



Nick Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales

c/o [committeebusiness@wales.gsi.gov.uk](mailto:committeebusiness@wales.gsi.gov.uk)

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## The Welsh Government's acquisition and ownership of Cardiff Airport

Dear Chair,

I am writing to provide you with a copy of the Welsh Ministers' response to the Public Accounts Committee's report on Welsh Government's acquisition and ownership of Cardiff Airport.

I would like to thank you and the Committee for the careful and considered way in which you undertook the investigation and produced the report.

Whilst the attached response deals with the recommendations made in the committee's report, it also addresses many of the recommendations Auditor General for Wales' report into the Welsh Government Acquisition and Ownership of Cardiff Airport.

Dealing with the AGW's recommendations:

R1 – this is addressed in the response to the committee's Recommendation 4.

R2 – this is addressed in the response to the committee's Recommendation 5.

R3 – our response to the committee's Recommendation 3 confirms that WGC Holdco has consulted with the board of CIAL with a view to agreeing the process for appointing non-executive directors to the CIAL board.

R4 – a set of performance indicators has been developed and are now regularly reported upon. CIAL has committed to the publication of an annual report. CIAL has written separately to the committee about their proposals for the annual report.

R5 - this is addressed in the response to the committee's Recommendation 6.

R6 – The Welsh Government has commissioned Chris Cain, the author of the PPIW report “Maximising the Economic Benefits of the Welsh Government’s Investment in Cardiff and St. Athan Airports” to scope out a Master Plan for Cardiff Airport, building on his earlier work. This scoping exercise will be complete by the end of this calendar year, and will underpin the procurement of the detailed Master Planning activity.

R7 – The Welsh Government is reviewing the long term future for shuttle bus service as part of the work, described in our response to the committee’s Recommendation 10, to improve rail services to the Airport. In any case, the current service will be evaluated before the expiry of its current contract.

Yours sincerely

A handwritten signature in black ink, appearing to be 'M. Jones', written over a horizontal line.

## **Response to the Report of the National Assembly for Wales Public Accounts Committee on The Welsh Government's acquisition and ownership of Cardiff Airport**

We welcome the findings of the report and offer the following response, on behalf of both Welsh Government and WGC Holdco to the 10 recommendations contained within it.

### **Recommendation 1**

The Committee recommends that the Welsh Government regularly review the businesses it has designated as anchor companies and regionally important companies.

Accepted. Welsh Government undertakes regular reviews of Anchor Companies in Wales. The last review, including consideration of Welsh Government account management arrangements, took place in July 2016.

### **Recommendation 2**

The Committee recommends that the Welsh Government consider engaging with Transport Scotland to understand the different approach they have taken to membership of their holding company, how conflicts of interest are managed within the Scottish model and to consider the merits of such an approach alongside the work currently being undertaken to consider the composition of the CIAL and Holdco boards.

Accepted. Following the report, we have engaged with Transport Scotland and the Glasgow Prestwick Airport management team to understand the approach they have taken. We have concluded that our existing arrangements are preferable for our individual circumstances.

However, the compositions of the boards of WGC Holdco and CIAL are being supplemented with additional expertise. This process will be completed this year, and is partly due to our engagement with Transport Scotland.

### **Recommendation 3**

The Committee recommends that Holdco encourage the CIAL Board to consider expanding its membership to include wider aviation and/or airline experience.

Accepted. WGC Holdco has encouraged the CIAL board to consider expanding its membership to include wider aviation and/or airline experience. The CIAL board has initiated the process to recruit an additional non-executive director with specialist aviation experience. We have also clarified the process and consents required for CIAL to appoint, reappoint or remove non-executive directors. This recruitment process is a matter for CIAL, but we understand that it will be completed in the coming months. We will update the committee when the appointment has been made

### **Recommendation 4**

With regard to the composition of the Holdco Board, the Committee recommends that the Welsh Government give consideration to extending its membership to

include a civil servant from outside the Directorate that has responsibility for economy, skills and natural resources to minimise the potential for conflicts of interest to arise.

Accepted. We have given consideration to having an additional Senior Civil Servant from a different directorate on the WGC Holdco board. We agree that WGC Holdco should minimise the potential for conflicts of interests arising. WGC Holdco is considering its membership and will need to balance considerations of skills, current areas of responsibility and independence with the need to maintain an efficient approach. We also agree with Recommendation 5, and we are making a public appointment in that respect.

Therefore we do not believe a further expansion of Civil Service headcount is the most efficient or effective solution.

### **Recommendation 5**

The Committee endorse the recommendation of the Auditor General's report and previously that of the Welsh Government's Internal Audit Services that Holdco should appoint a board member from outside of Welsh Government with appropriate business experience.

Accepted. WGC Holdco is considering the membership of its board. Since the CIAL board is recruiting a non-executive director with specialist aviation experience, WGC Holdco considers that any additional non-executive director should have experience of overseeing the governance of commercial organisations to complement existing skills. The public appointments process will begin in the next two months. We will update the committee when an appointment has been made.

### **Recommendation 6**

The Committee recognise the uncertainty of longer term business planning and that Holdco may wish to formally approve actions on a two year outlook. However, the Committee recommend that Holdco should also require medium and longer term financial projections as part of its review of the airport's business plans.

Accepted. For Financial Year commencing 1 April 2016 CIAL produced a two year rolling business plan that includes forecasts for a further three years beyond (the medium term) and projections out to 20 years, following the recommendations of the Public Accounts Committee and the earlier report from the Auditor General for Wales.

### **Recommendation 7**

The Committee recommends an update is provided by the Welsh Government following completion of the financial health review and whether this has resulted in any change in terms of commercial loans and that the Committee is kept updated on any additional loan finance that is agreed.

Accepted. The financial health review forms the basis for the analysis of a new loan application that CIAL made in the months following the committee's enquiry. The loan application is currently being considered by Welsh Government. We will update the committee once a decision has been reached.

**Recommendation 8**

In order to measure the benefits to Wales of Passengers coming through the airport, the Committee recommends that CIAL and the Welsh Government work together to collect this data.

Accepted. We understand that CIAL has obtained passenger data which demonstrates where passengers have been prior to their departure from the airport. CIAL and the Welsh Government are currently working together to determine how the data can be improved.

**Recommendation 9**

Given the Committee's observations regarding signage with regard to the Airport Express bus service, the Committee recommends that CIAL work with the Welsh Government to ensure signage is improved with specific consideration to making more user friendly for foreign travellers.

Accepted. This is ultimately a matter for CIAL, however we understand that work has commenced to improve signage for passengers and that the T9 bus operator has been involved in this work.

**Recommendation 10**

With regards to discussions between Cardiff Airport and Arriva Trains Wales to improve rail links to the airport, the Committee recommend that the Welsh Government work with both parties to encourage dialogue to improve the rail links to the airport.

Accepted. We have commissioned work to identify possible solutions to improve the rail infrastructure at Rhoose Station. This work will be completed shortly and will be considered as part of the development of South Wales Metro.

The Welsh Government is also fully engaged with CIAL on the programme of activity to improve connectivity within the region, which is aimed at enhancing surface access to the airport.