

Andrew Slade
Director General – Economy, Skills and Natural
Resources Group
Welsh Government

19 July 2018

Dear Mr Slade,

Intra Wales Air Service

Thank you for your letter of 3 July in which you provided performance information in relation to the punctuality of the air service and the number of cancellations for technical reasons in comparison with the service under other operators since 2014. The Public Accounts Committee considered the letter during the Committee meeting on 9 July.

You will be aware of the recent media coverage of a significant increase in the subsidy payment in 2017–18. That coverage followed a Freedom of Information (FOI) response in mid-June which confirmed costs of £1.08m in 2016–17 and £1.88m in 2017–18.

The FOI response suggests that the increased costs need to be seen in the context of the emergency contract arrangements but also with enhanced services and a larger aircraft. Given that there were also temporary arrangements in place in previous periods, the Committee would welcome the Welsh Government's assessment of the extent to which the increased costs in 2017–18 resulted from negotiations about specific service enhancements or the particular premium being paid for the temporary arrangements. Similarly, with an increase in passenger numbers and potential revenue in 2017–18, the increase in subsidy appears even starker. We would therefore welcome confirmation of any specific changes in the pricing strategy for the service in 2017–18 that led to this position.



The written evidence from the Welsh Government for the evidence session on 4 June made no mention of the fact that there had been an increase in costs and on this scale, despite celebrating the increased passenger numbers. I acknowledge that Committee Members did not ask you directly about the subsidy costs during the evidence session. Nevertheless, I am surprised that the cost increase in 2017–18 was not mentioned, although you did state that Eastern was providing a bigger plane (albeit with the same number of seats). Members questioned you about previous commitments to a marketing budget of around £60k to £69k and received responses about that not being part of the current contract but there was no mention made of the overall subsidy.

In the previous Committee's report on the Intra Wales Air Service which was published in July 2015, the Welsh Government accepted Recommendation 8 which recommends that the Welsh Government publish a subsidy cost per passenger periodically, and its assessment of the value-for-money of the service, using suitable comparisons, on an annual basis. I would welcome clarification of whether, and if so where, the Welsh Government is publishing this information. I would have thought that publication should negate the need for FOI requests to access the sort of cost information released recently.

You have indicated that that details of the successful contractor will be provided following completion of the tender exercise later in the year. In the meantime, I would welcome a response to the points raised in this letter by 1 September. I would also welcome an indication of whether the Welsh Government is also expecting any reduction in monthly costs under the current operator during this financial year while the new contract is put in place.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

Nick Ramsay AM
Chair

