

# Agenda – Economy, Trade, and Rural Affairs Committee

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Meeting Venue:	For further information contact:
Hybrid – Committee room 5 Ty Hywel and video Conference via Zoom	Robert Donovan Committee Clerk
Meeting date: 15 June 2022	0300 200 6565
Meeting time: 09.30	<a href="mailto:SeneddEconomy@senedd.wales">SeneddEconomy@senedd.wales</a>

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## Private pre-meeting (09.15–09.30)

## Public Meeting (09.30–12.30)

### 1 Introductions, apologies, substitutions and declarations of interest

(09.30)

### 2 Paper(s) to note

(09.30)

#### 2.1 Letter from Member of the Legislation, Justice and Constitution Committee and Member of the Economy, Trade and Rural Affairs Committee

(Pages 1 – 2)

Attached Documents:

The UK–EU Parliamentary Partnership Assembly

#### 2.2 Letter from Andrew RT Davies MS

(Pages 3 – 4)

Attached Documents:

Welsh Government's acquisition of Gilestone Farm in Powys



**Senedd Cymru**  
**Welsh Parliament**

Letter from Chair of the Economy, Trade and Rural Affairs Committee –  
Response

### **2.3 Letter from Minister for Rural Affairs and North Wales, and Trefnydd**

(Page 5)

Attached Documents:

Scrutiny of the draft Joint Fisheries Statement (JFS)

### **2.4 Letter from Chair of the Legislation, Justice and Constitution Committee**

(Pages 6 – 7)

Attached Documents:

The UK–EU Parliamentary Partnership Assembly

### **2.5 Letter from Chair of Petitions Committee**

(Pages 8 – 10)

Attached Documents:

Petition P-06-1263 Control pollution from agriculture in the parts of the Wye and Severn River located in Wales

Letter from Chair of Economy, Trade and Rural Affairs Committee – Response

### **2.6 Letter from Farmers' Union of Wales**

(Pages 11 – 13)

Attached Documents:

The impacts of the war in Ukraine on EU agriculture and food production –  
Rural Development Programme funding

Letter from Chair of Economy, Trade and Rural Affairs Committee – Response

### **2.7 Letter from Minister for Climate Change**

(Pages 14 – 18)

Attached Documents:

Draft Waste and Resources Framework – Ban/restrictions on single-use plastics

## **2.8 Letter from Communications Director, Association of Convenience Stores**

(Pages 19 – 24)

Attached Documents:

Responses to additional questions from Committee meeting on 26 May 22 – Cost of living

## **2.9 Letter from Minister for Rural Affairs and North Wales, and Trefnydd**

(Pages 25 – 27)

Attached Documents:

Meeting of the Inter-Ministerial Group for Environment, Food and Rural Affairs – 16 May

## **2.10 Letter to Minister for Economy**

(Pages 28 – 29)

Attached Documents:

Orthios Eco Parks Ltd, Anglesey

## **2.11 Letter from Minister for Economy**

(Pages 30 – 32)

Attached Documents:

UK–Australia Free Trade Agreement – impact on Wales – responses

## **2.12 Letter from the Minister for Economy**

(Pages 33 – 34)

Attached Documents:

Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2022

### **2.13 Letter from the Minister for Economy to the Chair Legislation, Justice and Constitution Committee**

(Pages 35 – 36)

Attached Documents:

The Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2022

## **3 UK–New Zealand Free Trade Agreement**

(09.30–10.00)

(Pages 37 – 54)

Nick Fenwick, Head of Policy, Farmers' Union of Wales

Tori Morgan, National Farmers' Union Cymru

Attached Documents:

Research brief

Evidence from National Farmers' Union Cymru

## **Break (10.00–10.05)**

## **4 Ministerial Scrutiny – Minister for Rural Affairs, North Wales & Trefnydd**

(10.05–11.05)

(Pages 55 – 69)

Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd

Victoria Jones, Head of Agriculture, Sustainable Development Division

Christianne Glossop, Chief Veterinary Officer

Dean Medcraft, Director, Finance & Operations

Attached Documents:

Research brief

Evidence paper – Minister for Rural Affairs and North Wales, and Trefnydd

## **Break (11.05–11.20)**

### **5 Ministerial Scrutiny – Minister for Economy**

(11.20–12.30)

(Pages 70 – 98)

Vaughan Gething MS, Minister for Economy

Sioned Evans, Director, Business and Regions

Andrew Gwatkin, Director, International Relations and Trade

Steffan Roberts, Deputy Director, Tourism Development and Sport

Attached Documents:

Research brief

Research brief – UK–New Zealand Free Trade Agreement – Expert panel – 26  
May 2022

Evidence paper – Minister for Economy

### **6 Motion under Standing Order 17.42(ix) to resolve to exclude the public for the remainder of the meeting**

(12.30)

### **7 Private**

(12.30–12.40)

Consideration of evidence following the meeting

The Rt Hon. Elin Jones MS  
Llywydd

25 May 2022

Dear Elin,

## The UK-EU Parliamentary Partnership Assembly

It was a great pleasure to represent the Senedd at the first meeting of the UK-EU Parliamentary Partnership Assembly (PPA) in Brussels on 12-13 May 2022. As you are aware the PPA was established under the UK-EU Trade and Cooperation Agreement to bring together parliamentarians from the UK and the EU to discuss implementation of the agreement and the status of UK-EU relations more broadly.



It was important that we, as Members of the Senedd along with colleagues from the Scottish Parliament, were able to attend the meeting along with colleagues from the House of Commons and the House of Lords.

The meeting was addressed by Commissioner Sěčovič and by Michael Ellis MP, Minister for the Cabinet Office. Whilst the differences on implementation of the Protocol and other issues were stark, the meeting also provided the opportunity for honest dialogue between parliamentarians of the issues facing Northern Ireland and possible solutions that might allow for the implementation of the Protocol.



Discussion was also held on security and foreign policy cooperation between the UK and the EU and in particular on the collective efforts to support the Ukrainian Government in the war in Ukraine. The Director General of the European External Action Service (EEAS) Stefano Sannino and the Rt. Hon James Heapey, Minister for the Armed Forces, addressed the meeting and



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took part in a detailed debate on what the war means for UK-EU cooperation in these fields, areas of possible future collaboration and the investigation of possible war crimes.

The exchange of views on energy security, climate change, innovation and research demonstrated the extent of the areas of common interest between the delegations and a range of possible areas where the Assembly could have a collective impact in future.

Discussion was also held on future ways of working of the Assembly itself. Whilst having Members of the Senedd present in the room was invaluable in terms of building relationships with UK and European colleagues, the opportunity for representatives of devolved legislatures to contribute to the meetings on areas pertinent to devolved matters should be further explored. This would enrich the discussions and ensure that devolved legislatures are able to set out their views on the areas they have a responsibility to implement.

It was important that the proceedings were broadcast live by the European Parliament so that stakeholders and citizens could follow the discussions taking place and we hope that this transparent approach continues for all future meetings of the Assembly.

One issue which you may wish to consider is how the Senedd is informed of the outcome of these meetings by those participating. This letter aims to start that process and we hope will be useful as part of the discussions due to take place this week at the Chairs' Forum on future representation on the PPA.

Yours sincerely,



Alun Davies MS

Member of the Legislation, Justice and Constitution Committee



Sam Kurtz MS

Member of the Economy, Trade and Rural Affairs Committee



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/AndrewRTDaviesAM 

25<sup>th</sup> May 2022

Dear Paul,

I am writing to you in your capacity as the Chair of the Economy, Trade and Rural Affairs Committee to raise concerns I and others have over the Welsh Government's acquisition of Gilestone Farm in Powys.

While I am immensely proud of the cultural and economic footprint of the Green Man Festival, the acquisition of Gilestone Farm on the premise of an exclusive business relationship between Welsh Government and Green Man, to sell the freehold or secure a tenancy on that property, is a matter of concern, particularly given the absence of a business case.

There are three areas that I believe warrant further investigation:

1. In the First Minister's own words, Green Man are a 'trusted partner', and the implications of that status in regards to the release of public funds are unclear. Indeed, is it now Government policy to identify businesses with 'trusted partner' status?
2. The policy governing the planning and execution of the decision making process that allowed the acquisition of Gilestone Farm, an asset now earmarked for Green Man, in the absence of a business case.
3. What policy is the Welsh Government now working to, given the implication, by the Economy Minister, that there was some risk of Green Man leaving Wales if the Welsh Government did not purchase Gilestone Farm and make it exclusively available to Green Man for purchase or tenancy, and will there be similar courses of action for other businesses?

The circumstances around the purchase of Gilestone Farm appear to constitute a major shift in policy from Welsh Government on the process for releasing taxpayer money and for offering support to businesses.

Therefore, I would recommend that you and committee colleagues consider carrying out a short, sharp inquiry into the processes and circumstances surrounding the purchase of Gilestone Farm.

I have also written the Mark Isherwood, Chair of the Public Accounts Committee, inviting his committee to consider opening an inquiry into this subject.

I look forward to hearing back from you.

Kind regards,

Andrew

**Pwyllgor yr Economi,  
Masnach a Materion Gwledig**

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**Economy, Trade and  
Rural Affairs Committee**

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Andrew RT Davies MS  
Senedd Cymru

9 June 2022

Dear Andrew,

Thank you for your letter regarding Welsh Government's acquisition of Gilestone Farm in Powys. You will be aware that the Public Accounts and Public Administration Committee (PAPC) has referred this matter to the Auditor General.

The Committee will therefore keep a watching brief on the outcome of PAPC's work on the matter. I have copied this letter to Mark Isherwood MS, chair of that Committee.

Kind regards,



Paul Davies MS  
Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.



Lesley Griffiths AS/MS  
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd  
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru  
Welsh Government

Our ref: MA/LG/1703/22

Paul Davies MS  
Chair  
Economy, Trade, and Rural Affairs Committee  
Senedd Cymru

25 May 2022

Dear Paul

Thank you for your letter of 8 April and the report provided by the Committee on your scrutiny of the draft Joint Fisheries Statement (JFS).

Your recommendations, alongside those of the other UK legislatures and the responses from the public consultation, will be taken into consideration as the draft JFS is reviewed for publication.

A full response to the Committee will be provided by November 2022 in line with the requirements of the Fisheries Act, with publication of the JFS in November. We intend to publish a UK summary of the responses received as part of the public consultation in the summer. I will inform you when this is available.

Regards

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

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**Legislation, Justice and  
Constitution Committee**

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Rt Hon Sir Oliver Heald QC MP  
Leader and Co-chair of the UK Delegation to  
the UK-EU Parliamentary Partnership Assembly  
House of Commons  
London  
SW1A 0AA

26 May 2022

Dear Oliver,

**The UK-EU Parliamentary Partnership Assembly**

On behalf of my colleagues who represented the Senedd at the first meeting of the UK-EU Parliamentary Partnership Assembly, I wanted to extend our thanks to you, the Vice Chairs and your co-chairs in the European Parliament for organising a very successful first meeting, for extending the invitation to representatives from the Senedd and for the welcome provided to those Members who attended. I wish to also extend my thanks to all those involved in the secretariat on both sides for all their assistance.

I understand, as reported by Alun Davies MS to our Legislation, Justice and Constitution Committee, that the meeting not only offered an opportunity for honest dialogue and discussion on the currently difficulties facing UK-EU future relations, but also an opportunity to explore areas of extensive common interest and areas for future cooperation on subjects such as energy, climate change, research and, of course, our collective freedom and security.

As mentioned during the pre-meeting with you and UK Bureau Members, we look forward to building the relationship between the Senedd and the UK delegation and to further discussions on the best mechanisms for deepening this engagement. We hope in future meetings, on issues where it would be useful to share knowledge and hear of the positive work being undertaken on matters being

discussed (such as for example on climate and environmental policy), that room can be found in the agenda to allow representatives of the devolved legislatures to make direct contributions. We know from speaking to colleagues in the Committee of the Regions that they share this ambition, and we share a belief that hearing directly from representatives at this level will enrich and enhance the important discussions taking place.

