



Darren Millar AM
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National Assembly for Wales

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22 February 2016

The Welsh Government's Acquisition and Ownership of Cardiff Airport

Dear Chair,

I am writing to set out the Welsh Government's response to the Report and its recommendations. I note the Report's central conclusions that the Welsh Government had a clear rationale for purchasing Cardiff Airport; took appropriate due diligence; paid a purchase price that was informed by a range of commercial and public asset valuations; and has put in place sound governance arrangements.

Cardiff Airport is now in a stronger and more stable position than it was when the Welsh Government took ownership of it. The Report's recommendations will help inform our future approach and that of Welsh Government Hold Co (Hold Co).

Many of the Report's recommendations relate to Hold Co rather than to Welsh Ministers. PAC will appreciate the important distinction between Welsh Government and Hold Co, a distinction that safeguards the 'arms length' relationship between Welsh Ministers and the Board of Cardiff Airport. I have therefore discussed the Report's recommendations with Hold Co and can advise that both Welsh Government and Hold Co broadly accept in principle all seven recommendations.

In respect of each recommendation I can confirm the following proposed actions.

Recommendation 1: We continue to keep governance arrangements under review to ensure they are appropriate and fit for purpose. In particular, we will reflect upon the Report's recommendation and consider whether the skills and experience mix of the Hold Co Board might be better improved by appointing an additional external member. However, we note that the Chair of Cardiff Airport is currently considering the composition of his Board, and any changes to Hold Co will follow the completion of that exercise, so as to ensure appropriate fit.

Recommendation 2: With the agreement of the Cardiff Airport Board, we will amend the Management Arrangement, both to formalise current practice whereby the Cardiff Airport Chair is invited to attend Hold Co, and to place an obligation upon the Chair to do so.

Recommendation 3: Hold Co will discuss and agree principles for appointing non-executive directors to the Cardiff Airport Board. We will reflect any such changes in the Management Arrangement as appropriate.

Recommendation 4: Hold Co will discuss with Cardiff Airport the merits of the airport producing an annual report summarising progress. Separately, the Cardiff Airport Board are currently in their business planning process. Following its conclusion and the agreement of the 2016/17 business plan, a range of key performance indicators will be agreed.

Recommendation 5: Two-year horizons offer greater certainty on which to base decisions. Conversely longer-term projections can be notoriously inaccurate and misleading. Nevertheless, there is merit in also having regard to a longer-term horizon and as such Hold Co has confirmed they will consider Cardiff Airport's five year projections alongside the annual review of the airport's business plan.

Recommendation 6: We recognise that now that the airport's immediate future is secure, attention must turn to maximising its commercial and economic impact. As such, delivery of a Master Plan is a priority action for this year.

Recommendation 7: We will continue to evaluate the performance and relevance of the shuttle bus service as part of a good contract management process.

I hope the Committee will find this information useful.

Yours sincerely

A handwritten signature in cursive script that reads "James Price,".

James Price