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SUMMARY

Summary of Report 15/2019, relating to Catalan Government Railways, tourism and mountain divisions, year 2016

Barcelona, 30 October 2019

The Public Audit Office for Catalonia has issued Report 15/2019, relating to Catalan Government Railways (*Ferrocarrils de la Generalitat de Catalunya*), tourism and mountain divisions, financial year 2016, in accordance with its Annual Programme of Activities.

The report, which was presented by Board Member Mr Miquel Salazar, was approved by the Audit Office Board at its meeting on 10 September 2019.

This report on the limited financial and legal compliance audit of the public enterprise Catalan Government Railways (FGC) was focused on its activities relating to tourism and mountains (T&M) corresponding to year 2016.

FGC's main activity is passenger transportation services on railway lines (the Barcelona–Vallès and Llobregat–Anoia metropolitan lines and the Lleida–La Pobla line). In addition to this main activity, FGC runs other activities involving tourism and leisure which, although not so significant in monetary terms, have certain characteristics and specific features which require separate treatment. FGC differentiates for these activities, in terms of its internal organisation structure, through different divisions, the main ones being for the mountain of Montserrat, the valley of Núria, the mountain resorts of Espot and Port Ainé, and the mountain resort of La Molina. FGC has gradually specialised in this field and is now the Catalan Government's service provider for leisure and tourism activities in mountain resorts.

The audit was limited to these four organisational divisions although it did also include an analysis of the majority shareholding in Vallter, SA, a company which FGC is also charged with running, whose company aim is to manage the mountain resort Vallter 2000. As at 31 December 2016 FGC's shareholding in this company stood at 68.4%.

Thus, the audit had as its aim an analysis of the different business lines at the aforementioned divisions, covering both their finances and legal compliance and also certain aspects of their management. Specifically, the audit analysed the administrative status of the land where the businesses and facilities are located, the resources used in running the different businesses at each division, with special reference to personnel and outsourcing arrangements, the main capital investments at each division and the main items on the balance sheets and profit and loss statements for the different divisions.

Of the findings included in the report, the following stand out:

- FGC did not have a criterion for passing on certain expenditures involving maintenance and repairs carried out by personnel from the divisions for the metropolitan railway lines.

- In the capital investment contracts selected, for construction work or supplies, numerous instances were found where the lack of competitive process was based on technological dependency or compatibility issues. Certain types of apparatus which are a feature of T&M businesses (cable transport systems, snow groomers, heavy equipment for rack and pinion railways, ski lifts and artificial snow machines) have a very tiny supply market, with the consequent risk of being dependent on these suppliers.

- FGC arranged temporary labour contracts which were kept going on a continual basis, or were repeated one winter season after another, in such a way that, in practice, structural personnel needs were being met, when this type of job contract should only serve for specific needs and limited time periods.

- FGC was obliged to shoulder the expenditure of road cleaning services at the resorts of Espot, Port Ainé and La Molina and was unable to pass it on to third parties; this came to €295,300 in 2016. The roads in question provide access to the ski facilities and also benefit all the private businesses in the area, but they are municipally owned and subject to certain powers held by the territorial highway offices of the Catalan Government. Therefore appropriate mechanisms ought to be set up to cofund the servicing costs involved.

- Furthermore, FGC had to bear the cost of capital investments to deal with the landslides on the access road to the Port Ainé resort, a road which is owned by Rialp Town Council. The cooperation agreement signed in July 2014 with Rialp Town Council and the Department for Territory and Sustainability envisaged capital expenditures totalling €14.47m to be carried out until April 2021. It also envisaged that FGC would undertake to tender out and execute the public works and that the Department would provide the necessary funding resources. Once the work on this road is finalised, FGC will have to hand it over to the Town Council, because this latter is the titleholder of the road.

- The distribution of revenues from the Alp 2500 ski pass, allowing skiers to use the slopes of both La Molina and Masella indistinctly, was based on price and usage variables of the slopes pertaining to each of these resorts. Since the 2010-2011 winter season, La Molina had had an electronic admittance system in place, to allow it to monitor ski pass usage at its slopes and ski lifts. But Masella still did not have any electronic access control system.

This summary is solely for information purposes. The audit report (in Catalan and Spanish) can be consulted at www.sindicatura.cat.