

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group



Llywodraeth Cymru
Welsh Government

Nick Ramsay AC
Pwyllgor Cyfrifon Cyhoeddus

28 Tachwedd 2016

Annwyl Mr Ramsay

Yn dilyn cyfarfod y Pwyllgor ar 14 Tachwedd, rwy'n ysgrifennu atoch gyda rhagor o wybodaeth am Faes Awyr Rhyngwladol Caerdydd Cyf (CIAL).

Cafodd Dangosyddion Perfformiad Allweddol eu datblygu gan CIAL ar gyfer eu cyflwyno i WGC Holdco. Fe'u gwelir isod ac maent yn ymdrin â phum maes:

- Perfformiad busnes
 - Nifer teithwyr
 - Refeniw
 - EBITDA (Enillion cyn Llog, Treth, Dibrisiant ac Amorteiddiad)
 - Seddi sydd ar gael
 - Ffactor y llwyth cyfartalog
- Profiad y cwsmer
 - Lefel boddhad y cwsmer
 - Prydlondeb
- Cydymffurfio
 - Perfformiad o ran lechyd a Diogelwch
 - Cydymffurfio â diogelwch a sicrwydd
- Cysylltiadau cyhoeddus a marchnata
 - Sylw gan y cyfryngau
 - Cyfryngau cymdeithasol
- Cyfran o'r farchnad

Mae'r wybodaeth yn y dangosyddion perfformiad yn fasnachol sensitif, felly rwy'n gobeithio'ch bod yn deall pam na allaf rannu enghreifftiau o ddangosfwrdd dangosyddion perfformiad y cwmni gyda'r pwyllgor.

O safbwynt effaith Deddf Cenedlaethau'r Dyfodol, rwyf wedi ysgrifennu at Faes Awyr Rhyngwladol Caerdydd yn nodi beth o'r Ddeddf y mae Holdco'n disgwyl fydd yn cael ei ystyried fel rhan o broses cynllunio blynyddol y busnes. Rwy'n amgáu copi o'r llythyr hwnnw. Bydd cynllun busnes blynyddol y maes awyr yn gorfod cael ei gymeradwyo gan Holdco.

Mae'r Achos Diogelwch wedi'i gwblhau ar gyfer y system lanio yn Sain Tathan. Mae'r dyluniad bron iawn wedi'i orffen ac mae wedi'i gyflwyno i'w gymeradwyo gan yr Awdurdod Hedfan Milwrol sydd â thri deg diwrnod i ymateb.

Ynghylch Cardiff Aviation Limited – cynhaliwyd prawf diwydrwydd dyladwy gan swyddogion Llywodraeth Cymru ar 16 Ebrill 2012. Casgliad hwnnw oedd y byddai'r cwmni'n sefydlog ac yn broffidiol.

I gloi, rwyf wedi amgáu copïau o'r llythyrau sy'n ymwneud â rôl Cadeirydd CIAL ar Fwrdd Holdco. Anfonaf gopi o'r Cynllun Meistr ar gyfer y maes awyr pan fydd ar gael yn 2017.

Yn gywir

Simon Jones

Cyfarwyddwr Trafnidiaeth a Seilwaith TGCh

Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth
Department for Economy, Science and Transport

WGC Holdco



Llywodraeth Cymru
Welsh Government

SEND BY EMAIL: roger.lewis@cwl.aero

Mr Roger Lewis
Chairman
Cardiff International Airport Limited
Cardiff Airport
Vale of Glamorgan
Wales
CF62 3BD

25 November 2016

Dear Roger

The Wellbeing of Future Generations (Wales) Act 2015

The Wellbeing of Future Generations (Wales) Act (The Act) seeks to improve the social, economic, environmental and cultural wellbeing of Wales. The Act lists the 44 public bodies which fall under its remit. Whilst Cardiff International Airport Limited (CIAL) is not directly captured under the Act, the Welsh Ministers fall within its scope.

