

## **Welsh Government's response to the National Assembly for Wales' Public Accounts Committee's Interim Report on the Intra Wales - Cardiff to Anglesey - Air Service**

The intra-Wales air service provides valuable connectivity between north and south Wales, and makes a valuable contribution to our ambition to deliver an integrated public transport system that serves the interests of Wales.

I welcome this report on the service and the Committee's recognition that many of the concerns expressed within the report are being addressed by the work being undertaken by the Welsh Government. This has been dedicated to ensuring that the future air service will deliver improved service quality and value for money for the people of Wales.

Work to award the next contract starting in December 2014 for this service is in hand and every effort will be taken to ensure that appropriate service providers in the sector have the opportunity to take part in the procurement exercise. Once in place, effective marketing of the services will be a vital component in our efforts to reverse the declining trend in patronage highlighted in this report.

My detailed response to each of the recommendations made is as follows.

### **Recommendation 1 The Committee recommends that the Welsh Government use an independent source to verify data on passenger numbers using the Air Service and that data on passenger numbers be published on a regular basis in the future.**

**Accepted** The Welsh Government will include a requirement in any future air service contract that passenger numbers are subject to an external and independent auditing process. Passenger numbers will be published by the Welsh Government on an annual basis based on the reporting requirements included in the next contract.

**Cost implications** This requirement will be included in the next contract, which will be subject to the Welsh Government's competitive tendering processes to ensure value for money is achieved. At this stage in the process, the cost of this requirement is not known.

### **Recommendation 2 We recommend that the Welsh Government monitor any future discrepancies between the data it is supplied with by the operating airline and the data reported by the Civil Aviation Authority.**

**Accepted** In addition to proposals for an independent audit of passenger numbers, data reported by the Civil Aviation Authority (CAA) will be monitored to ensure that any discrepancies between the reporting sources that are identified are investigated within a reasonable timeframe.

**Cost implications** It is expected that there will be no additional resource implications for the Welsh Government as this will be undertaken as part of the air service contract management function.

### **Recommendation 3 While noting the recent increase in advance bookings, the Committee recommends that the Welsh Government commission independent research into the longer term trend, which shows a decline in passenger numbers.**

**Accepted** Prior to publication of the interim report, an independent consultancy firm was appointed to review the air service to inform the procurement action now

underway, which included an assessment of the long term trend of passenger numbers. We will continue to monitor usage of the air service for the remaining term of the existing contract and any future contract as part of our contract management responsibilities.

Cost implications Consultants were appointed at a cost of £47,500 excluding VAT.

**Recommendation 4 The Committee recommends that the Welsh Government include an explicit requirement in any future tender, for a comprehensive marketing programme to be undertaken by the successful bidder. Evaluation of this marketing programme should be incorporated into the overall evaluation of the bids and specified in any subsequent contract.**

**Accepted** The Welsh Government will include a requirement in any future air service contract for a comprehensive marketing strategy. This will be assessed as part of the evaluation of bids undertaken as part of the contract award process.

Cost implications The cost of marketing the air service will be included in the next contract which will be subject to the Welsh Government's competitive tendering processes to ensure value for money is achieved. The scale of the marketing campaign proposed by prospective service providers to deliver the required improvements will determine the overall cost.

**Recommendation 5 The Committee recommends that information on passengers using the Air Service be collected to determine the reason for travel (e.g. business or leisure) and the sectors in which business passengers are employed and to what extent journeys are funded by the taxpayer. Such information should be published and collected on a regular basis.**

**Accepted** The Welsh Government will include a requirement in any future air service contract for a passenger survey to be conducted on a regular basis to collect information on journey purpose, sectors of employment and passenger satisfaction. It is expected that Information from the surveys will be published by the Welsh Government on a regular basis to be determined, but not less than annually.

Cost implications The cost of undertaking customer surveys on the air service will be included in the next contract which will be subject to the Welsh Government's competitive tendering processes to ensure value for money is achieved. The cost of the customer surveys to be undertaken will be proportionate to the overall cost of the service being provided.

**Recommendation 6 The Committee recommends that the Welsh Government makes public the full scope, content, methodology and timetable for the ARUP review. We further recommend that the findings of this review are published when available in order to satisfy the areas of concerns the Committee has around the information used to inform decisions on the future of the Air Service.**

**Accepted in principle** - The Welsh Government expects to publish summary findings of the review undertaken on the air service contract following completion of the current procurement exercise in December. Information not suitable for publication under freedom of information legislation will not be published.

Cost implications None identified

**Recommendation 7** Given the concerns that have been expressed in relation to the potential for lack of clarity regarding liabilities under joint contract arrangements, the Committee recommends that the Welsh Government keep a watching brief of the investigation into the Cork air crash and reflect on the outcome in any future Air Service contract.

**Accepted** The Welsh Government has considered liabilities under current contract arrangements and the recommendations from the final report of the Irish Air Accident Investigation Unit into the Cork air crash. Any lessons learned will be incorporated into any agreement reached for the award of the new contract for the service to start in December 2014. Procurement action and subsequent award of contract will be in line with the relevant EU regulations.

Cost implications None identified

**Recommendation 8** The Committee recommends that, should the Welsh Government tender for a new Air Service, every possible step (such as pre-consultation) be taken to increase the number of bidders for the contract without compromising the overall timetable ahead of the expiry of the current contract.

**Accepted.** The invitation to tender for the new air service contract was published on 11 August and the closing date for bids to be returned is 10 October. Steps are being taken during this period to ensure that potential suppliers able to deliver the service are being made aware that the invitation to tender has been published so that they have the opportunity to take part in the procurement process.

Cost implications No additional costs identified.

**Recommendation 9** The Committee recommends that, given the new flexibility under the Public Service Obligation rules, the Welsh Government explores possible options to maximise the benefits and opportunities presented by the Air Service in the future.

**Accepted** The Welsh Government will explore and keep under review all opportunities to maximise the benefits of the service within the limitations imposed by Public Service Obligation rules.

Cost implications No additional costs identified.

**Edwina Hart MBE CStJ AM**