



Eich cyf/Your ref
Ein cvf/Our ref
Darren Millar AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

28 October 2015

**PUBLIC ACCOUNTS COMMITTEE REPORT
INTRA-WALES – CARDIFF TO ANGLESEY – AIR SERVICES: FINAL
REPORT
RESPONSE TO REQUEST FOR CLARIFICATIONS**

On 29 September you wrote to James Price (Deputy Permanent Secretary – Economy, Skills and Natural Resources Group) with a number of clarifications to the Welsh Government's response to the Final Report.

Please find attached the Welsh Government's response.

Yours sincerely

Simon Jones
Acting Director – Transport and ICT Infrastructure

Welsh Government response to the PACs request on 1 October 2015 for clarification of Welsh Government responses dated 10 September 2015.

PAC comment, recommendation 1:

The Welsh Government has accepted this recommendation in principle, on the basis that it reserves the right to change the scope of a commission where possible within procurement rules. The response is framed simply in the context of any future external advice regarding the Air Service whereas the Committee's intention was for practice to be adopted and applied throughout the Welsh Government. We therefore wish to seek a more corporate response to this recommendation.

In responding further the Welsh Government may wish to consider the Auditor General's February 2013 report on The Procurement and Management of Consultancy Services. One of the recommendations in that report related to the development by public bodies of template documentation to set out all essential factors which they should consider when purchasing consultancy services. The Committee's own report on this subject, published in September 2013, recommended that Welsh Government should ensure that business cases exist for different procurement exercises, and are robust.

WG response (September 2015):

The Welsh Government will, when commissioning any external advice in relation to the Intra Wales Air Service, establish in advance a clear and detailed scope of the work required. The Welsh Government may decide to adjust, amend or increase the scope of work required on the basis of the evidence provided during the commission where this is possible within procurement rules.

Additional comments:

Following the recommendations made by the Wales Audit Office in its report on the Procurement and Management of Consultancy Services (February 2013) the Welsh Government – through Value Wales and the National Procurement Service – has developed best practice template documentation, including a template business case, which is available for all public bodies across Wales to access via the Procurement Route Planner, hosted on the Sell2Wales website.

Within Welsh Government, the Director of Commercial and Procurement, is responsible for delivering the Commercial Governance workstream of the Permanent Secretaries 'Preparing for the Future' programme. The scope of this workstream includes reviewing how procurement is carried out across Welsh Government, including where procurement responsibility is delegated. This work will help ensure that consistent best practice approaches are applied across the whole organisation.

The introduction of an improved Purchase to Pay process (P2P) across Welsh Government by April 2016 will also help to drive consistency of approach through improved financial approval processes and the use of Category Management techniques.

PAC comment, recommendation 2:

The Welsh Government has accepted this recommendation in principle but again has responded specifically in the context of the Air Service contract, rather than from a corporate perspective. We therefore seek assurances that the recommendation will be applied more widely. Furthermore, your response does not make it clear why the recommendation has only been accepted in principle. Given the Committee's previous concerns regarding the timetable for the most recent procurement exercise, the Committee therefore seeks confirmation of the anticipated timetable for the completion of a review to inform any future procurement exercise ahead of the expiry of the current Air Service contract in December 2018.

WG response (September 2015):

We will continue to monitor the performance of the Intra Wales Air Service contract to inform any future review regarding the continuation of the service beyond its 2018 expiry date. Any future review will be completed in time to inform a procurement exercise.

Additional comments:

The Welsh Government's Commercial Governance workstream includes the establishment of a Welsh Government wide contracts register, providing the mechanism through which contracts can be reviewed and future requirements assessed.

The Welsh Government will allow adequate time to review future requirements and decide the most appropriate strategy for any future procurement.

PAC comment, recommendation 3:

The Welsh Government has accepted this recommendation and the Committee welcomes the commitment that has been given to continue work with all parties to explore opportunities to extend the opening times at RAF Valley and the potential for the airport to be developed to enable larger aircraft to be used on the air service route. However, the Committee welcome further evidence setting out the Welsh Government's assessment of these issues, and any related costs and benefits. In the case of the use of larger aircraft, any such assessment might understandably be best undertaken when there is also clearer evidence of there being a growth in demand to support a larger aircraft.

WG response (September 2015):

The Welsh Government liaised with RAF Valley and Isle of Anglesey council on these issues during the procurement for the current contract. We will continue to explore with all parties the potential opportunities for extending the opening times of

RAF Valley, including at weekends. We will also continue to explore the potential for the airport to meet National Aviation Security Programme (NASP) to enable larger aircraft to be used on the route, should passenger and commercial demand support it.

