



Nick Ramsay MS
Chair
Public Accounts Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1NA

3rd March 2021

Dear Chair

CARDIFF AIRPORT

Further to my recent evidence session with Public Accounts Committee, I am writing to advise that the Minister for Economy, Transport and North Wales has issued a Written Ministerial Statement on future support for Cardiff Airport.

COVID-19 has had an extraordinary impact on all of our lives, locally and around the globe. The pandemic continues to cause major disruption to all aspects of society and the economy, and, as you know, the travel industry has been one of the hardest hit sectors. Civil aviation has all but been devastated by the curtailment of virtually all passenger flights, deserted airports and entire fleets grounded.

Further to the unprecedented package of support that the Welsh Ministers have already made available to individuals and businesses across Wales, Ministers have today set out a financial package to provide support to CIAL in the medium term, against a five year rescue and recovery plan. This maximises the recovery of the Welsh Government loan investment and provides sustainability for the airport while delivering the lowest lifetime cost option. This provides the best way forward on strictly commercial/market investor terms, while acknowledging the unavoidable risks and uncertainties created by the global crisis in the industry.

The rescue and recovery plan will be performance managed regularly in order to evaluate and protect our ongoing investment. Further to this, we are also in the process of reviewing the

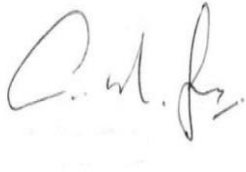
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governance of Cardiff Airport and strengthening the role that Holdco will play moving forward. I will let you know the outcome of those deliberations in due course.

The full details of the financial support package are provided within the Statement attached. I am copying this letter to the Auditor General for Wales.

With best wishes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', with a small blue circular stamp or mark below it.

Andrew Slade
Director General
Economy, Skills and Natural Resources

CC: Adrian Crompton, Auditor General for Wales



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Future support for Cardiff Airport**

DATE **3 March 2021 (TBC)**

BY **Ken Skates AM, Minister for Economy, Transport and North Wales**

Cardiff International Airport (CIAL) is a vital gateway to Wales for business, tourists and general travellers alike. It is vital for Wales's economic development that we have strong international connectivity to and from Wales as well as a welcoming open door for tourism.

In 2013, the Welsh Government purchased Cardiff Airport as a strategic addition to Wales' transport infrastructure and to secure its future after an extended period of commercial decline and develop high-quality services and additional routes for passengers.

Under Welsh Government ownership, the airport has been operated at arm's length on a commercial basis and, up until 12 months ago, had witnessed a significant turnaround in fortunes. So much so that since 2013, figures from the Civil Aviation Authority showed that passenger growth at Cardiff Airport had increased by over 50 per cent.

Within Wales, as elsewhere, COVID-19 has had a catastrophic impact on public transport and we have made additional support available to maintain bus and rail services in Wales. The Aviation Industry globally has been hit particularly badly and virtually all passenger flights have been curtailed, airports are deserted and entire fleets have been grounded. That impact has been felt at Cardiff Airport as it has been at every other airport across the world.

For instance, last week Heathrow Airport reported a £2bn annual loss after passenger numbers during the coronavirus pandemic dropped to levels not last seen since the 1970s.

The COVID-19 pandemic is expected to impact the aviation industry for several years to come.

As of November 2020, Standard & Poor's (S&P) forecasted that global air traffic will not return to pre-COVID-19 levels over the period 2021 – 2023. In their projections, published in November 2020, S&P noted that, in 2023, traffic is expected to be 12.5% below 2019 levels.

As a consequence of the COVID-19 pandemic, the Airports Council International (ACI) and the Airports Operators Association (AOA) have updated their medium-term projections of passenger traffic in December 2020 and February 2021 respectively. The projections published by the AOA in February 2021 confirm that the prolonged travel restrictions lead to a slower recovery, with the AOA projecting a slower path to recovery in the UK compared with the ACI's global projections.

