

Ken Skates AC/AM

**Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport**



Llywodraeth Cymru
Welsh Government

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Nick Ramsay AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

06 November 2017

Dear Nick

**UPDATE ON THE PUBLIC ACCOUNT COMMITTEE REPORT WELSH GOVERNMENT
ACQUISITION OF CARDIFF AIRPORT**

The Committee was last updated about the recommendations in the Public Accounts Committee Report, Welsh Government Acquisition of Cardiff Airport, on 19 September 2016.

Good progress was noted on some of the recommendations. However, it was recommended the Committee be updated on further progress by 10 November 2017. I am enclosing that update.

The Welsh Government considers that, as a result of the actions taken; only recommendation 5 remains open.

Yours sincerely,

Ken Skates AC/AM

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Cabinet Secretary for Economy and Transport**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

PAC UPDATE – Acquisition and Ownership of Cardiff Airport

November 2017

The Welsh Government’s acquisition and ownership of Cardiff Airport	
Date of Update: November 2017 Responsible Director: Simon Jones	
1	We recommend that the Welsh Government regularly review the businesses it has designated as anchor companies and regionally important companies. (Page 14)
<p>The Welsh Government reviewed the businesses it has designated as anchor companies and regionally important companies in spring 2017. This resulted in the then Cabinet Secretary for Economy and Infrastructure agreeing in June 2017 to include a wider cohort of stakeholders and businesses in the Anchor Company network. The rationale for this is to strengthen links between a wider range of businesses, academia and other key stakeholders and reflects the cross government approach as outlined in “Prosperity for All: the National Strategy”.</p>	
2	We recommend 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. (Page 35)
<p>Welsh Government senior officials have engaged with Transport Scotland and the Glasgow Prestwick management team to understand the different approach they have taken. The merits of how Glasgow Prestwick is managed under the Scottish model have been considered, including a discussion with CIAL, and it has been concluded that the arrangements would not offer the degree of independence the Welsh Government believes is required in Wales.</p> <p>WGC Holdco will apply the relevant lessons learned in regard to the composition of the CIAL and WGC Holdco boards (see recommendations 3, 4 & 5).</p>	
3	We recommend that Holdco encourage the CIAL Board to consider expanding its Membership to include wider aviation and/or airline experience. (Page 35)
<p>CIAL have appointed an additional board member with experience in all areas of conducting airport business in an international environment. CIAL is also recruiting an additional member to the executive team who will be responsible for airport planning and development.</p>	

4	<p>With regard to the composition of the Holdco Board we recommend 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. (Page 35)</p>
<p>The WGC Holdco board has considered its membership and the need to balance skills, current areas of responsibility and independence with the need to maintain an efficient approach. The Welsh Government has also given consideration to having an additional senior civil servant from outside of the Directorate on the WGC Holdco board and felt that appointing a non Welsh Government person to the Board (in line with recommendation 5) would add greater benefit and minimise the potential for conflict of interest.</p>	
5	<p>We 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. (Page 35)</p>
<p>Following a Public Appointments process the then Cabinet Secretary for Economy and Infrastructure has appointed an independent Non Executive Director to the WGC HoldCo board. At the time of drafting this update their appointment had not formally commenced and as such it is not possible to share the individuals name and biography at this time.</p> <p>We will provide a further update to the Committee once the appointment has formally commenced</p>	
6	<p>We recognise the uncertainty of longer term business planning and that Holdco may wish to formally approve actions on a two year outlook. However, we recommend that Holdco should also require medium and longer term financial projections as part of its review of the airport’s business plans. (Page 45)</p>
<p>The Welsh Government has agreed Cardiff International Airport Limited’s Business Plan for 2017/18. It covers the next two years, with a five year financial forecast, and a twenty year indicative financial plan.</p>	
7	<p>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 the commercial loans and that the Committee is kept updated on any additional loan finance that is agreed. (Page 46)</p>
<p>The Financial Due Diligence that was undertaken by Deloitte prior to the Cardiff Airport loan being agreed considered both the financial position of the airport and the terms of the loan with regard to Market Economy Operator Principle. The advice provided by Deloitte during this Financial Health Review was reflected in the terms of the loan agreed with the Airport.</p> <p>The Welsh Government will keep the Committee updated on any additional loan finance that is agreed.</p>	

8	<p>In order to measure the benefits to Wales of passengers coming through the airport we recommend that CIAL and the Welsh Government work together to collect this data. (Page 52)</p>
<p>CIAL has advised that onward destination data can be difficult to collect because it is not required as part of the booking process. However, we will be able to collect the data through voluntary passenger feedback questionnaires (along with other information). It should be recognised though that such questionnaires typically record a relatively low response rate.</p>	
9	<p>Given our 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. (Page 52)</p>
<p>Improvements have been made to public transport signage at the Airport during the last twelve months, with a particular focus on the T9 Airport shuttle. This work will be kept under regular review.</p>	
10	<p>With regards to discussions between Cardiff Airport and Arriva Trains Wales to improve rail links to the airport, we recommend that the Welsh Government work with both parties to encourage dialogue to improve the rail links to the airport. (Page 52)</p>
<p>We are currently procuring an operator and development partner for the rail service. The Invitation to Submit Final Tenders asks bidders to outline proposals to deliver a range of rail integrated transport outcomes, including Cardiff Airport. We continue to progress these discussions with the airport to keep them fully informed of developments.</p>	