At the Public Accounts Committee on 14th November 2016, there was a discussion on the approach to the Act by CIAL. Given the relationship between CIAL and the Welsh Ministers we would recommend that the CIAL as best practice follow the requirements of the Act.

The Act is a key piece of legislation for the Welsh Government which requires identified public bodies to think more about the long term, work better with people, communities and each other, look to prevent problems and take a more joined-up approach.

The Act includes a wellbeing duty which requires the Welsh Ministers to set wellbeing objectives which maximise their contribution to achieving the goals and to take all reasonable steps to achieve those objectives

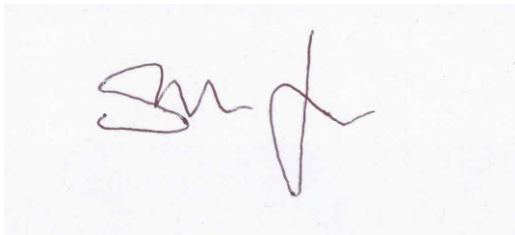
The Act also sets out the sustainable development principle, which says that public bodies must act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs. To help bodies put that into practice, the Act sets out five 'ways of working', and we would encourage the CIAL to consider these, and the wider principles of the Act over the next few months as you develop.

This could be illustrated by way of including the five 'ways of workings' in your business plan for 2017/18 where you:

- a) Set and publish objectives ("wellbeing objectives") that are designed to maximise your contribution to meeting the wellbeing goals
- b) Take all reasonable steps, in exercising your functions, to meet those objectives
- c) Apply the sustainable development principle and the ways of working to your activities.

We will need to jointly consider how your application towards the wellbeing goals and an assessment of your ways of working is monitored and reviewed. Can I suggest we discuss at a forthcoming Holdco Board meeting?

Yours sincerely

A handwritten signature in dark ink, appearing to read 'SJ', is centered on a light-colored rectangular background.

Simon Jones
Chair, WGC Holdco

29th September 2016

Cardiff Airport, Vale of Glamorgan, Wales CF62 3BD
Maes Awyr Caerdydd, Bro Morgannwg, Cymru CF62 3BD

Simon Jones
Chair
WGC HoldCo
Department for Economy, Science and Transport
QED Centre
Main Avenue
Treforest
CF37 5Y

Dear Simon

WGC Holdco & Cardiff International Airport Limited (CIAL) Management Arrangement

Thank you for your letter dated 6 September 2016. Appropriate Governance arrangements between CIAL and WGC Holdco are important to the operation and development of CIAL and I welcome the opportunity, on behalf of the Board of CIAL to work with you in the evolution of these processes.

I acknowledge your view that the Scottish Government approach to managing Glasgow Prestwick Airport does not offer the appropriate solution for Wales. Thank you for the opportunity to respond to your suggestions for amendment to the Management Arrangement. I have considered each point in turn.

WGC Holdco involvement in the appointment of CIAL directors

I agree with your proposal that the Board of CIAL should remain responsible for appointing, re-appointing and removing executive and non-executive directors as set out under the terms of the Management Arrangement and CIAL Articles of Association, and subject to the Shareholder's overarching rights and the requirement for Shareholder consent.

I agree the recruitment and appointment process for directors will ordinarily be a matter for the CIAL Board, subject to consent from WGC Holdco to proceed at the following points:

1. Once a skills and experience gap has been identified and a recruitment process is proposed;
2. Once a shortlist of candidates is identified, at which point WGC Holdco will also have the opportunity to exercise its veto over any candidates.

WGC Holdco representation at CIAL Board meetings

I agree WGC Holdco will be represented at CIAL Board meetings by either the WGC Holdco Chair or a substitute from the WGC Holdco Board. I agree the role of the WGC Holdco representative will be to observe that the proceedings of the Board meeting are consistent with the Management Arrangements. I also welcome that the WGC Holdco representative may, as required, assist proceedings by communicating Welsh Government policy and advice on interpretation of that policy.

