. So, those metrics are important, but I think the fundamental metric is it has to be a national asset for Wales and you can measure the importance of that national asset. There's no country in the world that doesn't have an airport as part of its capital city, and I think that is so important for us, by any measurement, that we maintain that position. So, heading back to the decision, I think that decision was guided by all of those metrics and, dare I say, it was absolutely the right decision.

[31] **Sandy Mewies:** Thank you.

[32] **Darren Millar:** Debra, I'm going to bring Jocelyn in now, but can I just ask, as a matter of interest, were there any other expressions of interest in purchasing the airport?

[33] **Ms Barber:** Were there what, sorry?

[34] **Darren Millar:** Were there any other expressions of interest from others in purchasing the airport?

[35] **Ms Barber:** We weren't involved in the acquisition process at all, so I really don't know the answer to that one.

[36] **Darren Millar:** Roger, from what you know from the board's perspective, were there any other offers from anybody? Any other expressions of interest?

[37] **Mr Lewis:** Not that I'm aware of, but again, having been in this world with other enterprises, who knows who might've popped out of the woodwork, so to speak?

[38] **Darren Millar:** If they were touting for a buyer.

[39] **Mr Lewis:** Quite. And, who knows? That is always the question here, and there are tipping points in sales and acquisitions and, as I say, the question is: who knows? I think someone had to step forward, and that's the same with any business decision—someone has to step forward, and, at this particular moment, the Welsh Government stepped forward.

[40] **Darren Millar:** Okay. Jocelyn.

[41] **Jocelyn Davies:** You arrived in 2012, and it was mentioned a number of times in the boardroom, you say, that closure was a possibility. Was that known throughout the staff outside of the boardroom? Was there a feeling, because, obviously, if people had worked there for many years, they could see the decline, they could see the lack of investment and they could probably see the writing on the wall? So, was there a feeling within the staff that it was a definite prospect that it might close?

[42] **Ms Barber:** I think, you know, people could see that the airport was not being cared for by the company. I think, as well, the other point is, fairly soon after Cardiff Airport was sold, Abertis sold the other two airports within the group. So, I think people were beginning to pick up on Abertis's general appetite for the business. Also, the people saw the board members interacting with the airport and the staff and I think, yes, there was a general feeling that they were sort of pulling away from interest in the airport.

[43] **Jocelyn Davies:** I notice Mr Rowe–Beddoe's report in the paper that he couldn't believe the state of it when he arrived. I think that would've been after you, of course—that would've been 2013, I guess. Would you concur with those comments; that you couldn't believe the state of it in 2012?

[44] **Ms Barber:** I think so. One of the key things for me—I was the operations director at the time—was that we put together a capital programme of critical infrastructure that needed to be replaced and we actually got about a fifth of what we required, which just about enabled us to do the sort of stuff that we were required to do by regulation.

[45] **Jocelyn Davies:** I see. Right; okay.

[46] **Ms Barber:** So, everybody could see that the infrastructure was being worn down, critical maintenance contracts were being left aside for a sort of fix-on-fail mentality. So, there was that general perception that things really needed to be lifted.

[47] **Jocelyn Davies:** And you've got a long history in aviation, of course. I Googled you this morning, so I knew that you were going to say 'yes' to that. I expect you haven't, Roger. In your experience, then, in your knowledge of the industry, if it had closed is it likely that it would have been bought and

been re-opened as an airport? Or would it have just been something else?

[48] **Ms Barber:** It could happen. We had Blackpool airport close earlier in the year, in 2015, and it has re-opened now as a sort of general aviation airport. I think the thing is as well that we've got British Airways at the airport, so clearly there would have been a lot of discussion around British Airways and the future going forward. I think some airports have closed and are now housing estates. Manston in Kent is another example of that kind of thing.

[49] **Mr Lewis:** To be precise: was it heading towards a tipping point when it could have headed for closure? The answer is 'yes'.

[50] **Jocelyn Davies:** What I'm asking is, had it closed, would there be any likelihood that it would have re-opened as an airport, or would we have had somebody, another speculator, come in and think, 'This is great for housing; this is valuable land for housing', and then we would have been the only country in the world without an airport in its capital city? Because of course commercial investors don't worry about that sort of thing, do they? They don't say, 'Oh, this is a capital city that needs an airport; I'd better rescue this'. They look at it from another point of view.

[51] **Mr Lewis:** I think with any asset of the nature of Cardiff Airport—you can look at this through the lens of many businesses—if it had closed, the opportunity for it to open again in the form that it is today is highly unlikely. Again, the measurement for that is the amount we have to spend year in, year out for regulatory reasons to maintain the infrastructure and the service to a level that will accommodate not only the number of passengers that we currently have through the airport, but the projections as well. So, you have to continually manage the asset, and that is very, very expensive.

[52] **Ms Barber:** I think the other thing as well is that, obviously, a commercial airport relies on airline partners, and I think if the airport had closed as a commercial entity it would have been exceptionally difficult to regenerate that confidence in airlines to get a commercial operation going again. As I say, it could have opened as a GA airport, or something like that—sorry, general aviation. But the chances of it regaining a commercial licence—it would be very difficult.

[53] **Jocelyn Davies:** Okay. Thanks for that.

[54] **Darren Millar:** It would have been worth buying, though, as a commercial asset for somebody—probably another airport operator—if it had been put on the market, as it were, or if invitations had been welcomed by Abertis. That didn't happen. You've said that, Debra, that it didn't happen. I mean, you've got the experience in the industry, as Jocelyn Davies has just said. Is this an asset that was worth somebody picking up and trying to rejuvenate?

[55] **Mr Lewis:** If I could just pick up strategically, first of all, and hand over to Debra. Debra is the expert in this area, but I'm looking at it from a business perspective. Cardiff Airport is going to succeed by putting it into the context of Wales, and particularly the region in which it lives. For that to work, the intervention of Government, I believe, was appropriate at that particular moment. Debra's already mentioned the British Airways maintenance facility at the airport. I was there yesterday. There were eight 747s outside. It can accommodate four. It employs 600 highly skilled jobs. As we know, the whole board of British Airways was down just before Christmas. They've committed to the facility for most probably the next 20 years, with the Dreamliner and the Boeing fleet. Debra and I went up to London a couple of weeks ago to meet the incoming chairman and chief executive of British Airways, Alex Cruz, and we discussed with him a number of strategic options. Now, that is one key bit of the jigsaw, that maintenance centre. Maintenance, repair and overhaul is a very significant sector in Wales. Wales accounts for over 20 per cent of MRO in the United Kingdom, and the United Kingdom is the second-bigger player in MRO in the world, after the United States. So, there is a key play here for us in terms of maintenance, repair and overhaul. There's looking at that.

[56] We then look at, obviously, the relationship we have with our passengers. We're now up to 1.1 million. We know historically we've got to 2 million, and we have growth patterns going forward. I think, by the way, Chair, this report was extremely useful, which was published by the Welsh Conservatives, because what it says in here are many of the strategies we've adopted within the airport. You not only look at passenger growth, but you look at MRO. As it quite rightly says at the top,

[57] 'It's not about the airport, it's about the airlines'.

[58] So, attracting the airlines in is key, but then marketing has been key, the infrastructure has been key, freight, which this report touches upon, is now another opportunity, and we need to link up with the private sector in

Wales—what comes into Wales, what goes out of Wales. There is no freight play at the moment within the airport, so then how do we work with industry within south Wales? So, this becomes more than a straight airport play. Then, we start working with the likes of GE up at Nantgarw; British Airways, as I've said, we've talked to and they've got other centres within the area. We look at the other things we can offer. On the relationship with St Athan, yesterday we came across this report, which was published, which was again very, very helpful and interesting. I was down at St Athan yesterday; so, how do we link up with St Athan? I'll end it here, but what I'm saying is that the holistic play for the airport within the context of Wales is far more significant than an airport on its own. That's why I feel it was appropriate for this intervention at this particular time.

[59] **Ms Barber:** Yes, I agree. Like you said, we certainly weren't aware of any private interest in the airport at the time, and it was never discussed at the Abertis board that there was another investor. As Roger says, I think our key interest was maintaining the jobs that we've got there, and the national airport for the country. That was our focus.

[60] **Darren Millar:** Okay. Jocelyn.

[61] **Jocelyn Davies:** Perhaps we could just go back to that point, because I know that we'll come on to your vision for the future later, but we just wanted to look at what happened. I love your enthusiasm for it, I have to say, and I don't disagree with anything you've said. So, there was a possibility that it could have just finished. It's unlikely that it would have reopened, but it could have been sold for another commercial interest. If somebody had wanted, then, to reopen it as an airport, it seems to me that the aviation industry does move quite slowly, and is careful. These things don't happen overnight, to get somebody interested, and planning flights and things. So, do you think somebody else, another commercial interest would have come in, reopened it, possibly as an airport, and then had the vision that Roger's got, because they wouldn't have taken into consideration these other things, would they? Those things that Roger was talking about don't interest a commercial operator, do they?

[62] **Ms Barber:** No. Like you said, I think it would have been very difficult to have reopened the airport had it closed. There's a possibility that somebody could have come in and done that, but I think if you look in recent history at the airports that have closed—the likes of Plymouth, Manston—Blackpool is the only one that has reopened. So, I think it would have been

very challenging.

[63] **Jocelyn Davies:** The capital investment plan that you put in place—you've got about a fifth of it, did you say—what was the value of that? Did you have a price tag in mind of what all that would have cost had somebody been prepared to do it?

[64] **Ms Barber:** I think our annual capex, capital expenditure, is around about £3 million. So, we've got a fifth of that, which is about £600,000.

[65] **Jocelyn Davies:** All right. Thank you.