I very much look forward to continuing discussions with you, the UK delegation and our colleagues in the European Parliament on the work of the Assembly.

I am copying this letter to the Rt Hon Hilary Benn MP and the Earl of Kinnoull, Vice Chairs of the UK delegation; Nathalie Loiseau MEP, Chair of the European Parliament delegation; Alun Davies MS, member of the Legislation, Justice and Constitution Committee; Paul Davies MS, Chair of the Economy, Trade, and Rural Affairs Committee, and Sam Kurtz MS, a member of the Committee; Elin Jones MS, the Llywydd; and Clare Adamson MSP, Convener of the Scottish Parliament Constitution, Europe, External Affairs and Culture Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Huw Irranca-Davies". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Huw Irranca-Davies

Chair of the Legislation, Justice and Constitution Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

# Y Pwyllgor Deisebau Agenda Item 2.5

## Petitions Committee

Paul Davies MS  
Chair  
Economy, Trade, and Rural Affairs Committee  
Tŷ Hywel  
Cardiff Bay  
CF99 1SN

27 May 2022

Dear Paul

**Petition P-06-1263 Control pollution from agriculture in the parts of the Wye and Severn River located in Wales**

The Petitions Committee considered the above petition at our meeting on 9 May, alongside correspondence from the Minister for Rural Affairs and North Wales and Trefnydd.

At the meeting members acknowledged that your Committee is currently undertaking a review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 and agreed to write to you in order to ask whether the issues raised by the petition could be considered as part of that work.

Further information about the petition, including related correspondence, is available on our website at: <https://business.senedd.wales/ielssueDetails.aspx?Ild=39089&Opt=3>.

If you have any queries, please contact the Committee clerking team at the e-mail address below, or on 0300 200 6454.

I would be grateful if you could send your response by e-mail to the clerking team at [petitions@senedd.wales](mailto:petitions@senedd.wales).

Yours sincerely



Jack Sargeant MS  
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

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We welcome correspondence in Welsh or English.

**Pwyllgor yr Economi,  
Masnach a Materion Gwledig**

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**Economy, Trade and  
Rural Affairs Committee**

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Jack Sargeant MS  
Chair, Petitions Committee

1 June 2022

Dear Jack,

Thank you for your letter regarding Petition P-06-1263 Control pollution from agriculture in the parts of the Wye and Severn River located in Wales.

Unfortunately, the Committee has already concluded its work on the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021. Members signed off the final report at our meeting on the 26th of May. It is currently going through the final checks before publishing. We are hoping to publish on the 8th of June.

As you will know, the motion in Plenary asked us to 'urgently' review the Regulations. However, this work was delayed as a result of a legal challenge to the Regulations by NFU Cymru but Members of my committee are now keen to conclude this work with immediate effect.

Kind regards,



Paul Davies MS  
Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.





Glyn Roberts, President, Farmers' Union of Wales, Llys Amaeth, Plas Ffynnon, Aberystwyth, Ceredigion, SY23 3BT  
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## Agenda Item 2.6

Paul Davies SM  
Chair  
Economy, Trade and Rural Affairs Committee  
Welsh Parliament  
Cardiff Bay  
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30th May 2022

Annwyl Paul

On Friday 20th May 2022 the European Commission announced the latest of numerous emergency measures aimed at alleviating the impacts of the war in Ukraine on EU agriculture and food production, in the form of an exceptional measure that allows Rural Development Programme funding to be used to assist farmers and other businesses “...affected by significant increases in input costs.”

Given that the RDP continues to operate in Wales, and that the Welsh Government faces the challenge of spending an unprecedented amount of unspent RDP funds over the coming year - or losing it - we would naturally argue that this is something that needs to be considered given the pressures on farmers and others in the food supply chain caused by the war.

In a broader context, this and the Commission's other numerous announcements, coupled with the actions being taken across the EU's Member States, draws attention to the relative inaction here in Wales.

The severe issues facing agriculture and consumers in Wales and globally, and examples of the significant financial interventions announced in numerous countries, have been outlined in an [FUW briefing](#) sent to all Senedd Members on the 26th April 2022.

Our concerns regarding the rapidly closing or closed windows of opportunity for the Welsh Government to take proactive actions to help mitigate potentially severe impacts later in the year have repeatedly been made clear to the Welsh Government.

Given that, twelve weeks on from us first writing to the Welsh Government asking for swift action to be taken, we have yet to see any major actions or announcements by Welsh Government, and that the longest day of the year is nearly upon us, we would welcome it if the Committee were able to discuss this issue at its forthcoming meeting.

We would also welcome it if the Committee felt able to write to the Welsh Government urging them to instigate meaningful discussions with the agricultural industry and supply chain in order to consider in detail swift actions and policy changes that might ensure more crops and fodder are available for our consumers and livestock after the summer and into 2023.

As you know, and as we have already pointed out to the Welsh Government on numerous occasions since early March, failure to act now will not only have consequences for our own consumers, farmers and livestock, but will also have a severe knock on effect on populations in the poorest countries in the world, as richer countries such as the UK that have failed to bolster their own production are forced to buy in larger volumes of food and feed from a severely depleted global food market.

Yn gywir

A handwritten signature in black ink, reading "W. Glyn Roberts". The signature is written in a cursive style with a large, stylized 'R'.

W. Glyn Roberts  
**President**

**Pwyllgor yr Economi,  
Masnach a Materion Gwledig**

**Economy, Trade and  
Rural Affairs Committee**

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Glyn Roberts  
Farmers' Union of Wales

1 June 2022

Dear Glyn,

Thank you for your letter regarding the emergency measures taken by the European Commission.

The Committee shares farmers' concerns about increased input costs and has also been monitoring the EC's announcements. I also agree that discussions on, and co-production of, policy with farmers and the wider industry are important, especially in these uncertain times. Members are planning to raise these issues with the Minister in our next meeting with her on the 15th of June.

Kind regards,



Paul Davies MS  
Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.

# Agenda Item 2.7

Julie James / MS  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA/JJ/1805/22

**Climate Change, Environment, and Infrastructure Committee**

**Legislation, Justice and Constitution Committee**

**Economy, Trade, and Rural Affairs Committee**

**Equality and Social Justice Committee**

31 May 2022

Dear Llyr,

I am writing in response to a letter of 10 May from the Chair of Climate Change Committee, Environment, and Infrastructure Committee with regards the single use plastic bans and the potential exclusion under the draft Waste and Resources Framework. (**Please see annex A** below).

During 2020, the Welsh Government consulted on plans to introduce regulations to ban or restrict the sale to end users of these commonly littered single use plastic items:

- cutlery (including forks, knives, spoons, chopsticks and sporks)
- plates (including bowls, platters and trays)
- stirrers
- drinking straws
- expanded polystyrene food and drinks containers
- cotton buds
- balloon sticks, and
- items made of oxo-degradable plastics.

Our Programme for Government reiterated our commitment to legislate to abolish the use of more commonly littered, single use plastics. I remain committed to bringing forward such legislation early in this Senedd term.

Regarding the Scottish Government's request for an exclusion under the Common Frameworks Process, under the UK Internal Market Act 2020 (UKIMA), an exclusion requires a Statutory Instrument, which must be laid by the Secretary of State for Environment in the UK Parliament. I have now received a letter from Minister Prentice of the UK Government seeking the formal consent from Welsh Ministers (as required by UKIMA) which I intend to give.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Any consent would be without prejudice to the ongoing UKIMA litigation. Our position remains that we do not consider UKIMA has the impact on the Senedd's competence that it purports to have. By agreeing to the UK Government exclusions SI, we are not changing this position. I consider that while the litigation is ongoing, there is a need to co-operate and engage on the exclusions process.

Following feedback to our consultation, I also propose to include a ban on the sale of wet wipes which contain plastic and single use plastic carrier bags in the planned legislation. My officials are currently undertaking a rapid evidence review and they are engaging with stakeholders on the inclusion of these additional measures.

I have copied this letter to the Legislation, Justice and Constitution Committee.

Yours sincerely,



**Julie James AS/MS**  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change

## ANNEX A

### **1. Can you provide an indication of when the provisional Framework for Resources and Waste will be made available for scrutiny and explain the reason for the ongoing delay in its publication?**

**Answer:** It is expected that the Resources and Waste Frameworks will be agreed at official level during the Summer. It is, however, important to note that in order to publish the Framework for scrutiny, portfolio Ministerial clearance will be required from all four Governments.

### **2. While we acknowledge the request for the exclusion originated from the Scottish Government, it appears the Welsh Government will be relying on the exclusion to progress its proposals to ban SUPs. Can you confirm that this is the case?**

**Answer:** As I outline in my letter above, our position remains that we do not consider UKIMA has the impact on the Senedd's competence that it purports to have, and by agreeing to the UKG exclusions SI, we are not changing this position.

However, I consider that while the litigation is ongoing, there is a continued need to co-operate and engage on the exclusions process.

### **3. In the absence of the Resources and Waste Common Framework, can you outline the processes for considering and agreeing the exclusion?**

**Answer:** The process followed was as laid out in the UKIMA Exclusions Process previously shared with Committees.

*In her letter, the Minister for Rural Affairs, and North Wales, and Trefnydd refers to the Welsh Government's disappointment at the "narrow nature of the exclusion".*

### **4. Can you provide details of the exclusion and explain in what way it is narrower than you and your counterpart in the Scottish Government had hoped for?**

**Answer:** Under the terms of UKIMA, the UK Government has decided to grant a narrow exclusion limited to the items in the Scottish Governments regulations.

The disappointment, which I share with Minister for Rural Affairs, and North Wales, and Trefnydd, is because under the Common Frameworks and UKIMA, any further policy deviation in this policy area will mean a return to the beginning of the exclusion negotiation process, taking time away from the development of the policies themselves.

As I have outlined above, our position is we do not consider UKIMA has the impact on the Senedd's competence that it purports to have. Nevertheless, while the litigation is ongoing, we recognise a need to co-operate and engage on the exclusions process.

*The Process for considering UK Internal Market exclusions in Common Framework areas sets out that the four governments are able to engage the dispute resolution mechanism within the relevant Framework if desired.*

**5. Can you clarify whether the dispute resolution mechanism was utilised with a view to securing a wider exclusion? If not, why was this?**

**Answer:** I can confirm it was used.

**6. Can you explain whether and how the “narrow nature of the exclusion” will impact on the scope of the proposed ban on SUPs in Wales?**

**Answer:** As stated above, our position remains that we do not consider UKIMA has the impact on the Senedd’s competence that it purports to have. Therefore, the narrow nature of the exclusion will not impact on any proposed ban of SUPs in Wales.

*Under the Act, amendments to the schedules containing exclusions require the approval of both Houses of the UK Parliament. The Secretary of State is responsible for ensuring that draft regulations are put before the UK Parliament. Before making regulations, the Secretary of State must seek the consent of the devolved administrations.*

**7. What discussions have you had with the UK Government about the timing of draft regulations that will give effect to the exclusion?**

**Answer:** The Scottish Government have already laid regulations banning a list of single use plastic items which come into effect on 2 June 2022. I understand the UK Government intends to lay the SI as close as possible to that date.

**8. Can you confirm that you will notify the Senedd when the draft regulations are laid before the UK Parliament?**

**Answer:** Yes, I will prepare a Written Statement.

**9. Can you confirm that you will seek the views of the Senedd before deciding on whether to give consent to the Secretary of State making the regulations? If so, can you provide an indication of when this is likely to be and what process you intend to follow?**

**Answer:** Regarding the Scottish Government’s request for an exclusion under the Common Frameworks Process, under UK Internal Market Act 2020 (UKIMA), an exclusion requires a Statutory Instrument, which must be laid by the Secretary of State for environment in the UK Parliament. I have now received a letter from Minister Prentice of the UK Government seeking the formal consent from Welsh Ministers which I intend to give.

I have included other Senedd Committees with a likely interest to this consent in this response.