To assist this role it would be beneficial for the WGC Holdco representative to be provided electronic and/or paper copies of any appropriate material in advance of each meeting (as is already the case). However to ensure the efficient delivery of information in a timely manner it is imperative that, should the Holdco Chair not be able to attend the CIAL Board, the name and contact details of the substitute are communicated in a timely manner to allow efficient delivery of Board papers.

CIAL representation at WGC Holdco Board meetings

I note your intent for WGC Holdco to move from monthly Board meetings to meetings every two months, and in time this may further move to quarterly meetings as our arrangements continue to mature. I welcome the invitation to attend WGC Holdco Board meetings, and it is appropriate for the CIAL Board to determine the composition of the CIAL delegation as matters arising dictate.

I believe it is beneficial to have a formalised set of standard agenda items, as indicated in your letter, in addition to any other agenda items. However it is important that standard agenda items in respect are reviewed at the appropriate frequency. Where it is appropriate to review Key Performance indicators and summary financial performance at each WGC Holdco Board meeting, the delivery of the CIAL Business Plan and financial projections for a further four years, and an indicative projection out to the duration of any outstanding loan commitment should be reviewed on an annual basis, unless circumstances significantly change and events determine that it is appropriate to change the timing of review.

I agree that any non-standard agenda items should be agreed in advance of Board meetings. I believe it would be beneficial that if any non-standard agenda items are to be included that this information is agreed and papers circulated at least one week in advance of the meeting.

For good governance, WGC Holdco Board meetings should also consider Consent Matters. I agree that any Consent matters should be communicated, a week in advance of WGC Holdco Board meetings in writing. I agree a nil return would be useful for completeness where no Consent Matters are identified.

As you will be aware the industry in which CIAL operates is incredibly fast moving and as such CIAL as a business needs to be agile in its response to changing business needs. I would request that where circumstances require a more rapid response to a Consent Matter (that is, outside of the planned WGC Holdco Board meetings) the ability to convene a special WGC Holdco Board meeting to consider a Consent Matter request, as soon as is practicably possible, is included with the amended management arrangement.

Provision of CIAL Management Information

I agree that the provision of CIAL management information is important for the above approach to be viable. As you will be aware the information included within the monthly CIAL Board pack is highly commercially sensitive and should not be available to a wider audience than the Holdco Directors.

Therefore for detailed CIAL information to be provided, in line with your request, information should be supplied to named Secretariat members only with the formal agreement that this information should not be circulated to a wider audience without the prior consent of the CIAL Board.

CIAL Board Capability

I agree it is appropriate for an update to be provided on CIAL Board capability. I believe it would be appropriate for these updates to be provided on a six monthly basis. Whilst these updates should remain confidential, I believe these updates should be transparent and should be derived in the following ways;

1. The outcome of CIAL's annual Board Effectiveness Survey along with associated actions will be reported to you;
2. I will report six monthly following the annual Board Effectiveness Survey on the capability of the CIAL Board.

WGC Holdco Directors

I agree that in line with the recommendations of the Wales Audit Office and Public Accounts Committee findings, it would be beneficial for WGC Holdco to seek the appointment of an external, independent Non-Executive Director, to develop their Governance processes.

It would also be beneficial for the WGC Holdco Board to remain as lean and efficient as possible. I would welcome the opportunity to comment upon the job specification before you publish it.

Annual Report

CIAL has committed to the production of an Annual Report to coincide with the filing of statutory accounts. In addition, with a view to ensuring greater transparency, CIAL has committed to publishing an interim annual report to provide an update on our progress.

Master Plan

The CIAL Board agree that it is no longer sensible for CIAL to deliver this Master Plan alone. We agree that the Master Plan work will be led by Welsh Government, but with CIAL playing an integral role in shaping this new wider Master Plan.