[66] **Darren Millar:** Aled, was it on this issue?

[67] **Aled Roberts:** Yes.

[68] **Darren Millar:** It was. Okay, and then we're going to come to Julie on governance and then we'll move on to performance.

[69] **Aled Roberts:** Nid wyf yn siŵr os ydy hwn yn rhan o'ch gweledigaeth chi, a dweud y gwir, ond rwyf jest eisiau cael eglurhad ynglŷn â beth yw eich cynnig masnachol chi. Ar adegau, rydych yn sôn am—. Rwy'n deall bob peth ynglŷn â'r ffaith bod rhan o'ch cynnig chi ar gyfer y brifddinas, ond rydych yn sôn am gynnig masnachol ar gyfer Cymru; ar adegau eraill, rydych yn sôn am dde Cymru. Ble yn union ydych chi'n rhoi'r cynnig yna? A gaf i hefyd ofyn i chi, er mwyn inni ddeall yn union beth ydy'r sefyllfa: rydych chi wedi dweud bod Abertis wedi gwerthu Belffast? A aeth hwnnw i'r farchnad, a phwy sydd wedi prynu Belffast?

**Aled Roberts:** I am not sure whether this is part of your vision, to be honest, but I just would like an explanation of what your commercial offer is. At times, you have talked about—. I understand what you are saying that part of your offer is for the capital city, but you have talked about a commercial offer for Wales; at other times, you talk about south Wales. So, where exactly are you placing that offer? Also, I would like to ask you, so that I can fully understand the situation: you have said that Abertis has sold Belfast. Was that put out to the market, and who has bought Belfast?

09:30

[70] **Mr Lewis:** Diolch yn fawr, Aled. If I could answer the first part of the question, then perhaps Debra could answer the Belfast part. It is a challenge for us, how we talk about Cardiff Airport in the context of Wales. It's through which lens we look at Wales. So, if we look at it through a global lens, I think that we have an airport that is the airport of Wales. I think it's so important that we're understood internationally, that there's an international gateway into Wales, particularly for certain inbound travellers. By the way, 24 per cent of our passengers last year were inbound into Wales, which is so important economically for Welsh tourism and so important economically for Wales. Just another stat is that inbound, air-bound passengers into a country spend far more than any other visitor through any other means. And, coming into Cardiff, those passengers would be heading to all parts of Wales—west Wales, east Wales, north Wales in particular, because of the glory of north Wales, and that's been at the heart of our marketing—the glory of north Wales. So, there's that lens to look at for Wales, and, as I said, it is a challenge for us, Aled, how we communicate this.

[71] You then need to look at the airport for its catchment area, and we've done lots of measurement recently on our catchment area. We've got great data, very rich data, perhaps for another time to share, Chair, with this committee, of where we're attracting people and also where the rest of Wales is heading toward. And then we interpret it in the region of Cardiff, so there's a Cardiff capital region play for it. There's a south-east Wales regional play, there's a south Wales play, but we are realistic in terms of, particularly, the north Wales stretch, the relevance to Cardiff Airport there. But I would say for inbound international travellers, it's of fundamental importance. But what we're looking at—

[72] **Aled Roberts:** A oes yna **Aled Roberts:** Are there any data unrhyw ddata ar gael i ddangos ble available to show where those people mae'r bobl yna'n mynd? are going?

[73] **Mr Lewis:** No, but I tell you what, we will work on that. We will work on that, because, as I've said in my report recently, one of my big things is research, to understand our passengers and our customers better and better and better, and we will work on where those 24 per cent are going. So, we'll come back to you on that. Hopefully, we'll be here in a year's time to talk to you.

[74] **Aled Roberts:** That goes for the rest of us as well. [*Laughter.*]

[75] **Mr Lewis:** Ynys Môn, Valley—just to add this, because this is so important—that service is very important to us, and when it wobbled last week, we turned it around in a couple of hours to ensure the link between Cardiff and Valley was sorted out. Literally in a couple of hours—there was no break in service. I've not shared this, but I'd like to develop closer links with Anglesey, with the airport, and I'd like to develop closer links with the facility on Ynys Môn. I just also want to share with you how important it is that we get a one-Wales approach to this. I met up with Paul Kahn last week, the president of Airbus, and obviously, there's great news on Airbus, with Iran Air, who have just purchased over 118 Airbus aircraft. It was an extraordinary number and those wings are going to be built in Broughton. I think the link between Cardiff and Broughton needs to be improved as well. I think that is so, so important. Obviously, Airbus have a facility and a great number of jobs in Newport, but I think that link between Broughton and Cardiff is so important, and we need to explore that as well.

[76] But, dare I say, we need also within Wales to work with our partners, and we need to complement Manchester, we need to complement Birmingham and we need to complement Bristol. And we need to be responsible to understand that people in certain parts of Wales will head in certain directions. So, we need to work in partnership, and that's why I've always passionately believed in, yes, a strong Wales, but a part of a very strong United Kingdom.

[77] **Ms Barber:** You asked about Belfast. That was sold to an American investment company.

[78] **Aled Roberts:** Was it placed on the market commercially, or was that a sort of backroom deal?

[79] **Ms Barber:** To be honest, I really don't know how the sale proceedings went. It was done by Abertis in Spain.

[80] **Darren Millar:** Okay. I'm going to come to Julie on governance. I'll then come to you, Mike.

[81] **Julie Morgan:** Thank you very much. Good morning. I'm very pleased to hear your enthusiasm and endorsement of the purchase of the airport, which I share. But I was going to ask you about the governance arrangements generally, and what your views are of the arrangements with Holdco and the company, and how they link together.



[82] **Mr Lewis:** Perhaps if I kick off. In terms of what's been suggested in the report, I think it makes eminent sense in terms of what it suggests on governance. Dare I say, though, that we started addressing those issues prior to the report being published? So, the governance points are well made by the audit office, and we accept them; they're very helpful, and as I say, we find this process very helpful. But in terms of the relationship, we have a board, which is a board of a limited company, which has its fiduciary responsibility and duties. We've put in place all of the systems and structures you'd expect of a board with a limited company in terms of its sub-committees and sub-groups.

[83] In terms of Holdco, we invite Holdco into our board as an observer, and, likewise, I'm an observer on the board of Holdco. We met with Holdco last month and we will meet with Holdco in a few days' time. There is an agenda, which is structured, and we will propose items, and, likewise, if there's anything that they want to question our board, we will then step out, at appropriate moments. Holdco will ask us to step out of their board meeting, and, if appropriate, we will ask them to step out of their meeting. And that allows us this arm's-length relationship with Government. And it is improving, literally, every meeting; every meeting has improved in terms of the sharpening of the governance. We are addressing the points—well made within the audit commission report—but, dare I say, without wishing to take any of the wind out of the sails of the audit commission, they are things that we were addressing back in the last year.

[84] **Ms Barber:** Yes, and as Roger says, we're obviously required, through the management agreement, to provide performance indicators to Holdco. We provide them with monthly updates on our management accounts, on our regulatory performance, on our environmental performance, on our commercial performance. So, we report to them on a regular basis. We attend the board meeting as observers, and also, within the management agreement, there are some issues that require us to seek consent from Holdco, if we're going to do any things that have a major impact on the business. So, it's that sort of arm's-length relationship that we have with them.

[85] **Julie Morgan:** So, you think it's a model that is working.

[86] **Ms Barber:** Yes.

[87] **Julie Morgan:** And, obviously, it's a different model at Glasgow Prestwick, where the chairman is chair of both. Have you got any comments on that?

[88] **Mr Lewis:** I'm comfortable with what we've got. I think, again, some of the recommendations within the audit commission report are appropriate, in terms of skill set—we accept that—and I think there's a debate to be had on what is the skill set that's required around the board table of the airport, and what is the skill set required around the board of the audit commission. I sit on the board of other companies, as an independent, and you go into a board meeting with a fiduciary responsibility, where you have to act in the best interests of that enterprise. So, bringing in an independent on to either board, with the right skill set, will benefit the whole enterprise. I think it's, again, a recommendation that we will discuss with Holdco.

[89] **Julie Morgan:** You say you sit on the board of other companies. What attracted you to take this job as the chair?

[90] **Mr Lewis:** I passionately believe in Wales, as you know—I had the great pleasure of working with many of you on the 'Yes for Wales' referendum campaign in 2011. I said then, and I'll say today, if we want respect, we've got to have self-respect, and to have self-respect, we've all got to take responsibility. And that's why it's always a great pleasure and honour to be in the company of yourselves, in this building, because you've stepped forward to take that responsibility. I feel there's a requirement of civic society, and civic duty, and people in the private sector—and that's where I come from—to play their part in making a better Wales. I think Cardiff Airport is fundamental in playing a part in a better, prosperous Wales.

[91] **Julie Morgan:** Thank you. Just one last question before I hand over: it was to ask about the gap between the departure of Jon Horne and the appointment of the permanent managing director. I wondered whether you could explain why there was that gap.

[92] **Ms Barber:** Shall I do that? [*Laughter.*]

[93] **Mr Lewis:** Let me kick off, and then I'll hand across to Debra. We had a very rigorous process for advertising for the chief executive. Debra was the interim managing director, and we worked with the leading firm of consultants in aviation, and we had a very rigorous process, which took a considerable length of time. I was allowed to be an observer in this process,

from almost a year ago, and then we embarked on it in November, when I joined. And that was, perhaps, managing the transition between Lord Rowe-Beddoe stepping down and me stepping up. And Lord Rowe-Beddoe, who I pay fulsome tribute to—and I have done so in my report last week—was very generous in managing that transition, and so the decision was left until I joined the company in November. It was a very rigorous process, and I'm pleased to say that we not only appointed Debra as the managing director, but, most importantly, as the chief operating officer, and, to pay tribute to Debra, it's a joy and a pleasure to work alongside her.

