# WRITTEN STATEMENT

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# THE WELSH GOVERNMENT

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| **TITLE** | **Cardiff Airport** |
| **DATE** | **21 October 2019** |
| **BY** | **Ken Skates AM, Minister for Economy and Transport** |

Ever since the Welsh Government purchased Cardiff Airport in 2013, our ambition has been clear - to secure the future of such a vital transport gateway for Wales and through the arm’s length company that operates it on a commercial basis, grow and develop the infrastructure, services and passenger numbers that secure its long-term future.

As the airport continues on its journey of improvement and growth it is important to recognise the significant progress it has made to date and the way it has worked to overcome challenges along the way.

Cardiff Airport is a substantial piece of our economic and transport infrastructure, which brings significant benefits to Wales. Since the Welsh Government’s acquisition in 2013, the airport has seen significant growth, increasing its passenger numbers by over 65%; now attracting almost 1.7m passengers every year.

More than 30% of its customer base are international visitors to Wales, choosing Cardiff as their gateway to the United Kingdom and benefiting from the choice of airlines and routes.

The airport has a direct, positive impact on our economy. In 2018, it had a total GVA footprint of £246m. It also sustains around 2,400 aviation related jobs directly and indirectly in South Wales.

I am extremely grateful for all of the hard work and effort that has gone into putting the airport onto a more stable and sustainable platform since 2013. That progress is largely attributable to the strong executive team and leadership we have in place at the airport.

Through a series of sensible initiatives, the airport now has a more diverse business base on which to plan its future growth. On 1st April 2019 the airport took over airfield operations of the former MOD St Athan at Bro Tathan, offering significant benefits in terms of efficiency and operational delivery.

It has continued to make progress in decarbonising its business model, in 2019 reporting a 29% decrease in natural gas consumption and a 7% reduction in electricity consumption in one year and, furthermore, reducing carbon emissions by more than 53% over 8 years.

It also continues to develop the successful and effective long-term partnerships which have served it well. Just recently KLM celebrated 30 years of flying customers between Wales and its hub at Amsterdam Schiphol airport; Balkan Holidays celebrated 40 years of operation and Vueling celebrated its 1 million passenger milestone.

5\* airline Qatar Airways is in its second year of flying customers to the Middle East and onwards whilst also bringing in business, leisure and education tourism from countries including Australia, India, China and Africa.

At the end of last year, the Airport published its draft Masterplan which sets out the airport’s clear long-term plan for growth. Work is already underway to support the delivery of that plan alongside partners at the site and in July Global Trek Aviation opened a new executive jet centre Cardiff Airport. The established Fixed Base Operator (FBO) which specialises in world-class aircraft handling, has based its second location on Cardiff Airport’s airfield, providing a wealth of specialist air handling services from its new facility.

Embry–Riddle Aeronautical University, based in the USA, is also engaging with a number of Universities in the region to explore the potential of delivering specialist aviation-related training and development qualifications, with access to the diverse portfolio of products and services on site at Cardiff Airport.

The airport’s ambition to increase passenger numbers and offer a wider range of high quality infrastructure and services at the airport will no doubt help it grow further in the future.

However, as a Welsh Government we have made it clear that the airport’s ambition of continued passenger growth is hampered by the disproportionate costs that smaller airports across the UK face. Regulatory burdens and security measures are not shared proportionately and we continue to press the UK Government to develop a more competitive environment for smaller, ambitious airports wanting to grow and expand.

As the airport continues to progress towards achieving 2 million passengers per annum, the increased revenues generated from passengers will begin to even out the significant fixed costs of operating the airport. We will continue to support the airport to achieve its ambitious growth plans and examine productive ways for the Airport Company to bring in private investment.

I have recently agreed to provide an extended commercial loan facility to the airport of up to £21.2m to help support its ambitious plans for the future. The airport will repay the loan in full, with interest, under a planned repayment schedule.

Every year, the airport refreshes its business plan according to passenger demands, industry changes and economic forecasts. This is submitted to the Holdco for approval and scrutinised rigorously. The business plan identifies a need to undertake significant further investment in the airport facility over the next six years and so refinancing the business in this way is a proportionate and appropriate activity. The loan extension will deliver activity in line with the approved business plan.

In agreeing the loan, we have engaged a specialist economics practice with particular Aviation sector expertise to undertake robust and evidence based analysis along with detailed financial due diligence to ensure the loan is of sound financial standing, is affordable and remains compliant with the Market Economy Operator Principle (MEOP) principles of State Aid rules particularly in light of the collapse of Thomas Cook. Following completion of this work, the recommendation to approve the loan remained unchanged.

Cardiff Airport’s financial performance and its extended loan facility will continue to be monitored by the Development Bank of Wales, which will provide the professional assurance for the term of the loan.

I believe that we can look forward to a bright future for Cardiff Airport and support its growth ambitions.

I am in the process of refreshing the Wales Transport Strategy, and have made it clear that the airport will play a pivotal role in delivering the high quality, multi-modal, low carbon and integrated transport network for Wales. I will update members as that work progresses.