*In September 2021, you told us the Welsh Government's response to the consultation on the proposed ban on SUPs, including next steps, would be published in October 2021. Again, in December 2021, you said the response would be published in January 2022. The response is still to be published.*

**10. Can you confirm the timing of the publication of the response and explain the reason for the ongoing delay?**

**Answer:** I wish to be able to share detailed plans and an indicative timetable for how I intend to take forward this policy in light of the consultation responses. You will see in my answers above why I have not been able to do that so far.

I anticipate publishing the responses over the summer period.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

1 June 2022

Dear Paul,

Thank you for the opportunity to provide evidence to the Economy, Trade and Rural Affairs Committee's inquiry into the cost of living on 26<sup>th</sup> May. We have outlined our response below to the additional questions that were not able to be covered during the session. We have also included a report from a focus group of convenience retailers that was carried out at the start of the year, providing some additional detail and anecdotal evidence on the breadth of cost increases that retailers are facing at the present time.

We welcome the opportunity to discuss these issues further and look forward to the findings of the Committee's inquiry.

### **Responses to Additional Questions, Cost of Living Inquiry**

**Q: The extent increased wages due to the cost of living increase is impacting business costs in comparison to other factors such as energy costs, and any effect of labour shortages which may be adding to these.**

Retailers are reporting to us that the current labour market is extremely challenging, both in terms of retention and new entry. Those who are currently hiring new colleagues are reporting that the expectations of pay and working hours flexibility are higher than before, which is also impacting existing employees that are either looking for an increased wage or benefits to stay in the business.

Figures from our 2021 National Living Wage survey show that the £8.91 NLW rate had required 68% of retailers to take less profit in the business, while 48% of retailers have had to increase prices for customers, and 44% of retailers have had to automate more processes in the business. Looking ahead from that point, 58% of retailers believed that the £9.50 NLW (in force from April 2022) would impact their investment plans, and 63% believed it will affect the overall number of employees in their business. We are currently collating information on the impact of the April 2022 NLW increase and the implications for the sector.

In terms of comparison between other factors like energy costs, typically measures that stores put in place to reduce employment costs will come with a cost elsewhere – for example putting in a self service till will increase the energy and maintenance costs of the system. However, at the moment

most retailers are close to their limit when it comes to reducing costs and still keeping the business going, so there is very little flexibility for cost reduction across the board.

**Q: Looking forward, how will cost of living pressures be exacerbated for businesses across Wales over the coming months? What are the key factors behind this and implications if no further government support is provided?**

The increase in costs that retailers have been facing throughout the year across all areas of their business have not yet been passed on to the extent that is expected in the near future. Retailers are telling us that up to now, they are attempting to hold off on increasing the price of products to customers as much as possible by looking at alternative options to reduce costs, but as previously mentioned this is close to the limit and the only other lever retailers will have is to increase the price of goods on sale to cover the cost increases they're facing.

Retailers are being impacted not only by increased product costs but by delivery charges imposed by wholesalers to cover their own increased operating costs. This challenges retailers not only in adding to their overall costs, but it makes for challenging decisions about which products should be subject to price increases to cover these costs.

The implications of this are that the current inflation figures we're facing will be accelerated through the rest of 2022 as more price increases come through in stores. Government support on areas like energy costs for small businesses, grants and funding for energy efficiency investment, and freezing the business rates multiplier for 2023/24 are needed to stem the incoming tide of price increases and provide some respite for retailers.

**Q: How should the Welsh Government prepare for the rise in unemployment predicted by the Bank of England?**

In the convenience sector, recruiting staff is a challenge at present in part because of the extremely low levels of unemployment and the higher expectation of staff coming from other businesses/sectors. We believe that the Welsh and UK Government should be looking at ways to recognise good quality work and encourage growth in that area, rather than focusing on the overall employment figures which include a proportion of uncertain gig economy work that doesn't offer the same progression opportunities. The convenience sector provides opportunities for development for thousands of colleagues every year, but more can be done to encourage and incentivise that development.

Kind Regards,



Chris Noce  
Communications Director  
Association of Convenience Stores

# Convenience Retailer Focus Group: Pressures on Doing Business in 2022

Conducted by the Association of Convenience Stores

ACS | the voice of  
local shops

On January 14th 2022, the Association of Convenience Stores conducted an online focus group discussion with 20 convenience retailers, representing a broad cross section of the UK convenience sector. The group included standalone convenience operators, forecourt operators, those in both rural and urban areas across England, Wales and Scotland, as well as a mix of gender and ethnicity.

The group was asked to give their feedback on the pressures that they're facing as business owners in 2022. All have agreed to share this feedback anonymously for the benefit of informing policymakers.

Topics covered included the cost of doing business, supply chain issues, challenges around employing people, investment plans, and long term strategy decisions. These have been summarised below.

## INFLATION

In the 12 months to December 2021, inflation reached 5.4% with further increases on the horizon. The group shared significant concerns about the impact of increasing inflation on every aspect of their business, which ultimately forces retailers to put their prices up to maintain product margins and keep the business profitable. However, retailers are acutely aware of the impact that increasing prices has on their ability to attract and retain customers - with incomes being squeezed, price will become more of a primary determinant of where customers choose to shop.

The increases in inflation were not regarded as a short term problem by the group, with many reporting that they're considering fundamentally changing the fabric of their business operations to ensure that they can keep trading in the future.

## PRESSURE POINTS

- Wholesale product costs rising on a frequent and unpredictable basis
- Customers alienated by increased prices of staple items like milk and bread
- Traditional models of stores operating with a gross percentage margin in the low 20s being reconsidered
- Retailers aren't passing cost increases on immediately, so they're playing catch up all the time
- Cost of doing business increasing at a time when business rates bills are about to be reintroduced

## RETAILER VIEWS

“The price of products is going up so frequently at the moment that it's very difficult to focus on the strategy of the business, we're spending time focusing on making sure that we're getting enough margin on each product line.

When inflation creeps up, usually we just end up passing that on to the customer, but now there's a fundamental shift in how we're looking at our business. The only way we're going to be able to overcome costs going up in all areas of the business is by moving from a 22% gross margin to a 25-27% gross margin - the entire model is going to have to change.

As businesses operating in communities, we're always scared of increasing costs because we don't want to alienate those customers, but that can only last so long when the costs we pay are going up all the time.

”

# INVESTMENT

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Over the last 12 months, the UK's convenience store retailers have invested £534m, with the most common form of investment being in refrigeration (both increasing the amount of refrigeration available in store, and replacing units with more efficient ones). The group reported that investment in energy efficient measures like solar panels, LED lighting and modern refrigeration was becoming more urgent and taking priority over other investments in the business. The group also reported that investment in productivity measures was a priority, with retailers looking to automate processes where possible through technology like self service tills.

## PRESSURE POINTS

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- Urgent need to invest in reducing costs can take up resources that would otherwise be spent improving the offer for customers
- Businesses rethinking their plans for the coming years to focus on staying afloat rather than improving and developing their stores
- Experienced retailers are falling back on established relationships, credit lines and knowledge of how to find ways round problems, but this is very difficult time to start a business in the sector with so many operational problems

## RETAILER VIEWS

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“ Our focus this year is on energy efficiency and labour efficiency. We'll be looking at new refrigeration, looking at LED lighting, increasing the amount of solar that we've got, as well as other ways of saving the cashiers time before we look to cut hours.

We've invested in refrigeration and lighting, we're looking at ways to reduce our costs, but we'll get to a point where we've exhausted all of that and I'm not sure where we go next.

”

# ENERGY COSTS

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The cost of gas and electricity has been rising steeply through 2021, with more rises expected in 2022. This is having a significant impact on convenience stores, who are typically high volume users of electricity for their square footage owing to the amount of refrigeration and freezers that they have. The group reported that there was difficulty negotiating new contracts at the present time due to the uncertainty over future increases, with brokers hesitant to fix retailers on longer term rates. Efforts to make the business more energy efficient were also seen to only go so far before the impact of cost increases led to prices having to go up or the range of products offered being reduced.

## PRESSURE POINTS

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- Significant rises in gas and electricity costs across the board
- Making the business more energy efficient is expensive, and only pays back after several years
- Uncertainty over future rises, so difficult to fix costs over a period of time, which then impacts on other decisions
- Cost of utilities affecting service and product availability in store

## RETAILER VIEWS

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“ We're looking at how we can generate electricity on site by investing in solar. We invested in the equipment two years ago and are still paying it off. Before Christmas this year, the cost of electricity has led to us offering less frozen product because the cost of running the freezers strips out all of the profit.

We're looking at the cost of gas and electricity doubling in our business this year.

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# SUPPLY CHAIN

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Throughout the pandemic, there have been a number of instances where supply chain issues have arisen, with convenience stores often having to source products from local wholesalers themselves to keep shelves stocked. The group reported that wholesalers and suppliers delivering to their stores are already taking a range of actions to reduce costs in their own businesses, which has led to retailers receiving fewer deliveries, paying additional levies for deliveries, and paying more for the products that are delivered. These issues disproportionately affect rural retailers, who in some cases have had to band together with other businesses in the area to share deliveries.

## PRESSURE POINTS

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- Minimum order numbers increasing for wholesale deliveries, as well as additional levies on deliveries being introduced
- Higher prices on products at wholesale
- Less frequent delivery schedules being forced on retailers, especially those in rural areas
- Less frequent deliveries are not practical for retailers without space in store
- Ranges had already been cut back during the peak of the pandemic and supply issues have meant that retailers still aren't operating with full ranges

## RETAILER VIEWS

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“As a rural store, we're at the end of the line. We've encouraged other businesses in the area to band together to be able to meet minimum orders so that everyone benefits and can get the product they need on a timely basis.

I normally have a supplier that comes four days a week, but they've reduced that to two days a week. The problem is that as the products are date sensitive, I can't just order twice as much stock because some of the product goes out of date before I can sell it.

Regulations like Natasha's Law are that much harder to comply with because of a lack of availability of good quality alternatives in the supply chain.”

# EMPLOYING PEOPLE

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Convenience stores employ over 400,000 people in the UK, with many of those employees being on or close to the National Living Wage (scheduled to rise to £9.50 per hour in April). The group have reported that there are significant difficulties with hiring new people, as interviewees expect to negotiate and in some cases dictate the pay rates that they're going to receive. Retailers in the group were keen to stress that levels of crime in the business, both in terms of shop theft, abuse and violence, was having a negative impact on morale of their colleagues, who are also dealing with the impact of cost increases themselves and their families during a pandemic.

## PRESSURE POINTS

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- Rising National Minimum Wage and National Living Wage rates
- Higher expectations of pay and hours from new employees
- Harder to find new colleagues in the current market
- Ongoing isolation issues with colleagues leading to issues with cover in store
- Crime in stores continuing to affect morale of colleagues

## RETAILER VIEWS

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“There's a new expectation that the wages some bigger companies are paying are available everywhere. It's difficult enough to get people in for an interview, and when they do come in they're dictating what they're going to be paid.

We're heading toward a Scandinavian society where everything is more expensive both in terms of wages and product costs. We're on that journey now but everything is moving so fast and it's really unbalanced, so there's going to be a lot of pain in the medium term.”