The CIAL Board believe that it is very important that the Plan does not only include Cardiff Airport, but does take full account of the surrounding area, as well as St Athan. Communication links to CIAL are key for the future sustainability of the Airport and therefore the CIAL Board welcome the inclusion of issues raised by the Public Account Committee regarding rail and bus public transport links, as well as broader surface access issues.

Thank you for consulting with us on the proposed amendments to the Management Arrangement. Should you have any questions please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Lewis', with a horizontal line underneath.

Roger Lewis
Chair, Cardiff International Airport Limited.

Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth
Department for Economy, Science and Transport

WGC Holdco



Llywodraeth Cymru
Welsh Government

SEND BY EMAIL: roger.lewis@cwl.aero

Mr Roger Lewis
Chairman
Cardiff International Airport Limited
Cardiff Airport
Vale of Glamorgan
Wales
CF62 3BD

6 September 2016

Dear Roger

WGC Holdco & Cardiff International Airport Limited (CIAL) Management Arrangement

Since November 2015 you and I have been working to develop the management relationship between WGC Holdco and CIAL in a number of areas. Your assistance in helping to evolve this process has been very welcome.

During this period, and as recommended by the Public Account Committee. Holdco has also discussed the lessons learned from the Scottish Government's approach to managing Glasgow Prestwick Airport. After careful consideration WGC Holdco is of the view that the Prestwick model does not offer an appropriate solution in Wales.

At the most recent CIAL board meeting you initiated a discussion about the appointment of a new Non-Executive Director, again partly in response to the findings of the Public Accounts Committee. The discussion highlighted the need to be overt about the process through which Holdco is involved in the recruitment of CIAL Directors.

Following these refinements to our collective thinking I would like to seek your views in advance of amending the Management Arrangement accordingly.

WGC Holdco involvement in the appointment of CIAL directors

The Board of CIAL should remain responsible for appointing, re-appointing and removing executive and non-executive directors as set out under the terms of the Management Arrangement and CIAL Articles of Association, and subject to the Shareholder's overarching rights and the requirement for Shareholder consent. As discussed at the CIAL board of 25 August it would be helpful for us to agree the process that defines when Shareholder consent for these appointments, via the WGC Holdco Board, should be sought.

1 of 4

The recruitment and appointment process for directors will therefore ordinarily be a matter for the CIAL Board, subject to consent from WGC Holdco to proceed at the following points:

1. once a skills and experience gap has been identified and a recruitment process is proposed;
2. once a shortlist of candidates is identified, at which point WGC Holdco will also have the opportunity to exercise its veto over any candidates.

WGC Holdco representation at CIAL Board meetings

The Management Arrangements set out the framework within which the CIAL Board operates, including reporting responsibilities, limits of delegations and governance.

WGC Holdco will be represented at CIAL Board meetings by either the WGC Holdco Chair or a substitute from the WGC Holdco Board. The role of the WGC Holdco representative will be to observe that the proceedings of the Board meeting are consistent with the Management Arrangements. The WGC Holdco representative may, as required, assist proceedings by communicating Welsh Government policy and advice on interpretation of that policy. The WGC Holdco representative will report back, as appropriate, to the WGC Holdco Board on proceedings.

To assist this role, the WGC Holdco representative should be provided electronic and/or paper copies of any appropriate material in advance of each meeting (as is already the case).

CIAL representation at WGC Holdco Board meetings

WGC Holdco is moving from monthly Board meetings to meetings every two months, and in time this may further move to quarterly as our arrangements continue to mature.

You have kindly accepted the invitation to attend these meetings in the past, and I would like this arrangement to continue in future. The invitation extends to you and members of your board, but the composition of the CIAL delegation shall be at your discretion. You are invited to observe proceedings and provide updates on the following matters. These matters will be formalised as standard agenda items in addition to any other agenda items I agree in advance of each meeting:

- progress against Key Performance Indicators;
- delivery of the CIAL Business Plan which will focus on an operating budget for the following year, with financial forecasts for a further four years, and an indicative projection out to the duration of any outstanding loan commitment; and
- a summary of financial performance.