Additional comments:

The Welsh Government is working with the MoD at RAF Valley, the Anglesey Council and the Operator, Links Air, to explore the potential opportunities to extend the opening times of Anglesey Airport. The Welsh Government aims to undertake this investigation by the end of April 2016. It will engage with industry specialists to identify any likely costs, benefits, barriers and revenue generation as a result of any extended operational hours. The investigation will consider the potential demand to operate an increased timetable, existing passenger numbers, and connectivity with other routes to/from Cardiff Airport. It will consider the operational restrictions at RAF Valley such as the MoD's willingness to allow the airport to operate outside of the RAF's current opening times, and any implications of health and safety, insurances and other issues to be considered, such as the RAF's policy on runway de-icing. The work will look at cost implications in relation to increased staffing & other related overheads at either end of the route. The investigation will also consider what is allowed under EC Regulation 1008/2008 which identifies the common rules for the operation of PSO air services in the Community, and it will consult with the CAA to understand any wider issues.

PAC comment, recommendation 4:

Although the Welsh Government has accepted this recommendation it would be helpful to the Committee if Welsh Government could reconfirm the latest expected timetable for the closure of RAF Valley, given previous slippage, and set out the related timetable for publicity to passengers. The Committee's recommendation pointed to the needs for communication 'well in advance' to ensure minimum disruption to uptake of the service.

WG response (September 2015):

We will ensure that the service operator, Links Air, publicise to passengers any changes to the service due to any temporary closure of RAF Valley. We will also continue to engage with Isle of Anglesey Council, RAF Valley and Links Air on this issue to work together to minimise the impact any temporary closure could have on passengers using the service.

Additional comments:

The latest expected timetable for the closure of RAF Valley is August 2016. Ticket sales for the PSO flights are available approximately 6 months in advance via Links Air's online booking engine. Links Air provides service changes and disruption contingency information on its website in line with ticket sales availability. The operator is currently working closely with the RAF and the CAA to provide a contingency plan solution which aims to minimise disruption to the PSO. Any

timetable changes and other relevant information will also be advertised at Anglesey Airport.

PAC comment, recommendation 6:

The Committee welcomes the Welsh Government's commitment to the publication of annual passenger data at the start of 2016, the Committee seeks further detail to quantify the higher passenger numbers in the first six months of the current contract compared with the same period in the previous year.

WG response (September 2015):

Passenger numbers for the first 6 months of the new contract have been in excess of those for the same period from the previous year. We will publish passenger numbers on an annual basis which will include a comparison with figures published by the Civil Aviation Authority.

Additional comments:

The increase in passenger numbers of the current contract when compared with the same period in the previous year is likely to be attributable to factors such as an increase in awareness of the PSO during the 2014 tender exercise, the increase of marketing/communications activity under the new contract which is driving the implementation of a high-growth strategy by the operator. It is expected that the annual review of the service, to be undertaken by Links Air following the first complete contract year, will also consider this.

PAC comment, recommendation 7 & 9:

The Welsh Government has accepted these recommendations but the response to recommendation 7 appears to place the onus on Links Air to make use of the passenger survey information. However, the response to recommendation 9 confirms that the Welsh Government will be reviewing Links Air's marketing strategy. The Committee wishes to seek clarification of whether any such review would take into account relevant information from the passenger surveys. Furthermore, the Welsh Government's response to Recommendation 9 does not confirm whether this review will be undertaken in early 2016 as recommended by the Committee and seeks clarification of this.

WG response (September 2015):

Recommendation 7: The passenger surveys will be an important tool for Links Air to use to identify passenger requirements for the air service. The results should be a valuable resource for the company enabling it to better market the service to increase patronage.

Recommendation 9: One of the key metrics we will use to assess the success of Links Air's marketing strategy will be the increase in the number of passengers using

the service. We will conduct a review of Links Air's marketing strategy, materials produced, budget spent and targets achieved to ensure that they have marketed the service in accordance with the contract agreement.

Additional comments:

Links Air is required to undertake an independent annual review of the service. The Welsh Government has requested that Links Air includes the review of its passenger survey data within its annual service review. The Welsh Government's review of the marketing strategy will not specifically review the passenger survey data, although we would expect Links Air to consider all relevant pieces of information when developing its marketing strategy.

The Welsh Government can confirm that it intends undertaking its review of the marketing strategy in early 2016.

PAC Comment, Recommendation 8:

Although Welsh Government has accepted this recommendation the Committee wishes to seek an explicit commitment that it will include in its publication of the annual passenger figures and assessment of the value for money of the service, any suitable comparisons.

WG response (September 2015):

We will include a calculation of subsidy cost per passenger with the publication of annual passenger figures to enable an assessment of the value for money of the service.

Additional comments:

As previously stated, we will provide suitable information to allow the assessment of the value for money of the service.