# ABOUT THE UK CONVENIENCE SECTOR

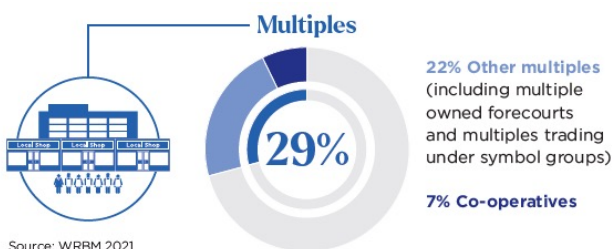
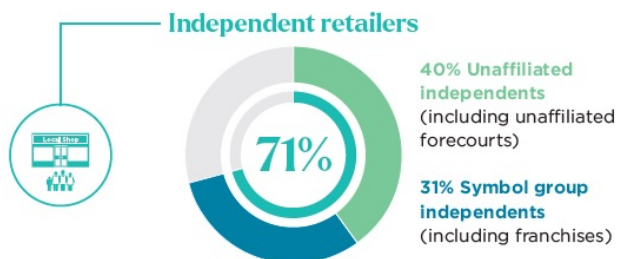
Source: ACS Local Shop Report 2021 (full report available on request)

There are **47,079** convenience stores in mainland UK

Convenience stores in mainland UK provide over **392,000 jobs**

Colleagues in the convenience sector worked a combined **9.6m hours** over the last year

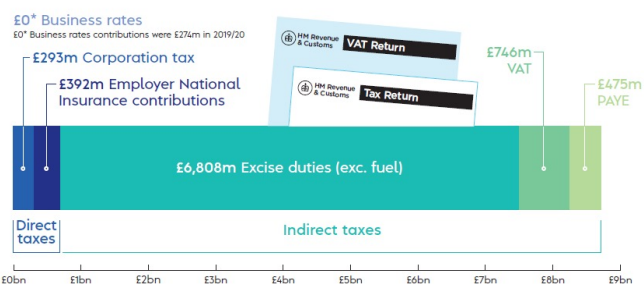
Source: ACS/Lumina 2021



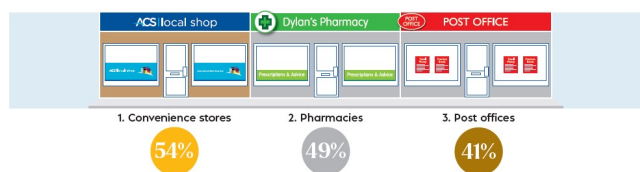
Source: WRBM 2021



Over the last year, the convenience sector contributed Over **£9.8bn** in GVA and over **£8.7bn** in taxes



## Most positive impact on the local area



## CONTACTS

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#mylocalshop

Lesley Griffiths AS/MS  
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd  
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru  
Welsh Government

Huw Irranca-Davies MS

Chair

Legislation, Justice and Constitution Committee

[Huw.Irranca-Davies@senedd.wales](mailto:Huw.Irranca-Davies@senedd.wales)

7 June 2022

Dear Huw,

In accordance with the inter-institutional relations agreement, I wish to notify you that a further meeting of the Inter-Ministerial Group for Environment, Food and Rural Affairs was held on 16 May.

The meeting was attended by Edwin Poots MLA, Minister of Agriculture, Environment and Rural Affairs, Northern Ireland Executive (Chair), George Eustice MP, Secretary of State for Environment, Food and Rural Affairs, UK Government; Victoria Prentis MP, Minister of State, Defra, UK Government; Mairi McAllan, Minister for Environment and Land Reform, Scottish Government; Lorna Slater MSP, Minister for Green Skills, Circular Economy, and Biodiversity, Scottish Government.

At the meeting we revisited the Ukraine crisis and the impacts for the production costs of fertiliser, feed, and fuel. We also discussed pet quarantine where I pressed the UK Government for assurances quarantine facility spaces would be available to all nations of the UK regardless of policy differences.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



The UK Government (UKG) provided a paper outlining their latest position regarding preparations for border controls and confirmed no further import controls would be introduced in 2022. I outlined my concerns that once again checks were being delayed without prior consultation with the Devolved Governments, which has become a recurring pattern of behaviour on UKG's part. I also noted the concerns of my Chief Veterinary Officer regarding the biosecurity implications of the delay, as well as the disappointment stakeholders have regarding the lack of a level playing field between importers and exporters, which places domestic producers at a competitive disadvantage.

The UK Government outlined their future legislative programme and proposals emerging from the Queen's speech which included a Genetic Technology (Precision Breeding) Bill; an Animal Welfare (Kept Animals) Bill; a Trade (Australia and New Zealand) Bill and a Procurement Bill.

The Scottish Government concluded by presenting their framework for the future of agriculture policy in Scotland which focuses on land reform, nature restoration and sustainable farming initiatives. Scotland is pursuing a similar path to Wales with a system of base support and additional conditional payments based on the climate and biodiversity outcomes.

We agreed our next meeting would be held in person at the Royal Welsh Show on Wednesday 20 July, when I plan to outline future Welsh agricultural proposals.

A communique regarding this meeting will be published on the UK Government website at <https://www.gov.uk/government/publications/communique-from-the-inter-ministerial-group-for-environment-food-and-rural-affairs>.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**



**Llywodraeth Cymru**  
**Welsh Government**

I am copying this letter to the Climate Change, Environment, and Infrastructure Committee and to the Economy, Trade and Rural Affairs Committee.

Regards,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# Agenda Item 2.10

**Pwyllgor yr Economi,  
Masnach a Materion Gwledig**

**Economy, Trade and  
Rural Affairs Committee**

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Vaughan Gething MS  
Minister for Economy

10 June 2022

Dear Vaughan,

On the 30<sup>th</sup> March Rhun ap Iorwerth asked a question regarding Orthios being placed into administration. In your response you told Plenary the Welsh Government was working together with the council and the Department for Work and Pensions to ensure no stone was left unturned when looking at “the different sorts of support that the two national Governments can provide, together with the council, to support workers to look to find alternative and sustainable employment.” You also said you would meet with Rhun to “discuss not just the current situation, but, actually, the longer term for this site”.

As you state the former Anglesey Aluminium site is key employment site for Wales. Please could you provide the Committee with:

- an update on the joint Government and Council work being undertaken to support affected workers;
- an update on any work undertaken around the future of the site; and
- anything further you feel relevant from your discussion with the UK Government, the Council or your discussions with Rhun.

I have copied this letter to Rhun for his information.



Kind regards,

A handwritten signature in black ink that reads "Paul Davies". The signature is written in a cursive style with a large initial 'P' and 'D'.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.





Llywodraeth Cymru  
Welsh Government

Paul Davies MS  
Economy, Trade and Rural Affairs Committee  
Welsh Parliament  
Cardiff Bay  
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9 June 2022

Dear Paul,

Thank you for your letter of 03 May.

I welcome the Economy, Trade and Rural Affairs Committee's main findings and recommendations presented in your letter and appreciate the time and effort that has gone into this work.

The Welsh Government share some of the concerns raised and many of your recommendations are reflective of the activities that my officials already engage in.

I have addressed each of your recommendations individually below.

**Recommendation 1** - *We recommend that the Welsh Government makes representations to the UK Government through the Ministerial Forum for Trade, or any other forum it deems appropriate, to:*

- a) request full access to the trade data held by the UK Government, in order to provide Welsh Government with additional insight into potential impacts of the UK-Australia FTA on sectors in Wales; and*
- b) provide a full assessment of the likely impacts on sectors and sub-sectors within the UK's nations and regions in impact assessments for future trade agreements.*

**Agree** - Welsh Government officials are in regular contact with their UK government counterparts and will continue to request access to available data and/or analysis, including impact assessments. We have repeatedly called for the UK Government to conduct nation specific impact assessments, as well as a cumulative assessment of the potential impact of multiple trade deals. These requests have also been made at Ministerial level across a number of ministerial portfolios, including at the Ministerial Forum for Trade.

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[Correspondence.Vaughan.Gething@gov.wales](mailto:Correspondence.Vaughan.Gething@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**Recommendation 2** - *In order to ensure the Committee is able to consider Welsh Government's Wales-focussed assessments of future trade agreements as part of its scrutiny, we recommend that the Welsh Government complete and publish its assessments in advance of agreements being laid before the UK Parliament.*

**Agree** - We are committed to producing a report for each new and significant FTA that the UK signs. These reports highlight where we believe the impacts of trade deals may be felt in Wales, as well as providing a Welsh specific cut of the UK government's own impact assessment. Our aim is to publish our reports before the UK's Constitutional Reform and Governance (CRAG) process begins, to ensure that committee is able to scrutinise the deal alongside UK Parliament. For example, we published our report on the UK-Australia FTA on 10 May 2022 and the CRAG process for the deal has not yet begun. Section 42 of the Agriculture Act 2020 requires that prior to a deal being laid in Parliament and the CRAG process commencing, a separate report must be laid which details the extent to which any measures of the deal may impact UK levels of statutory protection. If for any reason this should change and the deal was laid at the point of signature instead, we would not be able to deliver against our commitment, as there would be no time in between receiving finalised text and the deal being laid for us to conduct an assessment.

**Recommendation 3** - *The Committee urges the Welsh Government to continue working with other governments across the UK, and with the agri-food sector in Wales, to ensure effective market monitoring mechanisms are in place. This approach should also be adopted for other sectors of the economy as well.*

**Agree** - The Welsh Government is committed to monitoring market changes across all sectors and working across governments to identify and resolve risks. Our analysts work with other UK governments to make best use of the Wales level data currently available to us to monitor trade flows and to track market conditions in the UK. We will continue to request access to more detailed trade data for Wales to aid our analysis in this area. My officials hold regular meetings with representatives across the Agri-food sector prior to FTA negotiations beginning, to understand their views on opportunities and threats for every deal.

**Recommendation 4** - *We recommend that the Welsh Government establish mechanisms for keeping the cumulative impacts of FTAs on the Welsh economy under review. It should consult different sectors on how this work should be developed and periodically publish findings from these assessments.*

**Agree in principle** - My officials have been exploring options around understanding the feasibility of a cumulative impact assessment and are currently scoping the practicalities and potential benefits of completing an impact assessment on the cumulative impacts on Welsh sectors, including agriculture. A number of issues must be considered before a decision can be made on this, including the availability of suitable data (as identified in Recommendation 1) to ensure that any analysis is robust and reliable.

**Recommendation 5** - *We recommend that the Welsh Government also makes representations to the UK Government to ensure that an analysis of the cumulative impact of trade deals is undertaken on a regular basis to inform on-going and future trade negotiations*

**Agree** - My officials have discussed the significance of this matter with UK government officials on many occasions and have repeatedly stressed the potential negative impacts that multiple FTAs may have on our domestic producers. My officials will continue to engage with the UK government on this.

**Recommendation 6** - *The Committee requests that it be updated by the Welsh Government on any discussions which take place around labelling of imported food and drinks, including in the food service area.*

**Agree in principle** - Whilst I do understand the concerns that the committee has raised in drafting this recommendation, it is important to note that the UK's existing domestic Sanitary and Phytosanitary standards will not be directly changed as a result of the Australian FTA. The deal does not mean that we will have to accept any goods that we were previously refused entry into the UK. On the issue of food labelling of imported food, there are already UK wide requirements for food labelling and my officials will update the committee if there are any developments in this area.

**Recommendation 7** - *The Committee recommends that the Welsh Government make representations to the UK Government to ensure it is engaged in the FTA's governance arrangements. The Committee also asks the Welsh Government to keep it updated on decisions relating to this, including any attendance at, or engagement with, the various committees and working groups established by the FTA*

**Agree** - My officials are in daily contact with their UK Government counterparts and are heavily involved with discussions on the establishment of the many different committees concerning FTA implementation and governance. Whilst we do not believe that Welsh Government officials would need to attend every FTA implementation committee, we fully agree that a governance structure is needed to ensure that we are engaged appropriately. We will continue to make representations to UK Government on this matter.

Yours sincerely,



**Vaughan Gething AS/MS**  
Gweinidog yr Economi  
Minister for Economy



Our ref: MA/VG/1633/22

Paul Davies MS  
Chair  
Economy, Trade, and Rural Affairs Committee.  
[SeneddEconomy@senedd.wales](mailto:SeneddEconomy@senedd.wales)

10 June 2022

Dear Paul,

### **The Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2022**

I wrote to you on 9 May following my oral statement enclosing correspondence between Welsh Ministers and their UK counterparts regarding their decision to delay the SPS checks due to be introduced from 1 July.

The Secretary of State proposes to make the above named Statutory Instrument (“the 2022 Regulations”) under powers conferred by Article 144(6) of, and paragraph 2 of Annex 6 to, Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products.

