

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

10 March 2014

Dear Mr Millar

Response to the National Assembly for Wales Public Accounts Committee on the north/south Air link - 18th March 2014

I welcome the opportunity to respond to the recommendations contained in the Auditor General for Wales' briefing memorandum about the North/South Wales Air link.

The service is currently contracted until December 2014. It is operated by Links Air with tickets for the flights sold by their partner organisation Citywing. The air service was first established in 2007, following a public consultation on introducing an intra-Wales air service carried out in 2004.

The service greatly reduces journey times between North-West Wales and Cardiff, helping to improve business connectivity and providing new tourism opportunities. The timetable has been designed to make day return journeys a practical proposition.

Response to recommendations made by the Auditor General for Wales

Recommendation The Welsh Government's value for money assessment of the existing contract should look to incorporate the principles of a Gateway 5 benefits evaluation review.

Welsh Government Response A value for money assessment of the Public Service Obligation is currently being undertaken as part of the appraisal to inform Ministers in making any decisions regarding the provision of north - south public transport.

Recommendation The Welsh Government should revisit the business case for the Air Service and undertake a full options appraisal and cost-benefit analysis and applying the principles set out in HM Treasury's Green Book. This analysis should include examining alternatives to investment in the Air Service that could deliver the same results, for example, enhancements to rail services. The Welsh Government should take into account that there is now a different economic and public finance environment to the one when the original business case was developed. The Welsh Government should also consider the strategic fit of the Air Service with current transport and economic development policy and with its sustainable development objectives.

Welsh Government Response Welsh Government practice is to keep programmes and interventions that it funds under review, to ensure that government objectives are being fulfilled including better value for money. Work is currently underway to better understand the potential value for money of any further North/South Air contract.

Recommendation Any future procurement for a PSO contractor should make explicit whether the Welsh Government is open to receiving bids from consortia.

Welsh Government Response Any future procurement of the Public Service Obligation will strictly follow the appropriate EU Regulations, the process used will try and maximise the opportunity for bidders to innovate.

Recommendation The Welsh Government should make sure that Cardiff Airport, RAF Valley and the Isle of Anglesey County Council are fully engaged in the assessment of value for money, any subsequent business case and if relevant, any future procurement exercise. In doing so, we would expect that the Welsh Government would consider how the continuation of the Air Service plays into the future development of Cardiff Airport, including links to other airports to make better use of the aircraft which currently sits at Cardiff Airport for nearly seven hours between rotations.

Welsh Government Response The Welsh Government is and will continue to engage with Cardiff Airport, RAF Valley and Isle of Anglesey as stakeholders.

Recommendation A robust benefits management process, based on the principles of Managing Successful Programmes good practice, should accompany any new Public Service Obligation contract; along with the use of Gateway reviews during the management of any new contract.

Welsh Government Response As this is a single project, the Welsh Government has adopted the principles of Projects in Controlled Environments (PRINCE 2) as the best practice approach which incorporates a Gateway Review Process.

Yours sincerely

James Price