[94] **Ms Barber:** And my perspective, as you know, I'll echo Roger's comments, it was a really rigorous process. I would say this, wouldn't I, but I feel it is a really important job, and I think the airport is quite unique in where it sits within the airport structure in the UK, because of our national significance and, you know, the wider things that we tend to get involved in. So, I think we all felt that it was really important to get the process right. I'd been at the airport for a couple of years, I knew the business well, and I hope I was providing quite a reasonable caretaker service whilst we were going through the process, but, you know, I think it was right that the appropriate time was given to it to make sure that we got, hopefully, the right answer.

[95] **Julie Morgan:** So, the length of time was purely making sure you got the right person.

[96] **Ms Barber:** Yes.

[97] **Mr Lewis:** I'm pleased to say that, since Debra's appointment, we have emphasised the role of Spencer Birns, which, again, in terms of an airline director, which is in the report, is something that we've embraced, but, also, we appointed last month a new finance director—again, a distinguished Welshman who cut his teeth in the private sector entrepreneurially here in Wales. So, we've beefed up the executive team.

[98] **Darren Millar:** Can I just ask, Roger, did you seek out appointment as chair, or were you tapped on the shoulder and encouraged to take an interest?

[99] **Mr Lewis:** I was invited to consider it, as I was invited to consider many jobs in my career.

[100] **Darren Millar:** By whom?

[101] **Mr Lewis:** I was invited to consider it by Mrs Hart.

[102] **Darren Millar:** Okay. Thank you.

[103] **Mr Lewis:** As you yourselves invited me to consider the position of chair of the 'Yes for Wales' campaign, I accepted that. But, dare I say very modestly, I've had the very fortunate position of not having to apply for a job since 1987. [*Laughter.*]

[104] **Darren Millar:** Jocelyn. Was it a question on the governance issues?

[105] **Jocelyn Davies:** Well, it's not on governance; it's coming back on something that Roger said about the decision, about it being the right decision—and you've said that several times, now, when you've come to us—with a commercial background, and you haven't had to apply for a job for a great many years. It was the right decision; how do you know it was the right price, and what price, for you—bearing in mind everything you've said to us this morning; and you've been gushing about how important it is to have this airport, and to save it, and so on—what price, for you, would have been too high?

[106] **Mr Lewis:** It's a good question, because—

[107] **Jocelyn Davies:** Well, I hope I'm going to get a good answer. [*Laughter.*]

[108] **Mr Lewis:** I was a director of a public limited company for six years, where we bought and sold radio stations all across the world, and, as I said earlier on, the imperative for a purchase or a disposal is: what is the strategic rationale of the company? Could one have paid less for it? Perhaps. Could one have paid more for it? Perhaps. One never knows, and one will never know, because what's in the mind of the seller—and you need a willing seller, as well as a willing buyer—one will never know. The key metric for myself, though, having inherited this position, is: can we create value in the enterprise that is significantly better than its value now? Yes. And that's been my position throughout my career. Again, forgive me, I'm not being immodest here, but, I joined EMI, and what we did in that company—we bought Virgin Records, we bought Chrysalis Records—and in Decca, where we purchased a number of companies, and within GWR, as I say—. We had 40 radio stations across the UK and across the world. There is a strategic

rationale; you get some things right, and you get some things is wrong. As I said, the headline for me: was this the right decision for Wales? Absolutely. Was it the right price? One will never know what was in the mind of the seller. Can we enhance the value of the enterprise going forward? Yes. Can we make sense of it? Yes. Will it be proved to be the right decision? It is the right decision today, dare I say. It's absolutely the right decision today, because, if you look at the increase in passenger numbers, look at our growth going forward, you look at the quality of the asset now, you look at the relationship with British Airways, and the fact that British Airways are now committed to a further 20 years of the enterprise—my goodness me.

[109] Again, I had a great meeting yesterday with the head of the centre there, who also heads up the centres across the UK. As I say, Debra and I met the chairman and chief executive of British Airways. We've also—I can't give too much away—but, obviously, we've spent the last few months networking across the sector. As I mentioned in my 100-day report, I've worked very closely with UKTI—very helpful indeed—and the UK Foreign Office—very helpful indeed. I was in an exchange with our ambassadors in certain parts of the world over the weekend. The Secretary of State for Wales, Stephen Crabb, has been very, very helpful. I have spoken to Patrick McLoughlin, the Secretary of State for Transport, and our First Minister has led from the front. If there is one message I give today, we need a unity of purpose across all parties in the Assembly to take this enterprise forward, because there are certain capital-intensive projects that cross the political cycles, and it's so important that we have that unity of purpose across the political spectrum in Wales. That's why I made reference to the Conservative Party report, which, if you like, reinforces the Labour Party position—that's why I'm so encouraged by Plaid Cymru's support of the airport and also encouraged by the Liberal Democrat support of the airport. We need a unity of purpose, because this is an activity that's going for five, 10, 15, 20, 25 years. Dare I say, the best example of this in the UK at present would be Crossrail. Crossrail, which started with less than half of its capital requirement to fulfil its vision and ambition, is achieving it, and the value that's created for the UK is phenomenal. We need that same cross-party unity of purpose here in the airport.

09:45

[110] **Jocelyn Davies:** Well, I've forgotten my question now. [*Laughter.*]

[111] **Mr Lewis:** Your question was: was it worth it?

[112] **Jocelyn Davies:** I think I was asking you about what price would have been too high, but what you're saying it's an art more than it is a—

[113] **Mr Lewis:** It is an art more than a science.

[114] **Jocelyn Davies:** Even when you're coming from a purely commercial background and it's not public money, it's an art. Okay, fine.

[115] **Darren Millar:** Debra, do you have anything to add?

[116] **Ms Barber:** I'd say, you know, in terms of the valuation of an airport, we talk about multiples of EBITDA, but that really is just a small part of the equation. As Roger said just now, the intrinsic value of the airport is much more than just its EBITDA; it's its value to the wider economic benefits to the country and the numbers of jobs. I think those were the kind of things that were looked at in the price. Also, I know, at the start of the negotiations, Abertis were talking about £200 million to buy the airport. So, I think—

[117] **Jocelyn Davies:** The price, if you don't want to sell something, can be anything. You could say anything, couldn't you? What they were saying was, 'We don't want to sell it'.

[118] **Darren Millar:** Okay. Aled.

[119] **Aled Roberts:** Rwyf eisiau dod yn ôl at y trefniadau llywodraethu. Os ydych chi'n dilyn gwaith y pwyllgor yma, rydych chi'n ymwybodol, mae'n debyg, o'r ffaith fod yna gyrff eraill lle y mae gan Lywodraeth Cymru gynrychiolwyr ar fyrddau. Rwyf eisiau deall yn union—. Mi roedd yna swyddog o Lywodraeth Cymru a gafodd ei secondio tra bod gweithlu'r Prif Weinidog yn gweithredu. Cafodd o ei ailsecondio, rwy'n meddwl, ym mis Ebrill 2013 am gyfnod o ddwy flynedd. A ydy'r person yna yn dal i fod yna fel sylwedydd ar ran Llywodraeth Cymru, neu a oes yna

**Aled Roberts:** I'd like to come back to the governance arrangements. If you follow the work of this committee, you're probably aware of the fact that there are other bodies where the Welsh Government has representatives on boards. I want to understand exactly—. There was a Welsh Government official who was seconded while the First Minister's taskforce was operating. He was seconded again, I think, in April 2013, for two years. Is that person still there as an observer in terms of the Welsh Government, or is there a specific individual working on behalf

unigolyn penodol yn gweithredu ar of the Welsh Government?  
ran Llywodraeth Cymru?

[120] Hefyd, rwy'n meddwl ar ôl i'r Llywodraeth fynd drwy'r broses gaffael, y disgwyliad oedd bod CIAL yn arwain y broses o ddewis aelodau'r bwrdd. Eto, o dan gyfarwyddyd Holdco, rwy'n meddwl, y cafodd Mr Lewis ei benodi. Hefyd, mae'n papurau ni yn awgrymu bod dau o'r cyfarwyddwyr anweithredol wedi cael eu hailbenodi am gyfnod o ddwy flynedd, ond bod yna dal penodiadau i'w gwneud o ran y tri chyfarwyddwr anweithredol arall. Felly, rydych chi newydd ddweud bod yna rywun efo profiad ariannol wedi cael ei benodi; a ydy o neu hi yn un o'r tri yna, a faint o swyddi gwag, o ran y bwrdd, sydd ar hyn o bryd?

Also, I think after the Government went through the acquisition process, I think it was expected that CIAL would lead the process of choosing the board members. Again, Mr Lewis was appointed under the direction of Holdco, I think. Also, our papers suggest that two of the non-executive directors were reappointed for a period of two years, but that there were still appointments to be made in terms of the three other non-executive directors. So, you've just said that someone with financial experience has been appointed; is he or she one of those three, and how many vacant posts are there on the board at present?

[121] **Darren Millar:** There were a few questions there.

[122] **Mr Lewis:** If you like, there is no definitive number to have as board members. As chair coming in, I've decided to keep the organisation very lean and tight and very focused. In terms of expertise, financially we have great financial expertise around the table in Geraint Davies, who was the former senior partner for Wales for Grant Thornton, and technically an absolute expert, so he's been there for a number of years. We've also beefed up recently with a new finance director, but we did have a very fine finance director in place before our current finance director as well. So, in terms of the financial scrutiny that we've got around the board table, I'm very satisfied with what we've got. In terms of the other process—

[123] **Aled Roberts:** So, you've still got three vacancies, or what's the situation?