The 2022 Regulations amend:

- The Official Controls (Extension of Transitional Periods) Regulations 2021 to change the end date of the “transitional staging period” (as defined in paragraph 2 of Annex 6 to Regulation (EU) 2017/625) from 30 June 2022 to 31 December 2022;
- Regulation (EU) 2017/625 to:
  - enable regulation-making powers in Articles 53 and 54 of that Regulation to be exercised during the transitional staging period, and in turn, enable the “appropriate frequency rate” (defined in paragraph 2 of Annex 6 to Regulation (EU) 2017/625) for certain plants and plant products to be set by reference to regulations made using those powers;
  - carve out high-priority plants and plant products from the scope of Article 44(2) of that Regulation, which determines the appropriate frequency of controls on goods not presented at border control posts;
  - the Meat Preparations (Amendment and Transitory Modification) (England) (EU Exit) Regulations 2020 to change the end date of the temporary suspension of the requirement for meat preparations to be deep-frozen where they are imported into England from EEA member States, the Faroe Islands, Greenland

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

or Switzerland from 30 June 2022 to 31 December 2022. The amendment referred to in the final bullet point above does not apply in relation to Wales. However, the Welsh Ministers will introduce the Meat Preparations (Wales) (Amendment) Regulations 2022 to make an equivalent amendment

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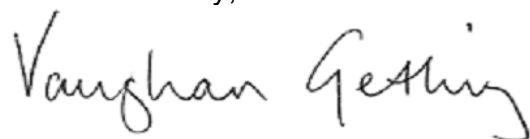
Without these amendments, from 1 July 2022, import and exports businesses in GB and EU respectively will be obliged to comply with the SPS control requirements that would otherwise become operable. Regulation (EU) 2017/625 as otherwise operable on the expiry of the TSP provides for more stringent requirements, which means that in the absence of extension, we either need to have designated BCPs to serve each port or stop the import of SPS goods into Wales through that port.

I am writing to let you know I give my consent to the Secretary of State to make the 2022 Regulations in relation to Wales. I understand they will be laid before the Houses of Parliament on 8 June 2022 and will be subject to the negative procedure.

Allowing Defra to legislate on our behalf on this occasion will help send messages about consistent application of revised arrangements across GB, and demonstrate to stakeholders that we are ready to work constructively with the UK Government, diverging only when there are strong arguments in respect of Wales to do so. The Welsh Government have not identified any threats to the devolution settlement that could arise on this occasion by Defra legislating on behalf of Welsh Minister on this occasion.

I am copying this letter to the Counsel General and Minister for the Constitution, Minister for Climate Change, and the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive style with a large initial 'V'.

**Vaughan Gething AS/MS**  
Gweinidog yr Economi  
Minister for Economy



Our ref: MA-VG-1633-22

Huw Irranca-Davies MS  
Chair  
Legislation, Justice and Constitution Committee  
[SeneddLJC@senedd.wales](mailto:SeneddLJC@senedd.wales)

10 June 2022

Dear Huw,

### **The Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2022**

The Secretary of State proposes to make the above named Statutory Instrument (“the 2022 Regulations”) under powers conferred by Article 144(6) of, and paragraph 2 of Annex 6 to, Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products.

The 2022 Regulations amend:

- The Official Controls (Extension of Transitional Periods) Regulations 2021 to change the end date of the “transitional staging period” (as defined in paragraph 2 of Annex 6 to Regulation (EU) 2017/625) from 30 June 2022 to 31 December 2022;
- Regulation (EU) 2017/625 to:
  - enable regulation-making powers in Articles 53 and 54 of that Regulation to be exercised during the transitional staging period, and in turn, enable the “appropriate frequency rate” (defined in paragraph 2 of Annex 6 to Regulation (EU) 2017/625) for certain plants and plant products to be set by reference to regulations made using those powers;
  - carve out high-priority plants and plant products from the scope of Article 44(2) of that Regulation, which determines the appropriate frequency of controls on goods not presented at border control posts;
  - The Meat Preparations (Amendment and Transitory Modification) (England) (EU Exit) Regulations 2020 to change the end date of the temporary suspension of the requirement for meat preparations to be deep-frozen where they are imported into England from EEA member States, the Faroe Islands, Greenland or Switzerland from 30 June 2022 to 31 December 2022.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The amendment referred to in the final bullet point above does not apply in relation to Wales. However, the Welsh Ministers will introduce the Meat Preparations (Wales) (Amendment) Regulations 2022 to make an equivalent amendment.

Without these amendments, from 1 July 2022, import and exports businesses in GB and EU respectively will be obliged to comply with the SPS control requirements that would otherwise become operable. The OCR as otherwise operable on the expiry of the TSP provides for more stringent requirements, which means that in the absence of extension, we either need to have designated BCPs to serve each port or stop the import of SPS goods into Wales through that port.

I am writing to let you know I give my consent to the Secretary of State to make the 2022 Regulations in relation to Wales. I understand they will be laid before the Houses of Parliament on 8 June 2022 and will be subject to the negative procedure.

Allowing Defra to legislate on our behalf on this occasion will help send messages about consistent application of revised arrangements across GB, and demonstrate to stakeholders that we are ready to work constructively with the UK Government, diverging when there are strong arguments in respect of Wales to do so.

I am copying this letter to the Counsel General and Minister for the Constitution, Minister for Climate Change and the Chair of the Economy, Trade, and Rural Affairs Committee and the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive, flowing style.

**Vaughan Gething AS/MS**  
Gweinidog yr Economi  
Minister for Economy

# Agenda Item 3

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## NFU Cymru response to the Economy, Trade and Rural Affairs Committee consultation on the UK –New Zealand Free Trade Agreement

1. NFU Cymru welcomes the opportunity to respond to the Economy, Trade and Rural Affairs Committee consultation on the recently concluded UK – New Zealand Free Trade Agreement (FTA).
2. NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.
3. The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the multi million-pound Welsh food and drink industry which is Wales's largest employer employing over 239,000 people.
4. Welsh farmers also play a key role maintaining and enhancing our natural environment – Wales's key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales's tourism and recreation sector worth an estimated £2.5bn annually.

### Summary

5. There is little in this deal with New Zealand to benefit Welsh farmers. When it comes to agriculture, it appears that New Zealand has achieved all it asked for and Welsh farmers are left wondering what meaningful benefits have been secured for them. This will just heap further pressure on farm businesses which are already facing serious challenges such as shortages of labour and rocketing input costs.
6. NFU Cymru is not opposed to free trade, but we do believe that deals must be balanced in respect of offering reciprocal benefit. They should also have adequate measures or safeguards in place to maintain domestic production standards and for those sectors deemed as sensitive. It is difficult to pinpoint in this trade deal where the reciprocal benefit lies for Welsh farmers.
7. Welsh farmers are being asked to go toe-to-toe with some of the most cost-effective food producers in the world. However, there is scant evidence that the UK and Welsh Governments have the vision to create the conditions to allow our farmers to compete. We have seen some welcome developments in recent months, including the announcement of additional agricultural attachés in our overseas embassies, and the commitment to establish a UK Export Council, but details remain sketchy, and much more is needed.
8. NFU Cymru re-iterates its calls for a Wales-specific impact assessment for free trade agreements, including the UK New Zealand Free Trade Agreement. By conducting a Wales-specific impact assessment some of the adverse impacts could be anticipated and potentially mitigated. This was also a recommendation from the House of Commons Welsh Affairs Committee report into family farms which said that that the UK government should publish a statement on the impact of free trade agreements (FTAs) on the agricultural sector in Wales. The

committee's report credits the sector's distinctive characteristics and calls for the UK Government to publish its cumulative impact modelling data on FTAs.

9. We are incredibly disappointed to see that the UK Government only chose to protect Scotch Whisky in this agreement with no other Geographical Indicator (GI) protection. Welsh producers are proud of their products and the heritage which comes along with them. PGI Welsh lamb and beef are recognised around their world for their quality and provenance. NFU Cymru believes securing protection of UK GIs should be a priority in all trade deals.
10. With Welsh Government set to take the Agriculture (Wales) Bill through the Senedd this year, there is an urgent need to look again at how future agriculture policy can continue to underpin sustainably produced, climate-friendly Welsh food and support our rural communities, against the backdrop of the UK Government's trade policy, a pandemic and a post-Brexit environment which continues to challenge and re-shape our food supply chains.

## What is the likely impact of the agreement on the economy and specific sectors in Wales?

11. There is very little in this deal to benefit Welsh farmers, it seems that once again a negotiating partner has achieved all they have asked for whilst our farmers are left wondering what's in it for them. This will only serve to increase pressure on domestic farmers who are already seeing huge increases in input prices, up 18.3% from last year to December 2021<sup>1</sup>.
12. There are significant downside risks for the red meat and dairy sectors, both of which characterise traditional Welsh family farming. The deal with New Zealand closely mirrors the UK/Australia FTA confirming the precedent which we feared had been set, leading to full tariff liberalisation across a range of sectors over the next few years. This means that the UK will shortly be opening our doors to potentially significant extra volumes of imported food, whether or not produced to our own high standards, while securing very little in return for domestic producers.
13. Trade should be a reciprocal relationship between countries. However, New Zealand represents a market of less than 5 million people compared to the UK's 66 million and there are very limited export opportunities. This is not just because of population size, but also because New Zealand produces very similar things to us and is largely self-sufficient with the vast majority of its farmers producing for the export market. For example, New Zealand is 880% self-sufficient in liquid milk and exports over 90% of the beef and 95% of the lamb it produces. It is difficult to pinpoint where the reciprocal benefit lies for Welsh farmers.
14. NFU Cymru welcomes the ambition of UK and Welsh Government's to grow our exports of food and drink and recognise that part of this is negotiating new trade deals. However, we are deeply disappointed that the sectors predicted to be damaged in this trade deal with New Zealand are the agriculture, forestry, fishing, and semi processed food sectors. From the UK Government's own impact assessment, this deal is expected to see a reduction in gross value added of £48 million for agriculture and £97 million for the semi processed foods sectors. In terms of potential costs, the UK Government predicts this deal could result in a reduction in gross output of 1% for beef alone or simply put, this deal this is expected to take £29 million off the bottom line of UK beef production. This combined with market liberalisation through other trade deals, such as the deal with Australia which has predicted a reduction in GVA for agriculture of £94 million and semi

<sup>1</sup> [API – Index of the prices of agricultural outputs and inputs – statistics notice \(data to December 2021\) - GOV.UK](https://www.gov.uk/government/statistics/api-index-of-the-prices-of-agricultural-outputs-and-inputs-statistics-notice-data-to-december-2021)  
([www.gov.uk](https://www.gov.uk))

processed foods of £225 million<sup>2</sup>, clearly demonstrates the costs of this Free Trade Agreement on Welsh farmers.