The WGC Holdco Board meetings will also consider any Consent Matters. It would be helpful if, a week in advance of WGC Holdco Board meetings, you could provide written notice of any Consent Matters for the WGC Holdco Board to consider. A nil return would be useful for completeness where no Consent Matters are identified.

Where circumstances require a more rapid response to a Consent Matter (that is, outside of the planned WGC Holdco Board meetings) I will convene a special WGC Holdco Board meeting to consider the request at the earliest opportunity following receipt of the Consent Matter request in writing.

Provision of CIAL Management Information

In order for the above approach to be viable, all of the Holdco Directors will need to be appraised of the performance of CIAL. Accordingly, I would be grateful if the an electronic copy and three hard-copies of the CIAL Management Information could be supplied to the WGC Holdco secretariat each month (as opposed to a single paper copy for the Holdco Director), in line with the provision of papers for CIAL Board meetings.

CIAL Board Capability

I would also appreciate periodic updates of your assessment of CIAL Board capability. I appreciate the potential confidential nature of these updates and will be grateful for your view on how these can be provided.

WGC Holdco Directors

In line with the recommendations of the Wales Audit Office and Public Accounts Committee findings, WGC Holdco will be seeking the appointment of an external, independent Non Executive Director. We have identified a skills need to support Holdco with assurance of the CIAL business as a whole, rather than focussing on a particular specialism such as commercial, aviation or real estate. We have concluded that these specialisms, if they are needed somewhere in our joint governance arrangements, are best placed within CIAL rather than Holdco.

In order to ensure that our revised arrangements are as lean and efficient as we can make them, it is likely that one of the existing Welsh Government senior civil servants currently on the board of WGC Holdco will step down. It is for this reason, when considered in light of the recommendation to appoint an external Director that WGC Holdco does not currently propose to further consider the appointment of an additional Senior Civil Service Director from a different part of Welsh Government.

The new external Director will join the board of WGC Holdco via the formal Public Appointments process. In the spirit of partnership, I would like to offer you the opportunity to comment upon the job specification before we publish it.

Annual Report

CIAL has committed to the production of an Annual Report to coincide with the filing of statutory accounts.

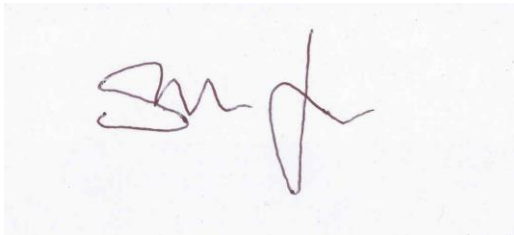
Master Plan

The Management Arrangement required CIAL to produce a Master Plan within 12 months of their issue. However, we recognise that since the Management Arrangement document was first published the Enterprise Zone was launched, a number of wider strategic projects have been initiated by Welsh Government and external commercial organisations, and the Welsh Government has accepted the recommendations of the Public Policy Institute for Wales into “Maximising the Economic Benefits of the Welsh Government’s Investment in Cardiff and St. Athan Airports”, which was published earlier this year.

On this basis it is no longer sensible for CIAL to deliver this Master Plan alone. We have therefore agreed that the Master Plan work will be led by Welsh Government, but with CIAL playing an integral role in shaping this new wider Master Plan. The Plan will cover Cardiff Airport, and the surrounding area, as well as St Athan. It will consider issues raised by the Public Account Committee regarding rail and bus public transport links, as well as broader surface access issues.

I would welcome your views on addressing the issues discussed above in a revised Management Arrangement document.

Yours sincerely

A handwritten signature in red ink, appearing to read 'SJ', is centered on a white rectangular background.

Simon Jones
Chair, WGC Holdco