[124] **Mr Lewis:** No—there's no definitive number of what you should have, I believe, around the board table.

[125] **Aled Roberts:** So we've got three fewer than we had before.

[126] **Me Lewis:** That's correct. Could we increase it? Yes, we could. But what I want to do is increase it when I feel we've identified where our strengths and weaknesses are—and we're pretty close to it, actually. Debra and I are discussing whether we could bring in an independent—because it's got to be an independent voice. Most probably, we're looking for someone to challenge us—not only challenge the executive, because we've got fantastic aviation experience here with Debra. But is there an aviation person that we should have around the board to challenge us on that aspect? That's why I would use the word 'aviation' rather than 'airport', because it needs to look at the broader picture.

[127] **Ms Barber:** Exactly. As I say, we're just looking at the structure of all our staff at the moment. I think, as Roger says, it's a process that we're going through to make sure that we've got the right skills that we need to deliver the objectives that we set out in our plan. You asked earlier about the official who was seconded to the—

[128] **Aled Roberts:** The observer.

[129] **Ms Barber:** He came to the end of his two-year secondment in April last year and then moved back into a position within the Government. So, he's no longer involved with us; he's taken up another role in Government.

[130] **Aled Roberts:** Is it a permanent observer, then, that you have from the Welsh Government? We've looked at the relationship with observers, as far as the Welsh Government are concerned, with regard to other inquiries.

[131] **Mr Lewis:** The observer is from Holdco, and that Holdco observer is the chair of Holdco. That chair of Holdco is a civil servant, so they act as a filter and focus between Government and ourselves. All of our papers have made everything transparent to Holdco so that there are no papers held back in reserve. So, they see everything, and every meeting that I've chaired, they've been there throughout. Just to reassure this group, as Debra mentioned, one of the things we're actively involved in at the moment is our business planning, and we're looking at our vision, yes, and our mission, but also our priorities, objectives and our strategies.

[132] As Debra mentioned, we're then looking at our staffing and skill level that can achieve and deliver those strategies; we're looking at our systems



and our structures; we're looking at our style and what our values and beliefs are. Again, we will publish these. We welcome the recommendation from the audit office, and we will be, going forward, publishing an annual report on the airport that will not only include all our financial data, but will include all of this information as well.

[133] **Darren Millar:** Just coming on to the performance data, then. Mike.

[134] **Mike Hedges:** There are three things I think I know; correct me if I'm wrong. The councils used to own it—three in Glamorgan—and ran it very successfully; they ran it so successfully that John Redwood made them sell it off into the private sector. But, although we keep on talking about how poorly it's performing, according to the Civil Aviation Authority, it was the twenty-first most successful airport in Britain in 2014, and was more successful than Glasgow Prestwick; actually, its fall in passenger numbers was substantially less than Glasgow Prestwick. The third thing I know is that the land there, which has already got buildings on it, would be highly valuable land for building houses on, and we'd have no difficulty in selling it for house building. The council could not win against any developer who wanted to build houses on it, because you've already got buildings on it and they're just building on land that currently has buildings, so you'd have great difficulty—it'd be almost impossible to stop that.

[135] Those three things I think I know. The questions I've got are that, really, airports are about two things, aren't they—they're about routes and airlines. The decline was the loss of routes and airlines; any success will be about further growth in routes and airlines. I think you do deserve a lot of credit for the fact that you have turned it around and you have brought in more routes and more airlines. How are we going to continue to increase the number of routes and airlines to get it back to where it was before it was privatised in the first place?

[136] **Ms Barber:** I think what this is all about is confidence; we like to talk about it as contagious confidence. Obviously, we've got two customers at Cardiff Airport; we've got our airlines who are our customers and we've also got our passengers who are our customers—who are customers of our customers. So, in order to attract both to an airline, you need the other. It's a bit of a chicken and egg, really—to get airlines to come to an airport, you need a critical mass of passengers. To get passengers to come, you need a number of routes that go where they want to go at a price they want to pay at a frequency that they need to travel. It's that context that you've got to

bring together.

[137] I think what happened with Cardiff was, for a number of reasons, we did have a dramatic fall-off in passengers. One was changes in the charter operators that we had there; the other was the loss of Bmibaby and, obviously, Abertis's philosophy in terms of overcharging, as we talked about earlier. So, what we're in now is this massive drive to rebuild confidence in the airport. The analogy we like to use is: if you're on holiday and you want to go to eat somewhere, if you're walking along the seafront and you want to pick a restaurant, you never go into the restaurant that's empty even though there are a load of tables there. You'd rather wait two nights and go to the restaurant that you've got to get a booking for. It's exactly the same with airlines. They are driven by competition, and what brings them to an airport is seeing another airline being really successful and then wanting to have a piece of that action. So, this is the situation we're in now, where we have got that momentum now. We've got Flybe, who started their operations last year; we've got Vueling, who had enormous load factors last year and are going to be increasing their services next summer; we've got the charter operators bringing in long-haul operations; we've got cruises to Dubai. It's all this sort of stuff that starts to get other airlines re-interested in coming back in to the airport. And, of course, when you've got airlines interested, you've then got passengers interested. And so the cycle goes on. So, that's the sort of journey that we're on at the moment.

[138] **Mr Lewis:** So, the three strategies, simply: more destinations at competitive prices at times that our passengers want, wrapped in a fantastic customer experience.

[139] **Ms Barber:** Yes, that's it.

[140] **Mike Hedges:** I think everybody would agree with you on that. Don't you also have an advantage in the length of the runway?

[141] **Ms Barber:** We do.

[142] **Mr Lewis:** That's correct. The runway is just under 8,000 ft long, and this gives us a unique selling point, and that allows the opportunity for a range of aircraft for a range of distances to fly in and out of the airport.

[143] **Ms Barber:** As I say, that has helped this issue. The charter operators are bringing their long-haul operations back. So, Thompson have announced

that we've got the Dreamliner now—the new 787 operating from us. So, it all does help to give us that extra sort of advantage.

[144] **Mr Lewis:** And the A380 Airbus lands at the British Airways maintenance centre.

[145] **Ms Barber:** Well, the 747.

[146] **Mr Lewis:** And the 747 as well.

[147] **Ms Barber:** The A380 has landed once. [*Laughter.*]

[148] **Mike Hedges:** But it can.

[149] **Mr Lewis:** It can.

[150] **Ms Barber:** It can.

[151] **Mike Hedges:** How many times it lands is something for you to work on. As long as you've got the ability for it to land, that's the key to it, isn't it?

[152] **Ms Barber:** That's it. We can take the biggest Airbuses, 747s, so, yes.

[153] **Mike Hedges:** That's me done.

[154] **Darren Millar:** Okay, Mike. Oscar.

[155] **Mohammad Asghar:** Thank you very much, Chair. It's very interesting here now. Funnily enough, I had a letter only last Saturday about the airport, what a wonderful job you have done. But we're talking here about a national hub airport rather than regional or a discussion there. We've got the same passion to improve our airport as anybody else, like in respect of you, Roger. The fact is that I heard Debra saying clearly that the previous company never cared about the airport, so that's a sad scenario. You took up a limping airport, and our Government bought it discreetly, and now you want to improve it to a world standard level. We've heard about commercialisation, hubs, passengers, maintenance and cargo and all the rest of it. The airport is a very technical field, and I know personally from my background because my family comes from the Royal Air Force. I know how Dubai, 35 years ago, was a desert, and now it's—. You said earlier that we are No. 3 in the world, but I think No. 1 is Dubai for maintenance and cargo and passengers at the

moment. So, basically, that airport was developed by British—I can very proudly say—professionals. I'm sure you'll find some good old friends and work out some good development ideas from them.

[156] My point is (1) instead of having this financial director you mentioned, Roger, you need an operational manager, who should be working and helping you to develop the airport. My question is: what's the impact of the commercial advertising and sponsorship agreement you have with the Welsh Government at the moment?

[157] **Mr Lewis:** Okay. I'll hand over to Debra on that point, but to save Debra's blushes, 28 years in the RAF as a group captain—

[158] **Mohammad Asghar:** Yes, I know.

[159] **Mr Lewis:** You couldn't get anyone better qualified to operationally run the airport. To pay tribute to Debra, her service record within the RAF is second to none, and she's been in the most extreme places in the world operating airports, it's fair to say. I'm talking about some of the conflicts we've had, and Debra ran those airports. So, operationally, we couldn't get a better person. But, in terms of the marketing, Deb, do you want to pick up on that?

[160] **Ms Barber:** Yes. Marketing is massively important to us. The key part behind that is really getting to understand our passengers, our customers, our airlines. So, it's a huge part of our strategy. We're doing a lot of research at the moment. As Roger said earlier, we've got masses of data and we're working hard to increase that, because it is all about targeting and talking to the right people with the right message. So, it's something that we've been working on enormously, and, again, it's a real shift in the culture of the airport. I think, for one thing, under our previous owner, marketing, PR and interacting with the media just didn't happen at all. It was something that they were very sort of averse to, for some reason. So, it's something that we've really focused on since we came in with our new board and our new ownership, and we put a huge priority to it.