15. Owing to Welsh agriculture's reliance on one or two key sectors - namely livestock and dairy - and the typically smaller size of our average farming business, certain trade liberalisation scenarios will risk having a disproportionate impact on Wales compared to the rest of the UK. NFU Cymru therefore calls for a Wales-specific impact assessment for free trade agreements, including the UK-New Zealand Free Trade Agreement. By conducting a Wales-specific impact assessment some of these adverse impacts should be able to be anticipated and potentially mitigated. A proper understanding of the implications of future trade deals can only follow a deep and meaningful examination of their content. Without such an examination there is a serious risk of doing great damage to Wales's rural communities.
16. Welsh farmers are concerned that cumulative impacts of the deals with Australia and New Zealand will set a precedent for future trade deals with Canada, the USA, Mexico, India and others such as the major agricultural producers in South America. Fully liberalising the UK's sensitive agricultural sectors, even with "phase out" periods for tariffs, undermines the investments that our farmers have been making, both on farm to improve productivity and deliver environmental or animal welfare gains, and in increasing their market share at home and abroad. At a time when input prices continue to climb it adds to the uncertainty and ultimately creates an unlevel playing field for our farmers.
17. In signing this agreement, the UK Government is asking Welsh farmers to go toe-to-toe with some of the most competitive and export focused farmers in the world. Welsh farm businesses face significantly higher costs of production than farmers in New Zealand. For example, despite the UK being amongst the top milk producing nations in the world, the cost of producing milk in New Zealand is 25% lower. Moreover, the cost of New Zealand lamb production is 63% lower than in the UK. This is primarily because New Zealand farmers face different regulatory and climatic conditions that allow them to significantly reduce their fixed costs, for example less need for buildings, winter forage crops and storage of manures.
18. Having significantly lower costs of production gives New Zealand farmers a huge competitive advantage. Lower costs of production mean greater resilience and profit margins for producers who can supply a range of markets at different price points, meeting consumer demands in multiple markets around the world.
19. Once again Welsh growers and producers are being asked to compete directly with some of the foremost producers and agricultural exporters in the world without the necessary resources to compete effectively. Investment in research is a core element of New Zealand's agri-food export strategy, for example its industry has made vast strides towards increasing the shelf life of their products whilst in transit. It has invested heavily in 'super chilled' container ships to extend the shelf life of their lamb from 28 days to 60 days. By comparison Hybu Cig Cymru /Meat Promotion Wales has used similar innovative techniques to achieve an extended shelf life of Welsh Lamb of 33 days. Clearly if we are to compete on the global stage, there is a need to supercharge this investment.
20. Currently, much of New Zealand's agri-food exports are destined for China, for example on average (2017-19) China consumes 46% of New Zealand's sheep meat exports<sup>3</sup>. This is not just because of the huge Chinese population but also it is in response to China seeking alternative

<sup>2</sup> [Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

<sup>3</sup> [https://ahdb.org.uk/news/future-trade-deals-new-zealand-production-and-trade#\\_ftnref1](https://ahdb.org.uk/news/future-trade-deals-new-zealand-production-and-trade#_ftnref1)

sources of protein following the mass culling of China's pig population in response to an outbreak of African Swine Fever. Once China's protein needs switch back to being met from local sources New Zealand (and Australia) will inevitably look to re-direct product to new markets elsewhere in the world. Similarly, currency movements or geopolitical tensions can serve to make markets more or less attractive to exporting nations impacting trade flows.

21. The uncertainty over precisely how much New Zealand will capitalise on its newfound preferential access to the UK agri-food market is precisely why NFU Cymru has advocated the inclusion of more robust and meaningful safeguards than those available under the terms of the deal. If our concerns don't come to pass the inclusion of such measures would be academic as they would never be called upon.
22. As with the Australian trade deal, NFU Cymru welcomes the inclusion of a bilateral safeguard clause to protect domestic producers for up to five years after the phase out of quotas which would allow tariffs to be re-imposed. However, we are concerned about the limited application in which the safeguard may be imposed.
23. To use the bilateral safeguard clause there is a requirement to demonstrate serious injury or threat of serious injury to domestic production (Chapter 3, Article 3.6). The first and second "safeguards" identified above are product specific and can be triggered at an arbitrary and pre-defined volume of imported product (but not at a pre-defined value of imported product). However, the "bilateral" safeguard measure applies to all goods and is intended to provide protection if the sector faces injury as a consequence of increased trade with New Zealand. In this event, the UK Government could trigger an investigation and apply on a provisional basis (pending the outcome of the investigation) actions to reinstate tariffs or suspend further tariff liberalisation only to "the extent necessary to prevent or remedy the serious injury and to facilitate the adjustment of the domestic industry." If the UK government were to take such action, the length of time such action can remain in place is limited to two years, with a further two years possible under exceptional circumstances. The conditions of use are also subject to a range of caveats which would have to be considered in any potential actions taken by the government.
24. The bar to trigger action under the safeguard clause is set high. "Serious injury or threat of serious injury" is not the language of ordinary events in routine trade. Direct causal effect would have to be proven to be as a result of the increase in imports from New Zealand specifically (and not as a result of market conditions generally). In practice, this makes these types of clauses very difficult to apply. It is much more likely that market pressure will happen because of the cumulative impact of increasing imports from around the world at the same time. The safeguard clauses in the UK-New Zealand FTA offer no protection against this. We call on the UK governments to step up their market monitoring to ensure any warning signs are picked up and action is taken early.
25. Furthermore, the purpose of the safeguard is ultimately to facilitate the adjustment of the domestic industry to the new trading environment. It is not clear how the sector would be expected to adjust given the nature and somewhat limited options many farmers, especially livestock farmers in Wales uplands, would have.
26. Notwithstanding our concerns regarding the applicability and efficacy of the bilateral safeguards, it is disappointing that the UK Government's ability to potentially use them is also time limited. The agreement includes no safeguards that can be applied in respect of New Zealand imports five years after the corresponding tariff for that good is eliminated (i.e., this is from Year 11 onwards for beef and Year 16 onwards for sheep, which is the longest timeframe for any products under this deal on which these safeguards can be used). Therefore, whilst we welcome

the inclusion of safeguards NFU Cymru have deep concerns over the usefulness of them in protecting domestic production.

27. From an agricultural perspective the UK Government has agreed to eliminate tariffs on New Zealand imports, although they will be phased out over a period of years on some products. Tariffs on beef will be eliminated after 10 years, with a further 5 years when a product specific safeguard for beef foresees the possibility of introducing a 20% tariff on volumes above a defined volume trigger. For lamb, tariffs are eliminated after 15 years. Tariffs on cheese and butter will be eliminated over a period of 5 years and tariffs on fresh apples will be eliminated over 3 years.
28. **Sheep meat** - New Zealand currently has access to the UK market through its country-specific duty-free WTO quota of 114,138T. The UK is self-sufficient in lamb but on average imports around 83,000T of sheep meat annually. New Zealand has not filled its generous WTO quota since 2008, for example in 2019 New Zealand supplied 38,675T which is 63% of the UK's total imports for sheep meat. As a result of this trade deal sheep meat will eventually be liberalised and unlimited quantities will be able to enter the UK duty free. New Zealand is an established supplier on the UK market and is a direct competitor for Welsh lamb. With that in mind, it is difficult to see the justification behind liberalising trade in this area.
29. Imports of New Zealand lamb have the potential to cause significant disruption on the UK market. It is therefore incredibly disappointing that the sheep meat quota will be managed on a first come first served arrangement and is not managed in tranches (e.g., quarterly allocations). This means there is the potential for New Zealand lamb to flood the UK market displacing domestic product not only at a time when British lamb is in season, but also at times surrounding key religious festivals such as Eid.
30. **Beef** – New Zealand exports over 90% of the beef it produces. Despite falling outside of the top 10 for global cattle numbers it is consistently in the top 5 beef exporters in the world.<sup>4</sup> New Zealand predominately exports frozen boneless cuts of beef and based on a three-year average (2017 – 19), over 80% of beef the UK imported from New Zealand was frozen product. Although we cannot know for sure, this product was likely destined for food service and manufacturing sectors where there is a preference for frozen.
31. Pre-Covid, UK consumers spend on eating out was almost equal to that spent on food and drink in grocery retail. Although volumes are smaller, higher ticket prices add value and tight margins mean there is greater incentive to use cheaper raw materials in out of home settings. Whilst in the short term (given the high level of retailer commitment to British sourcing of proteins), New Zealand imports may not directly land on UK retail shelves, they are much more likely to be destined for the food service or manufacturing sectors where there is little to no transparency of sourcing or visibility of country of origin for consumers.
32. When considering the impact of the trade deal with New Zealand we cannot just consider the volume of imports – we must also consider value. A relatively small volume of imports (if high in value) has the potential to significantly disrupt domestic markets. For example, 7,000 tonnes of striploins would require 20% of UK prime beef kill to produce. New Zealand currently sends cheaper cuts of meat to the US, but the majority of its expensive cuts come to European markets. UK beef production is only viable if the high value cuts are sold, creating “balance across the carcass”. If Welsh farmers are unable to sell these because they cannot compete with New Zealand (given the differences in costs of production), their businesses will struggle to remain viable only through selling the much cheaper meat cuts like mince and stewing steak.

<sup>4</sup> [https://ahdb.org.uk/news/future-trade-deals-new-zealand-production-and-trade#\\_ftnref1](https://ahdb.org.uk/news/future-trade-deals-new-zealand-production-and-trade#_ftnref1)

33. **Dairy** - New Zealand currently has very limited access to the UK market through only WTO quotas and in 2019 it sent only 821T of butter and 3.5T of cheese. However, it should be noted that these WTO quotas have strict conditionality about the type of product and the way it must be packaged to qualify, which acts as a disincentive to trade. For example, for product to qualify under the existing WTO cheddar quota the cheese must be in complete wheels and have a net weight of not less than 33 kg but not more than 44 kg, must have a fat content of 50 % or more by weight in the dry matter, and must be matured for at least three months
34. New Zealand is 880% self-sufficient in dairy and is hugely competitive on the global market. Fonterra the main dairy co-op processes 80% of milk in New Zealand and controls 30% of the world market. Due to the scale of operation in New Zealand, natural climatic factors and the power of Fonterra, the cost of producing milk is 25% lower in New Zealand than in the UK. Given New Zealand's powerhouse status on the global dairy market, there are likely to be few opportunities for Welsh dairy to be exported to New Zealand. This agreement creates much more opportunity for New Zealand than our own producers.
35. **GIs** - We are incredibly disappointed to see that the UK Government only chose to protect Scotch Whisky in this agreement with no other Geographical Indicator protection. We recognise that the UK and New Zealand will review this situation if New Zealand signs an international agreement that requires it to protect GIs or if New Zealand adopts any substantive change to its GIs regime (e.g., introduction of a scheme for the registration and protection of agri-food GIs). In those circumstances, this agreement will be amended to ensure similar levels of protection. If New Zealand does not introduce a scheme within two years after entry of force of the agreement, both sides will review the provisions related to GIs. However, there is no legal requirement to agree anything, just to revisit discussions. To be dependent on the outcome of other's endeavours to establish protection for GIs is galling and ironic given claims of taking "back control." NFU Cymru believes that ensuring GIs receive protection in all third countries must be a priority for UK negotiators.
36. Welsh producers are proud of their products and the heritage which comes along with them. PGI Welsh lamb and beef are recognised around their world for their quality and provenance. The use of Geographical Indicators would have allowed us to differentiate our product from the world market, access a premium and increase profitability. This is evidenced by the European Commission funded study by AND-International in 2012 which found that GI products sold for 1.55 times as much as non-GI products for the same volume. Given that 25% of UK food and drink exports (by value) are generated by GI, worth £5bn in exports in 2018<sup>5</sup>. It is incredibly disappointing that this opportunity has been missed.

## What are the likely social and environmental impacts of the Agreement?

37. Agriculture, and family farms make a very significant contribution to Wales's cultural life and sense of national identity. The average size of a farm in Wales is 48ha, compared to an 88ha average size in England. This means that the Welsh countryside is characterised by farms of a modest size, typically owned and/or occupied by farming families, who will often have farmed in that locality for many generations.
38. With around a third of agricultural land in Wales rented through formal and informal agreements the tenanted agricultural sector is very important in Wales. Tenants face a number of unique challenges, access to finance can be a problem and tenancy agreements can often hinder or

<sup>5</sup> [https://gpfoods.inparliament.uk/sites/appg\\_gpfoods.inparliament.uk/files/2021-06/APPG Minutes - GP Food 03.03.2021\\_0.pdf](https://gpfoods.inparliament.uk/sites/appg_gpfoods.inparliament.uk/files/2021-06/APPG Minutes - GP Food 03.03.2021_0.pdf)

prevent a tenant from diversifying or switching enterprises to meet changing market conditions. In that respect, tenants' ability to quickly adjust to changing market conditions as a result of the trade deal with New Zealand is dramatically reduced.

