

Cardiff Airport: current performance and business context

A report by Northpoint Aviation

As the national Airport for Wales and a key gateway to the UK, Cardiff Airport plays a significant role as a key strategic asset for the country.

Since the change in ownership in March 2013 the Airport's performance has been closely scrutinised by key stakeholders including the Welsh Government, Welsh Assembly Committees, MPs and the media.

Cardiff Airport commissioned the report in January 2020 to provide independent expert evidence relating to current performance and the ownership model.

To do this effectively the report has benchmarked against previous performance under private ownership, other UK airports and comparable markets to give an understanding of the industry context in which the business operates.

Report conclusions

1. A significant economic impact

The report refers to Oxera's assessment of the economic impact of Cardiff Airport and points strongly towards it fulfilling its important role as Wales' international gateway:

- Delivering over **£246m** of direct economic benefit each year;
- Supporting **2,400** aviation-related jobs;
- Acting as an anchor for an emerging aviation and aerospace cluster in the Vale of Glamorgan and more broadly across South Wales.

Cardiff Airport's economic impact matches that of **LARGER** UK airports, outperforming airports of its size.

2. A robust financial performance

The report shows a sound management of operating costs whilst accommodating higher passenger traffic:

- A positive EBITDA has been recorded;
- Non-aeronautical revenue has increased;
- There has been a need to make exceptional write-downs due to externalities like Thomas Cook going into administration and uncertainties associated with Flybe and Brexit;
- There has been a need to make allowances for depreciation and amortisation;
- The additional Welsh Government loan is a prudent measure to allow continued investment in growth and diversification;
- Cardiff Airport holds relatively less debt than its peer airports;
- Many airports can only source debt through shareholder loans. If publicly owned those shareholders are local or national Governments. For Cardiff Airport this is the Welsh Government.

The financial performance meets expectations.

2. A robust financial performance

Continued performance will depend on maintaining cost controls and securing further passenger growth. The following actions would help mitigate these risks:

- The UK Government and industry regulators addressing the disproportionate cost burden of regulation, creating an uneven playing field;
- Action from Government in relation to APD, at a UK level or by allowing it to be devolved to the Welsh Government;
- The use of PSO's to enhance the domestic route network;
- Marketing support to attract airlines on target international routes.

3. Positive achievements and passenger growth

The report supports the case that Cardiff Airport is performing effectively having achieved significant milestones since 2013:

- Passenger growth of over 60%;
- Increased international traffic;
- Secured the first scheduled long-haul carrier;
- Increased market share from the core catchment of south and west Wales when passengers had been travelling from English airports;
- Started to grow the airport's freight business
- Positive improvement in the customer experience including in feedback in the Which? Annual airport survey.

4. Focused on Masterplan development and sustainability

The report references how Cardiff Airport has developed a coherent and realistic Masterplan to 2040 which provides a solid base for future investment and partnership. The Masterplan addresses the climate crisis and importance of responsible and sustainable growth.

The Airport has recently launched its 'environmental flight path', highlighting a commitment to be carbon neutral and including a number of initiatives already achieved and those underway to achieve this goal.

5. Future ownership in public sector for the short term

The report confirms the Welsh Government can secure an 'enterprise value' from a future sale, recouping its loan finance plus a surplus on its investment.

The time frame for completing this deal is at least 3 and realistically 5-10 years away; in the interim the Welsh Government will need to continue to offer loan support.

There is no current sound operational, commercial or financial reason to return the Airport to private ownership.

Note: Cardiff International Airport Ltd (CIAL) is the operating company which manages Cardiff Airport.