10:00

[161] **Mr Lewis:** To put some data around this, we've got something like 1.2 million passengers at the moment. We are a business that's in growth. That's encouraging. We know, historically, that the airport has achieved over 2

million passengers. We've done our sums and we've looked at where people travel out of Wales to other airports. So, you're looking at 1 million people just over the border for short haul; there are 1.4 million people who travel down the M4 for long haul. So, you're looking at a sort of universe of passengers of around about 3 million or 3.6 million people—something like that. Okay, we're on 1.2 million at the moment; we know what we've achieved historically. What we haven't done—and this is the interesting point for Wales—is that we haven't aggressively marketed in the destinations that we fly to for those destinations to fly back into Wales. As I mentioned earlier on, 24 per cent of our passengers last year came into Wales. So, there's a fantastic opportunity for Wales to market itself in our destinations: to market to the people of Barcelona to come to Wales; to market to the people in Munich to come to Wales; to market to the people of Amsterdam to come to Wales; and, not least of all, to market to the people from Dublin—and we're already seeing a growth in Irish people coming to Wales, and from Scotland. We have a number of flights from Scotland. We have three flights a day coming from Amsterdam into Cardiff. Three flights are coming from Amsterdam into Cardiff every day. So, the opportunity for Wales to market itself in those destinations to encourage people to come to Wales, I think, is very, very attractive indeed. I think it would be of a huge economic benefit, and there are great examples of where this has succeeded. The nearest example would be Ireland. Ireland have done remarkably well in encouraging people—inbound travel and tourists into Ireland—via their airports. Likewise, Scotland as well. They're two local neighbours of ours that have done it. If you look around the world, there's some model that we can replicate in Wales. That's why I'm confident in our growth projections over the coming years, and that's why I feel the value that we can create in the enterprise is appropriate.

[162] **Darren Millar:** I've got a few Members that want to come in on this, if that's okay.

[163] **Ms Barber:** Okay.

[164] **Darren Millar:** Sandy first, and then Jenny. I'll come back to you, Oscar.

[165] **Sandy Mewies:** Thank you, Chair. What we're talking about now is—we've stopped looking at the past and we're looking at the future—. You've talked about some interesting ideas and particularly—. I'm a north Walian. My constituency is Flintshire, so, I was very interested to hear you say that you're talking to Airbus, because encouraging people in north Wales to see

Cardiff as an important airport will take some doing. I just wondered—and you may not be able to say anything else on this—but, if you're talking to Airbus, and you're pressing for closer links with Broughton—. Of course, Broughton itself now has reduced flights to Filton, for example, and other places. Are you able to say at this stage the areas that you're looking at with Broughton specifically, and, if not, have you got a programme for the future that you will be discussing and perhaps will come back eventually to this committee to talk about? I won't be here, but there will be people here.

[166] The other thing is: how are you advertising—and I've done it myself—using Cardiff to go to a hub? Because it's often cheaper. Well, I find it's often cheaper, anyway, to go to Schiphol, or—. How are you marketing that?

[167] **Ms Barber:** I'll answer the hub bit first and then we'll go back to Airbus. Yes, it's something we feel really passionately about: that we need to get that message out to people, of the attractiveness of flying via hubs. We fly to seven now, with the Flybe links. So, we've got links to the obvious ones like Amsterdam and Dublin and Paris, but we've also got Munich, Düsseldorf, Barcelona. So, we've got seven hubs that you can operate from. It can often work out significantly cheaper. In terms of time as well, most of our long-haul passengers will drive to London, so you've got a three-hour drive to London, potentially you've got to go the night before, so you've got all the costs associated with that. The benefit is that you can fly from Cardiff to one of the hubs within an hour or so. You may have, if you get the timing right, an hour on the ground, and you're on your way. So, it's not only the cost of the ticket; it's the cost of the travel associated with it. Hub operations are such a big message that we're really keen to get out to people, and we talk particularly to business people—we do a lot of business-to-business work at the moment. We hired a new sales manager last year, who was entirely focused on our business relations, so we regularly go out to them and talk about the message. We're also working very closely with KLM, because obviously it's in their interests as well for the hub message to get across, and we're looking to take a group of local business people across to Schiphol for a day to actually show them behind the scenes in the airport, so they can understand how it works, and how easy it is, actually, to transit through the hub. So that's a key one.

[168] In terms of Airbus, it's early days, but we did a really big piece of work with them earlier in the year where they're just bringing new engine options online for the A320 aircraft. They used to do all the testing at Filton. Obviously, they can't do that now, so we worked with them to enable them to

do their hot fuel testing for the new engine option at Cardiff. So, we're now working on that relationship with them, and what we can potentially do to help them now that they've lost that facility in Bristol. Then, obviously, linking up to the north, the more we would then develop that relationship from there.

[169] **Mr Lewis:** Very quickly, the point that we are emphasising here is that we're looking at the enterprise in a far broader way, so that relationship with Airbus is something different than a straightforward commercial airport would play. By the way, just realistically, we understand the issues over John Lennon Liverpool and Birmingham and Manchester. We're realistic on that. But I would emphasise: we do want to look at that north Wales Valley opportunity very seriously, not least of all with the prospect of a potential new power station being built in that area with 6,000 jobs. The idea of getting people from not only Cardiff to north Wales, but also from other destinations around the UK, and, dare I say, around the world, into north Wales is not that fanciful when you're looking at 6,000 jobs, and some of those are very, very highly skilled and will need to be brought in from around the world. That's why I'm very keen just to share that glimpse, perhaps a bit prematurely, with you, but it's something that we are looking actively at at the moment.

[170] **Sandy Mewies:** Thank you.

[171] **Darren Millar:** We'll come to the subject of transport infrastructure, but just on this issue of parking and performance.

[172] **Jenny Rathbone:** How good are you at getting extra business into Cardiff when there are major events on in Cardiff or the area, the obvious ones being the Rugby World Cup and the 6 Nations? So, how much extra traffic do you get linked to those events?

[173] **Ms Barber:** I'm immensely proud of our record with sporting special events, both in the city and in Wales. We've been tested twice, massively, in the last couple of years. We were the main airport of entry for the NATO summit, and, for those of you involved in heads of state visits, having one head of state is a challenge—we had 17, and 28 senior secretaries of state as well, within the space of three days. So, I think, you know, we're very proud of the support we were able to give to Wales and Celtic Manor and Cardiff to bring that event about.

[174] The Rugby World Cup was another enormous event for us. We had an additional 250—just under 250—flights and an extra 35,000 passengers or fans travelled through the airport. We've got the 6 Nations coming up, and we've got a lot of Welsh fans going out to Ireland next weekend. Then we have the French coming across later on in the month, so it's a key part of our reason for being, really. As I say, I think we're really proud of the support we can give.

[175] **Darren Millar:** I can see Roger there itching to come in. Go on, Roger.

[176] **Mr Lewis:** There are two things I'd emphasise on that. One, economically, it's obviously a huge benefit, not only to the airport, but to Wales, but it is so significant. Angela Merkel flew into Cardiff Airport, the international airport of Wales; she didn't fly into London Gatwick or Bristol; she flew into Cardiff, as did all of those other head of states. And in terms of our reputation, our brand reputation around the world, that the entry point into Wales is through a Welsh airport is so important. One other little bit of metric by the way, and measurement, we had a fantastic uplift with the Rugby World Cup last year. We are targeting growth on top of that this year, so that's why our growth targets are very ambitious, because the spike around the Rugby World Cup this year was quite extraordinary.

[177] A couple of other things to mention, which is so important for Wales, the Welsh football fans can fly from Cardiff to watch Wales this summer in the European championships. So, they can fly from Cardiff; that's so important. For the 2017 UEFA Champions League, we hope there will be people flying into Cardiff. I'm doing that with a bit of tongue in cheek, because I'm hoping that the teams will be from, most probably, Spain and Germany. [*Laughter.*]

[178] **Jenny Rathbone:** Yes, but how do we know that you're doing enough, given that the rail/tram/bus links in Cardiff are a bit of a work in progress at the moment? Are you really taking advantage of this sufficiently for people who need to come from Scotland or wherever? And it isn't just rugby; it's also major concerts—Motorpoint Arena and other places.

[179] **Ms Barber:** We work extremely closely—. Obviously, most of these travelling fans will come with charter companies. So, we work extremely closely with those companies to get them to bring their operations into Cardiff Airport. We had a situation last year when Ryanair were taking a lot of their flights from Ireland across the river, but we're able this year—



[180] **Jenny Rathbone:** Into Bristol?

[181] **Ms Barber:** Into Bristol. We're able this year to bring a lot of those flights back into Cardiff.

[182] **Jenny Rathbone:** But not all of them.

[183] **Ms Barber:** Well, we don't have the capacity for all of them. During the Rugby World Cup and NATO, we were full to capacity; we couldn't take another aircraft because all our stands were full and our terminal was working to capacity. So, we work exceptionally hard to make sure, when we have got these events, that we absolutely fill the airport in terms of parking spaces and terminal before anyone goes anywhere else.

[184] **Jenny Rathbone:** Okay. So, could you provide us with some figures on that?

[185] **Ms Barber:** Yes.

[186] **Jenny Rathbone:** Just so we can see that you are delivering to capacity.

[187] **Ms Barber:** Yes.

[188] **Mr Lewis:** Just to reassure you, goodness me, you know that my private passion—some of you know this—is classical music, and so, with our route to Milan, and Milan to Cardiff, who do we talk to? We talk to Welsh National Opera and we talk to the Wales Millennium Centre. We have the Volvo around the world yacht race coming to Wales in 2018. I mentioned the champions league in 2017. There's the world half marathon this year. We have the Senior Open Championship next year, in 2017, and we had Ashes cricket in 2015. These are all on our radar and we'll talk to all of those bespoke groups and target them and market into them.

[189] The other one, which you hinted upon, was our relationship with trains, and Debra is in active dialogue with Arriva.

[190] **Jenny Rathbone:** Okay. And while we're on trains—

[191] **Darren Millar:** Briefly, Jenny.

[192] **Jenny Rathbone:** Could I just ask what plans, if any, you have, for moving Rhoose train station near the terminal or moving the terminal to the rail station?