39. Research has shown that the proportion of Welsh speakers in the industry is 43%, a figure which is more than twice the level of Welsh speakers in the population as a whole (19%). With the extensive use of the language within the industry, both in the workplace and on a social level, there exists an undeniable connection between the future of Welsh agriculture and the future of the Welsh language.
40. In Wales, the Well-being of Future Generations Act 2015 which focuses on 'improving the social, economic, environmental and cultural well-being of Wales's confers a duty on public bodies to work to achieve the vision for Wales set out in the seven well-being goals. One of these seven well-being goals is 'A Wales of Vibrant Culture and Welsh Language'. NFU Cymru considers Welsh farmers to be key promoters and protectors of the culture, heritage and language of Wales, with the farming sector making an essential contribution to the preservation of the Welsh language.
41. As farmers in Wales maintain the Welsh landscape, they also continue to maintain its language and cultural traditions, and in so doing preserve our heritage and sense of place for future generations. Those in the agricultural industry are often at the heart of many rural communities across the country, as part of community groups, or in voluntary or leadership roles throughout rural Wales, and Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas. By their very nature, rural communities in Wales are small or in isolated locations. In these communities, it is often farmers and members of their families that support, sustain, and facilitate many aspects of community life.
42. Many farmers or individuals involved with the agricultural industry undertake leadership and voluntary roles in rural communities which contribute to community cohesion. There will often be members of the agricultural industry sitting on Community Councils, PTAs or on the board of school governors. Farmers are often closely involved with tasks which assist rural communities, from clearing roads when it has snowed to arranging local shows. Local Young Farmers' Clubs bring young people in rural communities together, providing key life skills and social opportunities for young people reducing any sense of rural isolation. A typical farm business contributes to the rural economy by sourcing numerous inputs and services from a wide range of rural businesses. Farm businesses therefore not only create employment on farm, but also in the wider rural economy, and in so doing help maintain the viability our rural communities.
43. As demonstrated the way in which our patchwork of family farms contribute to cultural life cannot easily be represented quantitatively or assigned a monetary value. NFU Cymru is firmly of the view that Wales would be culturally impoverished if our family farming structure were to be harmed or in some way diminished. The UK – New Zealand FTA puts all this cultural heritage at risk.
44. We welcome the inclusion of a strong environmental chapter in this agreement which recognised the sovereign right of each party to establish its own environmental priorities and levels of environmental protection. We support the agreement to take measures and promote efforts to reduce greenhouse gas emissions from agricultural production and to achieve domestic net zero targets by 2050. NFU Cymru has been clear that, for the UK to truly deliver on its ambitions for a more sustainable future and the goals of COP26, all aspects of policy, from domestic environmental and agricultural policies to international trade policy, must be joined up in their delivery of these aims.

45. However, we remain concerned about the unintended consequences the UK – New Zealand FTA could have on our environment, biodiversity and landscape in Wales. Grazing livestock are key to the maintenance and ongoing management of several key habitats and species in Wales. As the UK Government's impact assessment shows, UK production in beef and lamb is expected to fall which implies a reduction in headcount. Without grazing ruminants on grassland, it would naturally revert to scrub, which would reduce biodiversity and habitats for a wide range of animal and plant life that contribute to the landscape.

**What support will your business or organisation need from the Welsh and UK governments to respond to and prepare for the implementation of the Agreement?**

46. Exports of agri-food products are important to Wales. Our farmers are very proud of the food they produce and are anxious not only to maintain and grow existing export markets but also to sell their produce into new markets. Trade agreements may offer opportunities to sell into new markets. However, realising these opportunities requires our Governments in Wales and Westminster to not only to invest in market development and promotion, but also support at home for companies wishing to export.
47. Investment in trade diplomacy is key if inroads are to be made in new and emerging markets. Whilst the development of an additional 8 dedicated agricultural attachés is welcome, bringing us up to 10 (New Zealand themselves have 18 agricultural attachés around the world) the rapid progression of Free Trade Agreement negotiations means that we risk too little action, too late. We would welcome further clarity from UK Government on the timings of the appointments of these agricultural attachés and would welcome assurances that they will be equipped with the skills and technical knowledge to allow them to excel in their roles. We would expect the UK and Welsh Governments food and trade divisions to work together to ensure that Welsh food and drink businesses are able to capitalise on new export market opportunities
48. NFU Cymru's ambition to be world leaders in the production of climate friendly food, against a backdrop where our nature and rural communities thrive requires long term investment. This requires the UK and Welsh Governments to, as a minimum, maintain current levels of funding to Welsh farming. NFU Cymru welcomed assurances given by 2016-2021 Welsh Government to the ring-fencing of funding for Welsh agriculture received from the UK Government in future. At this critical time, we would welcome a re-affirmation of this commitment by the current Welsh Government.
49. A commitment to deliver funding for agriculture on a long term multi-annual basis would be welcome and would offer farmers some stability and certainty beyond the arrangements currently in place, since our departure from the EU. We would therefore urge the UK and Welsh Governments to work together to look at options for making multi-annual commitments with regard funding for agriculture.
50. The trade deals with Australia and New Zealand mean potentially significant marketplace changes for Welsh agriculture. These trade deals, coupled with the impact of a pandemic and now the impacts of the Ukraine / Russia conflict, mean that things have changed drastically in a short space of time. The world of late 2021 is very different to the one we knew when Welsh Government began to consider future farm policy for Wales.
51. With Welsh Government set to take the Agriculture (Wales) Bill through the Senedd this year, we were pleased to hear the Minister say in a recent ETRA committee meeting that she is looking again at the Agriculture Bill in light of the current crisis. We believe there is an urgent need to look again at how future agriculture policy can continue to underpin sustainably produced,

climate-friendly Welsh food and support our rural communities, against the backdrop of the UK Government's trade policy, a pandemic and a post-Brexit environment which continues to challenge and re-shape our food supply chains.

52. Regulation and its impact is a crucial determinant of business confidence and the success of a farm business. The Welsh Government needs to recognise that the sector needs an enabling regulatory framework which encourages sustainable business growth and investment.
53. The public sector is a significant procurer of food, it is often the case that procurement decisions end up being made solely or largely on the basis of cost. We consider this approach to be short term and misguided and detrimental to domestic producers. We believe that following our departure from the EU, there are opportunities to look afresh at public sector procurement. We would expect the public sector to show leadership and make purchasing decisions on the basis of quality, standards and provenance.
54. With ever greater ranges of product set to come into the UK via trade deals reached with third countries NFU Cymru is of the view that our governments need to legislate for clear food labelling, including country of origin labelling in order to allow consumers to make an informed purchase. We believe that there is a pressing need to introduce stricter food labelling rules in relation to the foodservice and hospitality sectors where labelling has always been more opaque, and there has traditionally been a far greater use of imported product.

# Agenda Item 4

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**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**



**Llywodraeth Cymru**  
**Welsh Government**

Paul Davies MS  
Chair  
Economy, Trade & Rural Affairs Committee

[Paul.Davies@senedd.wales](mailto:Paul.Davies@senedd.wales)

9 June 2022

Dear Paul,

Thank you for your invitation to give evidence to the Economy, Trade & Rural Affairs Committee on 15 June. In advance, please find the attached evidence paper.

Yours sincerely,



**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## **Evidence paper for MRANWT attendance at ETRA Committee on 15 June 2022 re Cost of living**

### **The cost-of-living crisis**

1. People across Wales are facing an unprecedented cost-of-living crisis, fuelled by soaring energy bills. The biggest impact of the current global uncertainty on the public is inflation. This is currently at 9% and forecast to increase during the year. Day-to-day prices – food, fuel, energy, clothes, travel costs, rent – are going up as inflation rises and the war in Ukraine is exacerbating this situation.
2. Since November 2021 the Welsh Government has announced £380m funding to help households manage the rising costs of living. This funding has supported the Winter Fuel Support Scheme which paid £200 to households in receipt of working age means-tested benefits to help with essential housing costs. It will also support a further fuel support scheme to be launched this autumn. We are looking at how the scheme can reach more households so that more people receive the £200 payment which offers such crucial support. It will also help fund a £150 cost-of-living payment for all households in properties in council tax bands A to D and to all households, which receive support from the Council Tax Reduction Scheme in all council tax bands.
3. As part of the 2022/23 final budget, a further £15m has been made available for the Discretionary Assistance Fund to continue flexibilities in the scheme which support an increase in the number and frequency of emergency awards for people experiencing extreme financial difficulty. This figure is in addition to the fund budget uplift of £7m per annum for the next three years.
4. This paper focuses on inflation and rising prices in the context of its impact on the food, farming and fisheries industries.

### **Food**

5. Food and non-alcoholic beverage prices rose approximately 7% in the year to April 2022. This was the highest 12-month rate for food since June 2011 and they are forecast to increase more. Underneath the headline percentage there have been sharper increases for the cheapest product ranges where profit margins are lowest and the supply chain and retailers have much less scope to absorb costs. These are typically the product ranges which people with the least disposable income tend to rely on. Inflation manifests as price increases, a fall in special offers such as 'buy one, get one free', and 'shrinkflation' where less is sold for the old price. Thus, the actual rate of food price inflation for the poorest people is undoubtedly higher than the headline inflation rate.
6. The food industry is dominated by a small number of large retail businesses which exerted strong pressure on suppliers to hold down costs in the run up to Christmas but since are having to agree increases due to the very strong inflationary pressures in the supply chain. Although food retail businesses usually make large profits, profit margins are low and profit arises from selling large volumes. Food

retail is intensely price competitive and no part of the supply chain can absorb increase of the size now being experienced. The main retailers have a tiered product offer, typically a luxury range, a mid-tier range, and a bargain range. After some were criticised for cutbacks to their bargain range, there has been much new activity bringing new products to the market in this price bracket in the last 2-3 months. Nevertheless, prices have increased and will continue to do so.

7. Food is an international industry. The industry in Wales, and how food is supplied to the population, is wholly integrated with the UK. In reality there is no Welsh food system in the sense of a discrete entity which responds to a Welsh context and Welsh policy. Internal UK borders, with the exception of the unique situation of Northern Ireland, are irrelevant for food supply chains within the UK. 98% of food and fast-moving consumer groceries are purchased from the stores of a small number of large food retailers, meaning alternative channels are of negligible relevance. Most of the population buys most of its food on the basis of 'affordable convenience', that is the price is right and it is convenient to buy it at that location and preparing and consuming it fits the person's lifestyle. These are profound socio-economic realities which successful policy must recognise and navigate. To ignore them runs strong risk of wasting effort and public resources.
8. Welsh Government policy is to develop local networks and supply chain clusters where doing so is sustainable in the long term. We are already doing this with food manufacturers. The Community Food Strategy is an opportunity to further this work and facilitate grass roots activity also. There is evident interest and energy in communities about food related projects with myriad initiatives throughout Wales. Often the benefits are things other than the produce itself, and could contribute to a range of Future Generation Well-being goals. The government's intention is to assist these initiatives and we have been engaged in extensive one to one conversations with organisations active in this space to understand challenges and opportunities. It is conceivable public bodies might focus more on some of the structural barriers which exist for community projects such as availability of land, or they might consider how local suppliers can meet their procurement needs. However, it is not the government's goal these community projects can ever take the place of the mainstream agri-food system. We must be realistic about what is achievable. Alternative, food production and supply initiatives are rarely cost competitive and they are also seasonal. There are consumers prepared to pay higher prices, usually for ethical reasons, but most will not or cannot afford these alternative products, or shopping for them is just not convenient enough. Welsh Government investment can assist to pump prime and overcome barriers up to a point, but the government cannot change the fundamental factors driving the food system being international / UK factors of cost and profit margin, economies of scale, where Welsh geography, soil type, climate, and the distance of much land from large urban areas, are disadvantages for large scale, commercial fruit and vegetable growing.
9. Thus, the government's focus is on what direct, short term practical support can it provide to the population. On 11 May, The Minister for Social Justice held a food poverty roundtable to consider how resources can most effectively be directed to reduce and prevent the need for reliance on emergency food provision.