Global air traffic fell to its lowest level for 17 years in 2020: Passenger numbers plunged from 4.5bn in 2019 to 1.8bn last year with airlines losing a combined £270bn due to Covid. A Civil Aviation Authority (CAA) report shows Cardiff Airport as having the biggest decline over the past year of 87% over any other UK airport.¹

The priority for all airports across the globe, including Cardiff, is recovery, sustainability, and eventual growth.

Since last March we made the conscious decision to keep our airport open to support freight and logistics during the pandemic which also saw delivery of much needed PPE for the NHS in Wales. The Board and management team at CIAL have been working hard to reduce costs as much as possible and generate new sources of revenue.

Cardiff Airport have put most of their staff on the UK Government's furlough scheme in order to provide maximum cost savings to the business.

Alongside this Cardiff Airport originally contracted out around 60 staff to provide a call-centre service to support Cardiff and Vale of Glamorgan Local Authorities test and trace facilities. The Welsh Government continues to do what it can to ensure Wales continues to have a national airport into the future that can support our economy as part of an integrated public transport network.

The UK Government has provided a new £100m airport COVID support package which is for English airports only. Northern Ireland will provide £10m in funding for Belfast airports, plus support for other regional airports will be considered as part of their £150m rate relief scheme. The European Commission has approved, under EU State aid rules, a GBP 17 million (approximately €20 million) UK aid scheme to compensate Scottish airports for the damage suffered due to the coronavirus outbreak. Scottish Government will provide £17m to Scottish Airports to help them through this period.

I expect the UK Government to review its Aviation policy to reflect the extraordinary situation we are now in and to create, and fund, a substantial package of support that can support the regulatory and financial costs on critical regional airports such as Cardiff. However, despite these calls to the UK Government, Cardiff Airport has not received any direct support from the UK Government to ensure its medium to long-term viability. As the shareholder, and recognising the importance of this key infrastructure, we have decided to take decisive action now – to delay would mean the loss of the airport and our entire investment

The Welsh Government have agreed a financial package to provide support to Cardiff International Airport Limited (CIAL) in the medium term against a five year plan for the rescue and restructure of the airport. This Government business support package satisfies the terms of the UK-EU Trade and Co-operation Agreement, in particular the provisions around subsidies for the purposes of rescue and restructure. We have agreed investment by way of a grant of up to £42.6m which will be given to enable Cardiff Airport to restructure its operations, and secure its long term viability.

Separately, as sole shareholders of Cardiff Airport, we have made the decision on a purely commercial basis to write off £42.6 million of the airports debt. This decision maximises the likelihood of recovery of Welsh Government loan investment and delivers the lowest lifetime cost option. It provides the best way forward for the Welsh Ministers as sole shareholders of the airport from a commercial perspective,

We are also impairing the equity at this time as a prudent step to reflect the loss of value as a result of Covid which amounts to £46.3m. By taking this action we are confident that this will best protect the value of the public investment in the airport and ensure that it is sustainable into the future.

The performance of Cardiff Airport as against its restructure plan will be monitored and performance managed regularly in order to evaluate and protect our ongoing investment.

This investment package helps protect jobs and preserves connectivity in an area of the UK where, alongside our exciting new Metro programme, we want to build high quality infrastructure to support the economy. This funding will help sustain up to 5,200 indirect jobs retained from the economic activity of the firms on-site at the airport and from the firms in the wider supply chain, at a time when we know the Aviation sector needs support.

The announcement of the new Wizz services is welcome news and a positive step that will help Cardiff Airport emerge from the impact of the Covid-19 pandemic. The services will increase choice for passengers, create jobs and add to the airport's economic benefits and I look forward to the nine new routes being made available in the coming months.

Building an economy and transport system fit for the future means taking action now to support our vital, national infrastructure and assets through these difficult and extraordinary days of Covid. Just as it has done supporting other critical services through this pandemic, the Welsh Government has acted swiftly and decisively – in this case to help secure Cardiff Airport and ensure it can contribute to our recovery.

I will keep the Senedd informed of developments at Cardiff Airport and will be happy to answer questions from members during my questions this afternoon.