[193] **Ms Barber:** As I say, obviously all those transport links around the airport are critically important to us, so we work closely with the Vale of Glamorgan, because obviously the Vale of Glamorgan have a lot of control over this, but also the train companies. So, although we can't do it ourselves directly, we—

[194] **Jenny Rathbone:** Well, you could move the terminal building. That would be within your powers.

[195] **Ms Barber:** Well, actually, we can't, because we've got all sorts of issues with the runway and safeguarding, and we don't have—. At the moment, we don't have an area within the curtilage of the airport where we could build an alternative terminal on the south side. We couldn't build it high enough because of restrictions from the runway. So, we could only do that if we were to move the runway to land outside of the existing airfield structure.

[196] **Jenny Rathbone:** Okay. So, what discussions are you having on moving the rail link? The rail link's hopeless at the moment, because you've got to then get some shuttle bus.

[197] **Mr Lewis:** Can I pick up on that? You're absolutely right. What's going to take Wales forward? Connectivity, innovation and skills—that is our mantra. That's the mantra of the Cardiff capital region. That is something that we totally support and endorse. Connectivity is fundamental for Wales. That's why the airport is so important. Connectivity via rail and bus and road, as well, is so, so important. What do we do about it? We are in active discussion with Welsh Government and active discussion with Arriva, and, only yesterday, I wrote to one of the leaders who's involved in the Cardiff capital region on how we can engage with them in terms of improving the rail links. It is a challenge, as you know, because the cost associated with big infrastructure rail movement is significant. But what are we doing? We are talking, figuring out how we can work with them, what the short-term options are and what the longer term solution is. And I think there'll be some quick wins; you know, to call the railway station 'Cardiff Airport' would be good. That would be a good start, as opposed to 'Rhoose'. I think—

10:15

[198] **Jenny Rathbone:** Yes, but, fundamentally, there is a problem in that it just isn't close enough—you know, the link isn't there. Liverpool's got the link, Gatwick, et cetera.

[199] **Mr Lewis:** That's right—absolutely. But, in the first instance, we've got to get more people to use it, to use that rail link, and more people to use the bus link. I'm sure you'd support—we want fewer people using the car.

[200] **Jenny Rathbone:** You're right there.

[201] **Mr Lewis:** But, again, the cost of that is so significant. What are we doing about that? We're actively in dialogue—Debra and I have looked at the plans.

[202] **Ms Barber:** Yes. And, as I say, I met with the chief exec of Cardiff council yesterday, and we were talking about transport links. I'm meeting with the chief exec of the Vale of Glamorgan Council tomorrow. And we're also talking about the Cardiff city deal, and how we—.

[203] **Darren Millar:** So, it's very clearly on your agenda, and you're pursuing that as an airport.

[204] **Mr Lewis:** Absolutely.

[205] **Ms Barber:** Exactly, yes.

[206] **Darren Millar:** Very briefly, Jocelyn, and then I want to go back to Oscar.

[207] **Jocelyn Davies:** I don't know whether you saw the Public Policy Institute for Wales report; you might have it with you, Roger—you seem to have a few things in front of you there. Anyway, they concluded that it was the right decision, but you need a clear strategy. And I've looked at your 100-day report: more destinations, greater frequency, more competitive prices. To me, that sounds like a low-cost carrier—I could be wrong, and, no doubt, you'll correct me. Now, they want significant subsidies—we know that, they always demand that. So, how are you going to do that with the complication of Welsh Government ownership?

[208] **Mr Lewis:** Thank you for that. First of all, we have a very well-priced carrier already with Flybe, and Flybe is proving to be a great success for us. We also have Vueling, and Debra and I have spoken to Vueling, and Vueling are a low-cost carrier as well. They are increasing their seats by some 30,000 extra seats this summer, to the four destinations—

[209] **Jocelyn Davies:** So, you don't need more low-cost carriers, you've got enough.

[210] **Mr Lewis:** No, no, I'll talk to anyone. We're out there talking at the moment. And it is, as Debra said, such a competitive market—you've got to be in there all the time. The good news I can share with you is that one low-cost carrier, in the space of this last week, has approached us. So, that is hugely encouraging.

[211] **Jocelyn Davies:** So, do they demand these subsidies, these significant subsidies?

[212] **Mr Lewis:** There are a variety of models, and, yes, airports throughout the world incentivise their carriers to come to them.

[213] **Jocelyn Davies:** And is it a complication, the Welsh Government ownership—is that a complication in this case?

[214] **Mr Lewis:** Personally, I don't think it should be, because I would emphasise that partners want stability. In any commercial relationship, you want stability, and you want as much certainty as you can guarantee. And having a relationship with Government, in this instance, I think is hugely helpful. Let's not forget, Manchester airport was 100 per cent owned by the public sector. Manchester airport group, today, is owned by 65 per cent of the public sector. The other 35 per cent of Manchester airport group is owned by an Australian investment fund. That's a—

[215] **Jocelyn Davies:** So, it's not a complication that there's—

[216] **Mr Lewis:** I see this as a benefit. But I've been very open on this to our shareholder, and I will, in the fullness of time, look for private equity to come into the enterprise. Dare I say, I brought down a very significant heavy-hitter from London yesterday, just to have a conversation with them.

[217] **Jocelyn Davies:** You had a busy day yesterday, Roger. [*Laughter.*]

[218] **Mr Lewis:** I did have a busy day yesterday, I did—I packed it all in.  
[*Laughter.*]

[219] **Jocelyn Davies:** And you had to do all this reading last night.  
[*Laughter.*]

[220] **Mr Lewis:** Absolutely.

[221] But what I'd say—again, just to share with you—is that we need to have partnership, and we need partnership to make this work. And where we are at the moment, it was the right move, it was the right decision, we're at base camp. To climb the mountain, to get to a position of a sustainable enterprise that delivers the numbers, that works holistically with aviation in Wales, we need to have other partners, and that's why we're out talking to a lot of people. And I'm confident, when the time is right, as I said—. It was reported in *The Times* last week—the industrial editor of *The Times*, Robert Lea, reported on our position that, three years from now, we will go to the market for appropriate partnership for private equity, with the approval and agreement, obviously, of the shareholder.

[222] **Darren Millar:** Within three years?

[223] **Mr Lewis:** I think those conversations will take place—those conversations will take place. I'm not saying we can guarantee that requirement—

[224] **Darren Millar:** But that's your vision at present.

[225] **Mr Lewis:** That's my vision—three years. And, as Lord Rowe-Beddoe quite rightly said, five years, we would like to have got a partner in place. It's partnership though, and that's why I mentioned the Manchester model, as 65 per cent of the Manchester airport group is owned by the public sector—by Manchester City Council, and the local councils around.

[226] **Darren Millar:** So, you like the Manchester model, in terms of public-private partnership, but the public sector always having a larger percentage. That's the vision you've got.

[227] **Mr Lewis:** 'I don't know', is the honest answer, yet, because my overarching ambition is to create long-term certainty and sustainability for

the enterprise. So, if you can guarantee a partner who will guarantee that for the people of Wales, I would be very open-minded to it. The sorts of people, then, you talk to are the sovereign wealth funds of the world and the big pension funds of the world, who will take a very, very long-term view of an enterprise such as ours. The key thing is that we need to safeguard this national asset for the people of Wales, and that's why the decision that was made two years ago was the right decision, because it safeguarded this for the people of Wales, but we now need to take it forward.

[228] **Darren Millar:** Okay. Thank you. Oscar.

[229] **Mohammad Asghar:** Thank you very much, Chair. I think there's quite a lot that's already been answered, but the fact is, I went to Ireland—or the committee went to Ireland—and met the Minister for development there, and his first words before his speech were that to improve the economy, the first step he took was Dublin Airport. He improved it tremendously; I think there were more than 5 million people coming to Ireland within a very short period. Sure, they were mostly American tourists, but anyway—.

[230] Just coming to Ms Barber on this one area, 20-odd years ago—not now—even KLM was training their pilots in Cardiff Airport for flying and landing and take-off: extra income. There's another area that Cardiff Airport can do: duty-free shops. We flew from Cardiff Airport—very rarely I go, I normally go into London—but the fact is, our airport doesn't look like an airport. If you look in serious terms at the most modern airport in the world—the building looks like an old second world war, you know, barracks or buildings or colleges or academies, rather than a world-class airport. Have you got any plan? This is one.

[231] The second is promotion. We fly to most of the world's destinations and we find Scotland, we find Ireland, but not Wales. Certainly, you know, there's new signs and everything—why? Is there some lack of money, or the Government owns it and only certain places you go for, but you're not going where the real—? Like China—we never saw any Welsh sign; maybe now, but five years ago there was none. So, how do you promote Wales or Cardiff Airport—which is definitely, and connectivity is another issue—? How do you promote Cardiff Airport?

[232] **Darren Millar:** You've dealt a little bit with promotion, but in terms of that capital investment—

[233] **Mr Lewis:** Infrastructure. We're talking about capital infrastructure investment, and I'm going to hand over to Debra because Debra deserves the plaudits for this. But what I'd like to give the Chair, if I may, is an open invitation to you all as a group—I don't know if you go off-site, but we'd like to invite you down to the airport to look at the facility. You will be so pleasantly surprised because we're about to unveil, in the course of the coming months, a major infrastructure delivery—not ambition—delivery. Deb, do you want to talk about the improvements that we're making in the airport?

[234] **Ms Barber:** I like your point about looking like an old military building, because that absolutely was my impression when I first came to the airport. I thought I'd stepped back into my previous existence.

[235] **Darren Millar:** Déjà vu, déjà vu.

