

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

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

2 February 2015

Dear Mr Millar

I am writing to follow up on the actions captured at the PAC evidence session on 20 January, regarding the Intra Wales Air Service.

I have enclosed a document which attempts to do this as fully as possible. Please let me know if you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Price' with '(J R PRICE)' written below it in a similar style.

James Price

Welsh Government response to actions noted at the PAC evidence session on 20 January 2015.

Action: Welsh Government to confirm what date the decision was made to retender the Cardiff to Anglesey Air Service and at what point Arup were commissioned to support the retendering process.

WG response: The Minister approved the procurement of the new Intra Wales PSO Air Service on 7 August 2014.

Arup was contracted on 25 February 2014 to undertake a review of the air service and make suitable recommendations for the future of the PSO in Wales, including an agreement to provide support to the Welsh Government if the Minister decided to retender the service.

Action: Welsh Government to provide information on what experience Arup has in terms of providing advice in this field in Britain and why specifically Arup were selected.

WG response: Arup was selected to provide transport related advice as part of the Welsh Government framework and has extensive experience in a wide variety of strategic transport projects. Arup provides strategic and technical advice covering all aspects of airlines and airports giving an understanding of aviation business planning and aviation economics. Arup has previously provided advice to a number of airports and airlines in regional locations including Newquay Airport development and business plans, Edinburgh and also to a regional (confidential) airport on the restructuring of aeronautical charges with a view to attracting new airlines. The company has previously contributed to a study on the feasibility of PSO services to the Isle of Skye in Scotland. Other relevant experience includes appraising service options, completing Business Case work, considering potential service options and aviation planning.

The core Arup team secured further support from two sub-contractors (York Aviation LLP and Martin Evans) to add expertise in a number of areas. York Aviation has substantial experience in the provision of regional air services, having previously advised the Welsh Government in connection with the previously operated Route Development Fund, and has provided similar advice in Scotland and Northern Ireland. York Aviation has particular experience in the assessment of market demand and in the economic appraisal of the economic benefits of air route connections, as well as airport capacity and capability assessment. Martin Evans is the Director of Aviation Analysis and has a thorough understanding of the Welsh aviation sector. Martin has frequently spoken on the subjects of Cardiff Airport, air travel in Wales and the role of aviation in the economy and success of Wales. Martin is also a visiting lecturer at the University of South Wales.

Action: Welsh Government to provide a note confirming how much of the 15% increase on last years' service bookings was as a direct result of the new marketing strategy and how the Welsh Government intends to evaluate this strategy.

WG response: It is not possible to attribute the recent increase in passenger numbers under the new contract to one individual source (e.g. recent press articles or the new marketing strategy).

The new contract states the operator is required to undertake passenger surveys twice a year, and is also required to undertake an independent annual review; the review will consider all elements of contractual requirements. Links Air will also monitor fluctuations in passenger numbers for each direction of the PSO alongside any marketing it undertakes.

Action: Welsh Government to share the redacted Arup report when it is available

WG response: The redacted report is due to be published by mid-late February.