

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

**Cyfarwyddwr Cyffredinol - Director General**



**Llywodraeth Cymru  
Welsh Government**

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

21 November 2018

Dear Chair

**PUBLIC ACCOUNTS COMMITTEE REPORT – THE WELSH GOVERNMENT’S  
ACQUISITION AND OWNERSHIP OF CARDIFF AIRPORT**

In my letter to you of 2 February 2018 about the above report, I confirmed that an update on the implementation of recommendations 2, 7, 9 and 10 would be provided in November 2018. I am pleased to attach that update on these recommendations, which we now consider to be discharged.

In addition to this, in an earlier update to Committee, we gave a commitment that WGC Holdco would apply relevant lessons learned in regard to the composition of the CIAL and WGC Holdco boards. The attached update therefore also includes details of relevant changes made in relation to recommendations 3, 4 and 5.

Finally, I also wanted to take this opportunity to provide you with a brief update on the Cardiff-Anglesey PSO Air Service. Following a competitive procurement this summer, we are now in the final stages of the procurement process. Once it has been concluded, the Cabinet Secretary for Economy and Transport will release a statement about the long term provider, and a copy of this will be sent to you.

Yours sincerely

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# PAC UPDATE – The Welsh Government’s Acquisition and Ownership of Cardiff Airport

21 November 2018

<b>The Welsh Government’s acquisition and ownership of Cardiff Airport</b>	
<b>Date of Update: November 2018</b> <b>Responsible Director: Simon Jones</b>	
<b>2</b>	<b>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)</b>
In our last update we committed that WGC Holdco will apply the relevant lessons learned in regard to the composition of the CIAL and WGC Holdco boards. Following the changes made to the WGC HoldCo and CIAL boards, we now consider that the boards are operating with the appropriate levels of separation that effectively minimise the potential for conflicts of interest to arise. We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.	
<b>3</b>	<b>We recommend that Holdco encourage the CIAL Board to consider expanding its Membership to include wider aviation and/or airline experience. (Page 35)</b>
The CIAL board has appointed Terry Morgan and Fiona Gunn as a Non-Executive Directors. Terry Morgan has significant aviation experience and Fiona Gunn has significant marketing and retail experience.  Biographies for all CIAL board members are available at the following link. <a href="https://www.cardiff-airport.com/our-board-of-directors-2">https://www.cardiff-airport.com/our-board-of-directors-2</a>  We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.	

**4**

**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)**

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. It was decided that appointing an external independent Non-Executive Director would add greater benefit and minimise the potential for conflict of interest.

We will advise the Committee of any future action to expand or change the membership of WGC Holdco board.

We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.

**5**

**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)**

Following a formal public appointment process, we are pleased that Stuart Castledine is now fulfilling the role of an independent Non-Executive Director to the WGC HoldCo board.

We will advise the Committee if any further changes are made to WGC HoldCo board.

We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.

**7**

**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)**

There have been no further loans requested by Cardiff Airport, but if this position changes the Welsh Government will update the Committee. We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.

9

**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)**

We have worked closely with the CIAL team to carry out improvements to signage at the airport to better publicise public transport links, including the T9 bus, other busses, rail and taxi operations.

Whilst the improvements are considered to be satisfactory and no further action is considered necessary at this time, we will continue to keep this recommendation under review.

We consider that this recommendation has been discharged and the work in connection with it is “business as usual”.

10

**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)**

Following the procurement for the new Wales and Borders rail franchise, Transport for Wales (TfW), in partnership with KeolisAmey, is the new service provider.

Many options have been considered to further integrate Cardiff Airport with the rail network. TfW is developing a relationship with TrawsCymru to look at the airport bus from Cardiff and we're excited about the plans it has for the South Wales Metro which will improve the existing airport route.

The Vale of Glamorgan, including Rhose (the nearest train station to Cardiff Airport), will be integrated into the South Wales Metro. By 2023, TfW will introduce tri-mode trains, which will run on electricity, battery and diesel power, and will increase capacity on the network. As an improvement to current rolling stock, these trains will feature level boarding, power sockets, electronic passenger information, air conditioning and more space for bicycles.

There will also be additional trains brought onto the route from mid-2019, as TfW phases out the out-dated Pacers. These temporary trains will be fully refurbished; and will run until 2022 increasing network capacity.

In December 2023, TfW will double the frequency of weekday services between Rhose and Cardiff Central to two trains per hour. Sunday services will double to one train per hour in December 2024.

We consider that this recommendation has been discharged, but will provide a further update to the Committee in 2019 following the phasing out of the existing Pacers, and the introduction of the refurbished rolling stock.