[236] **Ms Barber:** You know, we had the manned guard point at the beginning at the entrance, and all the barriers. We had a jumble sale banner saying 'Cardiff Airport' on the front, and it just looked hideous, and loads of red and white plastic bollards everywhere. So, it's been a key, key programme for us in the three years since we've been in Welsh Government ownership and we've done a massive amount of work. The front of the airport has been completely transformed. We've got an old building, yes, but it's all about bringing it up to the modern standards that people are used to. A lot of things that people are used to now are automation and, you know, online check-in and swiping your boarding card and things like that. We have all that now. We've got automatic number plate recognition on our car parks so people can come in, their number plates are recognised and off they go. The front of the terminal has been, as far as it could be, transformed. We've got the lovely branding on the front now and we've got landscaped areas.

[237] But inside, our customer facilities have improved enormously. We've got rid of the old stag-do bar that we had on the first floor and it's now been replaced with a really family-friendly, lovely-atmosphere café that people are coming into and eating before they go. We've got a whole new security area that's three times as big as it was. It's got a lot of automated equipment in it that people are used to—you know, swiping boarding cards, tray return systems and all that kind of stuff. And then, we're in the middle of a project now, where we are totally changing the shopping experience, air side, but we're also replacing the cafe, and the restaurant, and the bar. So, again, it will be a much more welcoming, family-friendly environment than we had

before.

[238] We've also done things like free Wi-Fi; we've removed the charge that we used to charge for trolleys. You know, it's all the things that—. We did a big survey of all our customers. The first thing we did when we came into the new ownership was a 'Your airport is listening' campaign. And we went out to all our passengers, and people who hadn't used the airport for a very long time. And it was things like being charged £2 to get a trolley, and you don't get that £2 back. You're charged £1 to come in and drop somebody off. You're charged—I can't remember what it was now—for Wi-Fi. But all of that has now gone. So, you know, it's all part of that process, it's getting the airport to where we feel people would like it to be.

[239] **Mr Lewis:** And over the course of the coming months, we're going to unveil a new restaurant, coffee shop, duty-free areas, and you will be, I'd like to think, pleasantly surprised. And we would like to give an invitation, Chair, if we may, to you all to come and to see that.

[240] **Darren Millar:** We'll certainly consider that as a committee. Obviously, that capital investment requires financial support from the business itself, and indeed from Welsh Government. And I know that the Welsh Government have extended a loan facility to the airport. It's much bigger than was originally anticipated, because, if we're honest about it, whilst performance has improved, it's been far short of the targets that you'd ambitiously set for yourself—the stretching targets that you'd set. Is that £23 million loan facility sufficient for you as an airport to invest in the way that you need to, to be able to deliver these ambitious targets in the way that you want to?

[241] **Mr Lewis:** If we want to really make this airport fly, I think we need to look at all manner of ways of getting further investment into the airport, and I think we will require further investment into the airport. What I emphasise is that, of course, it's been a loan from Government, and it's a loan that we are paying back and we're servicing. I've done some early projections on that and I'm confident that we can fulfil that. But, will we require further additional opportunities for the airport? Absolutely. If there's one thing, and I say this to you as politicians, that would enormously help us, that is air passenger duty—APD. I would ask you all as politicians, across all four parties, to consider how and when do we get APD devolved to Wales. Because for us in Wales, that would be a significant game-changer, and I do feel it would complement—that's the key word—our sister airports nearby, with Cardiff leading the way on air passenger duty. Because that would, again, go



back to your point: it would increase the number of airlines, increase the number of destinations, reduce the prices on offer, and help us then invest further into the airport.

[242] **Darren Millar:** Can I just come back to this issue of Government support? Obviously, you were there before, Debra.

[243] **Ms Barber:** Yes.

[244] **Darren Millar:** There was Government support on the table, in terms of a route development fund, which was never really tapped into.

[245] **Ms Barber:** No.

[246] **Darren Millar:** There was an opportunity for a capital grant—significant capital grant—to sort of part-fund significant improvements to the airport, which was never taken up, even though it took a long time to organise. You've got a loan facility now, which isn't a grant, in the way that those other things were. Is this a better arrangement, or is it a more adverse arrangement for you? It certainly sounds a riskier arrangement, from the airport's point of view.

[247] **Ms Barber:** I think the problem with the funding opportunities that were there whilst we were run by Abertis was that it required Abertis to match fund, or—

[248] **Darren Millar:** I see.

[249] **Ms Barber:** It was before my time, so I don't know the exact figures, but it required a significant investment from Abertis, to go alongside the investment. As we've discussed earlier, there was just no appetite to do that. So, I think we are in a better position now. As Roger says, it's all a commercial arrangement, it allows us to plan forward, and it allows us to manage it as we're going through.

[250] But I think the critical thing for us now is, as we've said, we're at a real pivotal point now—we've got to the stage where we've got passenger numbers going up, we're getting confidence from the airlines, we're getting confidence from our passengers, and now is not the time for us to be stopping that momentum. We've really got to be able to capitalise on all that work that's been done, and the confidence that we've now got going. So, this

has just got to be maintained.

10:30

[251] **Mr Lewis:** The point to emphasise is that we have a loan, it's on commercial terms, and we're servicing that loan, but to make this airport really fly we need to look at a range of other investment opportunities and loan opportunities. That's why I mentioned going to the market and having those serious conversations in three years for another private investor into the enterprise, which is so, so important—that public-private partnership. That's why I've raised the issue today of air passenger duty, because I think that is going to be so important as well; that's part of our mix. Again, I look to 'A Blueprint for Cardiff Airport', and that's something that the Conservative Party in Wales certainly supports. Air passenger duty being devolved is something that I think all four parties in Wales support, and I think Cardiff Airport can lead the way. Let's not forget what's happening in Northern Ireland, and let's not forget what's happening in Scotland. As someone hinted at earlier on in asking about the length of the runway and the opportunity for long haul because of the length of the runway, could that be considered a step on the journey of APD devolvement? Could it be a long-haul opportunity, because that would not conflict with any of our neighbours?

[252] **Darren Millar:** Okay. Aled, do you want to come in on this?

[253] **Aled Roberts:** Rwyf eisiau gofyn cwestiwn ar a yw'r benthyciad o £23 miliwn yn ddigonol. Roedd y Cadeirydd yn dweud bod eich perfformiad ar hyn o brydy tu ôl i beth oedd y rhagolygon pan brynwyd y maes awyr. Beth ydy'r prif resymau felly dros y diffyg yn nifer y teithwyr o gymharu efo beth oedd eich cynllun busnes gwreiddiol yn ei ddweud? Ac a gaf i ofyn hefyd: rydych yn sôn bod yna angen arian ychwanegol; unrhyw syniad ynglŷn ag amseriad neu faint yr arian ychwanegol yna? Ac yn olaf, mae Llywodraeth Cymru yn cynnal

**Aled Roberts:** I just wanted to ask a question about whether the loan of £23 million is sufficient. The Chair said that your performance at present was falling behind what the forecasts were when the airport was bought. What are the chief reasons therefore for the shortfall in the passenger numbers compared with what your original business plan said? May I also ask: you talk about the need for additional funding; do you have any ideas about the timing or the size of that additional funding? And finally, the Welsh Government is undertaking a review of the financial

adolygiad o sefyllfa ariannol neu health of the airport. What is your  
 iechyd ariannol y maes awyr. Beth understanding of what the reasons  
 ydy'ch dealltwriaeth chi o'r rhesymau were for undertaking that review?  
 drostyn nhw'n cynnal yr adolygiad  
 yna?

[254] **Mr Lewis:** We'll split the questions. In terms of when do we require more funding, obviously, I'm a man in a hurry and I want to continue this investment and continue the roll that we're on at present. So, I'd be looking for something sooner rather than later; that's so important, because we are an airport in growth at the moment. Here's a hot piece of news—it was mentioned earlier on—about where we stand in the ratings. As of literally this week, we are now the seventh fastest growing airport in the United Kingdom—the seventh fastest growing with over 13 per cent growth over the last year. Above us are people like London City Airport and London Luton Airport, so, you know, they're the people who are above us. So, that's the world that we occupy now: we're the seventh fastest growing airport in the United Kingdom, so hugely attractive.

[255] But on why we haven't achieved the numbers, Deb, do you want to talk about this?

[256] **Ms Barber:** I think it was possibly optimistic about the length of time that it would take us to get to where we are. We're currently about a year behind the projections. As I was saying just now, you know, it's a sort of courting relationship with airlines; it does take a considerable amount of time. In another meeting we had yesterday—we did have a lot of meetings yesterday—we met with the chief executive of the Civil Aviation Authority, and he acknowledged that it can take three to four years from when you first speak to an airline to actually getting over the line. And, as we said before as well, we had a massive, massive perception to turn around in terms of our passengers and the airlines, and to get that confidence going.

[257] So, I think, really, it was all about possibly being optimistic in terms of the timescale—not what we could achieve, but when we could achieve it. And as I say, I think now we are getting the momentum going and I expect that passenger numbers will begin to increase as was projected, but as I say, it's just taking the time to get us there.

[258] **Aled Roberts:** A'ch **Aled Roberts:** And your  
 dealltwriaeth chi o ran pam mae understanding as to why the Welsh

Llywodraeth Cymru yn cynnal Government is undertaking a review adolygiad o iechyd ariannol y maes of the financial health of the airport. awyr.

[259] **Ms Barber:** That again is just part of our loan process, and it's just providing assurance to everybody who's interested in us having commercial loans that we are in a position to service those loans. So, it's purely part of that process.

[260] **Mr Lewis:** Just as we welcome this opportunity for you to quite rightly put us under scrutiny, our shareholder quite rightly should put us under scrutiny and the position we occupy within Wales. We accept that and so we're more than happy—. By the way, one thing we want to work on is the economic benefit of the airport and to get some—. That's a report that we are working on at the moment to try and figure out with our partners, and working with Holdco to get a real understanding of the economic benefit of the enterprise.

[261] **Darren Millar:** So, just to be clear, on the loan facility that you've got at the moment, what proportion of that has been for capital investment versus supporting your cash position?

[262] **Ms Barber:** That loan has been all about route development and capital investment in the infrastructure of the building and services.

[263] **Darren Millar:** Okay. Just in terms of your projections going forward and the business plans that you provide to Holdco, one of the things that the auditor general's report picks up on is that you've only got this two-year business planning, looking forward, that you're presenting. Why is that? Why are you not looking further ahead?

[264] **Mr Lewis:** Just to reassure you, we actually have a five-year plan in place. We have a two-year plan and a five-year plan. Dare I say, we've also looked at a 15-year projection, and that's 15 years in terms of what we think we might require in terms of our investment. We sat opposite the chairman and chief executive of British Airways, and he laughed. He said, 'In this business, looking beyond two years with certainty is a challenge'. That is one of the giants, the behemoths of the aviation world. But we've all got to do it, and I've spent my whole business life working on rolling five-year plans, and we've got a five-year plan in place. However, it then becomes very commercially sensitive in terms of what one discloses, but also you've got to

have a real health check in this business as well on what's going on. And, of course, it is a business that has so many unknown unknowns. The Paris terrorist activity over Christmas has hit the industry significantly. The Sharm el-Sheikh terrorist activity hit our business very significantly, because that was a major destination for the people of Wales to go to the sun. So there are a lot of other factors that you need to put in as well that are very significant. But I'm confident in our two-year position. We will roll it. Have we got a five-year position? Absolutely, and, dare I say, we've got a very fanciful 15-year view as well.

[265] **Darren Millar:** So, the five-year position, is that something that's in the public domain that you're prepared to publish?

[266] **Mr Lewis:** No, not at all. Coming from the world I've come from, I would never put my business plans in the public domain because they're so commercially sensitive, because we'll be making assumptions on our relationships with commercial partners in commercial agreements that one wouldn't want to show one's hand on.

[267] **Darren Millar:** You've indicated a timeline for when you are hoping to attract some private investment. Surely, these things need to be in the public domain at some point.

[268] **Mr Lewis:** Not at all. Having done a lot of this, you've got to be so trusting in the person you're having that conversation with. That's why I was very specific with my words, which were well reported in *The Times*, that I will be having those discussions three years hence, but one will sup with a very long spoon in those discussions, and at the heart of any commercial relationship is trust and confidence. So, you need to be very trusting and very confident in the people you're talking to, and then, very slowly, you will then start showing your hand. You will obviously then have legal memorandums of understanding in place, you'll have non-disclosure agreements in place, and you will slowly put those out. But, in the first instance, it will be a strategic relationship.

[269] **Darren Millar:** So, why are you doing five-year plans if all this is so commercially sensitive, and Lord Rowe-Beddoe initially was saying, 'Within five years, we want to be getting some private investment in'? So, why start on a five-year basis, if all this is very commercially sensitive? Was that a mistake?

[270] **Mr Lewis:** On the contrary, no. It's absolutely solid and right and proper. You have a rolling, internal five-year plan. Goodness me, it's one of the building blocks of business, but you keep those cards close to your chest, as I'm sure many of you around this table are keeping your cards close to your chest as you lead up to a strategic position that you'll be occupying after 5 May. [*Laughter.*]

[271] **Darren Millar:** Are there any other questions from Members? Oscar, final question.

[272] **Mohammad Asghar:** Just a final thing, Chair. Thank you very much for all the evidence. Fuel costs are coming down so rapidly in this global market, and aviation is based on fuel. I agree with the chief executive of British Airways that two years is too far; I think six months is too far. The price has come down to \$20 a barrel, I think. So, are you using that sort of management to make sure that your passengers get the benefit out of it? Other airports are probably doing the same. Where do you stand on that?

[273] **Mr Lewis:** I'm reluctant to say that that's a good question because I might get a rap, but it is a good question because it's very front-of-mind for us and—

[274] **Jocelyn Davies:** We don't find it flattering to be told we're asking good questions. Do you think we would bring you here and ask you rubbish questions? [*Laughter.*]

[275] **Aled Roberts:** Don't answer that question. [*Laughter.*]

[276] **Mr Lewis:** It's absolutely bang on and it's one of the first things I asked when I joined the airport. Debra and I are having discussions with not only our present provider, and we have a date in the diary to meet with our current provider at the airport and to look at the terms of that relationship. But we're also looking and talking to other providers as well. Just to reassure you, this is something that Debra and I embarked on very early on over the last couple of months. There's been a lot of support with your colleagues around this table, who facilitated meetings for us within that particular sector. But it is absolutely something in the front of the mind. The headline is—which you'll appreciate as business people—that there are two things with fuel: do you buy on the spot market or do you hedge? That is the \$30 per barrel question: do you spot market buy or do you hedge? Obviously, we are considering all of those options and iterations at the moment. Again, this

is the way we're looking at the enterprise. But also, we're learning a lot at the moment. We need to be competitive as an airport and strategic, and also the supply of fuel needs to be done competitively as well. So, it is something that is very much in the front of the mind for us.

[277] **Ms Barber:** I think there's two parts to this: first, as an airport, our concession partner sells fuel to airlines, but obviously the point that you made is that airlines purchase fuel and airlines set the price that they charge to passengers, so we don't have a direct influence over that, other than the price that we charge at the airport. That again is why it's so important for us to have close relations with the airlines and to try and influence, wherever we can, the price that they charge for tickets from our airport. So, we know, if they've hedged properly, or if they're using spot—we know if they're making a good deal on fuel and we then use our influence, where we can, to persuade them to lower prices where they operate from us.

[278] **Mr Lewis:** So, the headline is: we want to play an active part in this process and that is something that's very front of mind for us.

[279] **Darren Millar:** There's nothing like the end of a meeting to bring more questions out. Aled, very briefly.

[280] **Aled Roberts:** Wrth inni **Aled Roberts:** As we recognise the gydnabod y berthynas rhyngoch chi a relationship between you and the Llywodraeth Cymru, rydych wedi Welsh Government, you've said that dweud bod eich cynllun pum your five-year plan recognises the mlynedd yn cydnabod maint y size of investment that is needed. buddsoddiad fydd ei angen. Felly, Therefore, the Welsh Government mae Llywodraeth Cymru yn gwybod does know what size of investment beth, mae'n debyg, fydd maint y will be needed in the airport. buddsoddiad fydd ei angen yn y maes awyr.

[281] **Mr Lewis:** No. That is an ongoing discussion at the moment. We have a loan that we're drawing down from the Welsh Government, but in terms of any further requirements, that has not been discussed or agreed with Welsh Government. So, it's early days on that.

[282] **Aled Roberts:** Ond os yw **Aled Roberts:** But if that has been hynny wedi cael ei drafod yn eich discussed in your internal meetings, cyfarfodydd mewnol chi, mae yna there is a representative from the

gynrychiolydd o Lywodraeth Cymru Welsh Government involved in those  
yn y cyfarfodydd hynny. meetings.

[283] **Mr Lewis:** We're not in a position yet to bring our thoughts to the board. The way we operate is that we have a board and certain reports and views will be brought to the board. We are not yet in a position to take it to the board for board approval of that position. So, then, of course, they wouldn't be fully aware of what those positions are. That's recognising the governance.

[284] **Darren Millar:** Can I just ask one final thing, just in terms of Welsh Government sponsorship arrangements? Obviously, there are quite healthy sponsorship arrangements over a three-year period. That's been extended for a further 16 months, but at a significantly lower rate in terms of the income that that generates for the airport. What was the rationale for that, Debra, in terms of Welsh Government's rationale?

[285] **Ms Barber:** Are you talking about the marketing?

[286] **Darren Millar:** Welsh Government's support, yes.

[287] **Ms Barber:** I think that the Welsh Government and Visit Wales obviously saw the airport as a very important entry point for people coming into Wales. You talked about going to Dublin and Edinburgh. It was a prime location to be able to sell Welsh attractions to visitors as they come in. So, we had an initial agreement with them. They took over prime space in the airport on virtually the whole of the inbound journey, as it was called, and that was the initial cost of that contract. Obviously, since then, their budgets have shifted and they've had to adjust their relationship with us in terms of their budgets. So, it's been part of that process. The contract that we have with them ends in March this year.

[288] **Darren Millar:** And have you got any indication as to whether there's going to be—

[289] **Ms Barber:** We're just talking with them now, because obviously Visit Wales are just going through a new brand for Wales, so I think they've got some interest in potentially utilising space in the airport once they launch that new brand. But it's all in discussion at the moment.

10:45



[290] **Darren Millar:** Thank you for your patience with us this morning. We're very grateful, Roger Lewis and Debra Barber, for your attendance. You'll be sent a copy of the transcript of today's proceedings. If there's anything inaccurate in there, please let the clerks know, who'll get it corrected. But, additionally, if you've got any further information that you want to share with the committee, then please do so as well, to support our inquiry. And we will consider your suggestion that we pay you a visit, just to come and see some of the new facilities that have been achieved over the past couple of years. Thank you very much indeed.

[291] **Mr Lewis:** Chair, thank you. Can I just emphasise Deb's words? 'Contagious confidence'; that's what we want to create within the airport and, dare I say, a unity of purpose across all of the political parties here, as I think it's so important that we all fly the flag for Wales.

[292] **Darren Millar:** Thank you very much indeed.

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in 17.42(vi).*

*accordance with Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[293] **Darren Millar:** Moving on to item 4, a motion in the Standing Order 17.42 to resolve to exclude the public from the remainder of our business, does any Member object? There are no objections, so we'll go into private session.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:45.*  
*The public part of the meeting ended at 10:45.*