10. The Welsh Government is focusing on providing support to the most vulnerable so that the worst aspects of the cost-of-living crisis are mitigated. This year Welsh Government has allocated £3.9million to support community food organisations to provide emergency food aid and tackle the root causes of food poverty, and £1.1m has been allocated to support and bolster community food organisations to help them meet increased demand.
11. The Minister for Rural Affairs, North Wales and Trefnydd has frequent meetings with the major food retailers and has received assurances that the retailers are ensuring that measures are being taken across ranges to ensure products remain affordable. In addition, Welsh Government Officials are in regular dialogue with these retailers and have received separate assurances that all efforts are being undertaken to keep price increases to a minimum.

## **Agriculture**

12. Input costs such as feed, fuel and fertiliser were already rising but these increases have intensified as a result of the war in Ukraine. The main impact of the war in Ukraine on UK farming sectors continues to be on the price, and to some extent, availability of inputs. Ukraine and Russia are significant producers of cereals and oilseeds globally and exports are disrupted by the conflict.
13. Russia is also one of the main providers of natural gas to Europe and the reductions in gas flow have led to increased prices in continental Europe and the UK. This, in turn, has led to increased costs of producing fertiliser and food grade CO<sub>2</sub>. The threat of disruption to supplies of fertiliser, carbon dioxide and nitric acid has receded now CF Industries has made their commercial position clear. Despite this reassurance, it remains extremely concerning to see the significant increase in input costs faced by our agricultural producers in recent months.
14. We are concerned about the significant price for fertiliser and fuel, and the associated impacts on farmers across Wales. Welsh government officials are working collaboratively with their counterparts in the UK Government and other Devolved Governments to closely monitor the position via the UK Agriculture Market Monitoring Group. The Market Monitoring Group is an internal technical group between the four governments to monitor the agricultural markets and facilitate collaboration under the Agricultural Support Common Framework. The Welsh Government and other UK Administrations are using their established relationships to share intelligence where available. It is vital that continued access to the foresight capabilities to identify likely changes in commodity, energy prices and inputs within Defra continues to be made available to the Devolved Administrations.
15. The Minister for Rural Affairs, North Wales and Trefnydd is in regular contact with the farming unions, farmers, producers, and retailers as well as Ministerial counterparts across the UK to discuss these issues. She has also recently met with representatives of the banks to discuss the impact of the war on agricultural businesses and the supply chain. We have announced schemes, with a total value

of over £100 million, will be opened this year. The Small Grants – Efficiency scheme with a budget of £5.0m opened on 19 May.

16. Rural Payments Wales will process Basic Payment Scheme 2022 claims as quickly as possible to again allow advance payments to be paid on 15 October 2022. These payments will go out before validation is completed and payable to all claimants unless there is a specific problem for example no supporting documents, probate etc.
17. The Welsh Government is developing an information hub to signpost producers to the latest advice and information to help mitigate the current high input costs. This includes adjusting nitrogen application rates and alternative fertiliser management options and fertiliser calculation adjustment tools for grassland, cereals and oilseeds.
18. By supporting farmers, we not only develop resilience in their agricultural enterprises, we also enable investments, which, over time, will result in production efficiencies with a resultant reduction in carbon emissions.

## **Fisheries**

19. Welsh landings were severely impacted in 2020 by the Covid pandemic and again in 2021 due to EU exit. The Welsh fleet has not had the opportunity to recover to 2019 levels, before the hyperinflation of fuel prices. The multiple ‘shocks’ of Covid, EU Exit and now hyper inflated fuel prices have had a significant effect on the Welsh fleet. Indirect costs are high and rising for inputs to the sector, for example fishing gear, bait, ropes, packaging, oils, parts and logistics with no headroom to pass on increased costs to the consumer.
20. The increased cost of living translates to less disposable income and as a result the domestic demand for seafood has decreased. Orders that would traditionally be higher at this time of year due to tourism have either been reduced significantly or cancelled. The seafood landed by the Welsh fleet is often seen as luxury and is not traditional prepared in the home, such as crab, lobster, oysters, and scallop. With the current cost of living increases out of home eating experiences will inevitably decrease having a further effect on the sector.
21. Welsh Government officials are monitoring closely with other Fisheries Administrations, through the Joint Fisheries Market Monitoring Group, the impacts of recent events on the fishing industry in the UK, and are considering how best to support further support the industry during this period

# Agenda Item 5

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## Economy, Transport and Rural Affairs Committee

### Welsh Government's evidence paper – General scrutiny and cost of living

#### **Cost of living crisis**

Consumer prices across the UK increased by 9.0% in the year to April, the highest rate of inflation in 40 years and well above the UK Government's 2.0% target. The increase was driven mainly by energy costs, but food prices also played a significant role.

As a consequence of surging prices the Office for Budget Responsibility had concluded that 2022-23 would see the biggest fall in living standards since records began.

Although we welcome the announcement of new measures by the UK Government the Chancellor has not gone far enough to ease the burden on the poorest households and is out of touch with the impact soaring costs have for these households.

The £1,200 that the Chancellor says will go to the most vulnerable households just about makes up the £1,040 loss incurred by Universal Credit recipients when the £20 per week uplift was removed last year.

Despite the new measures by the UK Government on 26<sup>th</sup> May, it remains the case that in his Spring Statement, the Chancellor announced an increase of just £27 million in the Welsh Government's resource funding for this financial year. When in comparison, the Welsh Government announced a £380m package to help families with rising household bills.

In addition, the impact of the UK Government's Trade and Continuity Agreement with the EU is predicted to hit the UK economy by double that of the pandemic. Businesses are struggling to trade in EU countries or facing huge costs increases and staff shortages. Latest research suggests that Brexit has added 6% to Britain's food bills.

In 2022-23, the Welsh Government continues to support SMEs by providing £116m of targeted non-domestic rates support to businesses in the retail, leisure and hospitality sectors.

We will continue to do everything we can to protect people in Wales from the impact of this severe cost of living crisis and will continue to push the UK Government to do more.

#### ***Decarbonisation***

Ending reliance on fossil fuels and a quicker transition to renewable energy and better energy efficiency will have a significant impact on reducing energy costs across the world.

The Welsh Government will support businesses with this transition. Our Business Wales advisory service covers all aspects from energy and waste to water efficiency measures.

Tackling the climate emergency as part of a just transition to Net Zero is also the overarching ambition of our new £8.1bn Infrastructure Investment Strategy. In particular, we'll open up greener forms of transport to more people, providing more choice in how we're all able to get around as well as laying the foundations for more investment in renewable energy projects.

Last month I made a statement on activity within the emerging offshore marine sector in Wales and the focus on the sector's potential impact on regional economies in providing sustainable and high-quality jobs here in Wales.

Where we have the necessary levers, we will invest to support our businesses to maximise their potential. This includes focusing on fair work and developing the local supply chain.

We will also be looking to our new Innovation Strategy later this year to reinforce the focus on emerging marine technologies, including hydrogen generation from offshore marine energy.

### ***Employability and Skills***

I've also announced our intention to publish a Net-Zero Skills Action Plan. We see the development of the plan as a unique opportunity to achieve a just transition towards net zero.

Moreover, against a tough financial backdrop, including the loss of over £1.1bn in post-EU funds, my new Plan for Employability and Skills provides a strong employability and skills offer that is a crucial part of our collective task to make Wales an attractive prospect for more people and business.

For those furthest from the labour market and amongst the hardest hit by the cost of living crisis the Plan will help navigate and respond to the work related challenges they will face throughout their lives, whether that is through training, retraining, upskilling, changing career or starting a business.

It will help us meet the skills required by Welsh businesses by making the most of our talent in Wales, driving workforce diversity and shaping an economy that works for everyone.

As part of our steps to make work fairer, we are using our influence to improve levels of the Real Living Wage adoption and accreditation. This includes:

- leading by example as a Real Living Wage accredited employer;

- beginning the implementation of the Real Living Wage in social care;
- encouraging employers in Wales to explore the benefits of the Real Living Wage to them and those they employ.

We are working closely with Cynnal Cymru as the Living Wage Foundation accreditation partner in Wales. We are supporting the work they do in promoting the Real Living Wage and have helped them build capacity in their ability to engage employers on this agenda.

According to the Living Wage Foundation, in 2021, the proportion of employee jobs in Wales paid at least the Real Living Wage was 82.1%. This has grown from 74.70% in 2015, narrowing the gap with the equivalent figure for the UK as a whole (82.9%).

### **Shared Prosperity Fund**

The Shared Prosperity Fund (SPF) was announced by the UK Government in 2017, but the Welsh Government was not involved in substantive discussion on the policy and structure of the fund until early April this year. The UK Government scrambled to publish their prospectus less than two weeks later on 13 April, ahead of the local government pre-election period.

The Welsh budget is facing a total loss of £1.1bn in un-replaced Structural and Rural funding between January 2021 and March 2025.

The £243m loss in rural funding and the £772m shortfall in EU structural funds add up to just more than £1bn. Applying the same inflation adjustment to rural funding as to the structural funds, the overall shortfall to the Welsh budget is more than £1.1bn. The direct impact of this loss of funding is that major investments in job creation, business support, R&D, skills and tackling poverty are not taking place in Wales when they otherwise would.

The calculation we have used to demonstrate the reduction in the funds Wales would have received follows the methodology used by the UK Government in relation to the UKSPF. These figures also do not take into account the additional losses of funding from our access to other EU funding programmes, including Erasmus, Horizon and European Territorial Co-operation which have not been fully replaced by the UK Government.

On 4 May, the Minister for Finance and Local Government issued a Written Statement detailing this loss of funding to Wales as a result of the UK Government's broken promises to fully replace EU funding<sup>1</sup>. Including adjustments for inflation:

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<sup>1</sup> <https://gov.wales/written-statement-loss-funding-wales-result-uk-governments-arrangements-replacement-eu-funding>

Period	Wales SPF allocation	Funding if Wales remained in the EU	Shortfall to Wales
Jan – Mar 2021	--	£79m	£79m
2021-22*	£47m	£316m	£269m
2022-23	£89m	£329m	£240m
2023-24	£153m	£337m	£184m
2024-25	£343m	£343m	£0m
<b>Total</b>	<b>£632m</b>	<b>£1,404m</b>	<b>£772m</b>

\*2021-22 funding awarded through the Community Renewal Fund (the pilot for the UKSPF)

In addition the UK Government, when providing replacement EU farm funding, is deducting EU receipts due to Wales for work which was part of the 2014-2020 Rural Development programme. This means Wales' rural communities are also £243m worse off than had we remained in the EU.

Taken together, these cuts to the Welsh budget amount over the period to over £1 billion:

Period	Wales SPF allocation	Funding if Wales remained in the EU	EU farm funding shortfall	Total shortfall to Wales
2020	--	--	£42m**	£42m
Jan – Mar 2021	--	£79m	--	£79m
2021-22*	£47m	£316m	£95m†	£364m
2022-23	£89m	£329m	£85m	£325m
2023-24	£153m	£337m	£21m	£205m
2024-25	£343m	£343m	£0m	£0m
<b>Total</b>	<b>£632m</b>	<b>£1,404m</b>	<b>£243m</b>	<b>£1,015m</b>

\* 2021-22 funding awarded through the Community Renewal Fund (the pilot for the UKSPF)

\*\* transferred from CAP Pillar 1 into Pillar 2 Rural Development Programme in 2020, † EU receipts netted off replacement EU funding in 2021-22

Taken together, the £243m loss in rural funding and the £772m shortfall in EU structural funds, and the same inflation adjustment to rural funding as to the structural funds, the overall shortfall to the Welsh budget is more than £1.1bn. The UK Government combined a measure from WIMD with a population measure and its own Community Renewal Fund formula in a way that disadvantages more populous local authorities in Wales. The Welsh Government proposed a formula based on the Welsh Index of Multiple Deprivation (WIMD), which would have distributed funding more fairly across Wales according to economic need, but this was rejected by the UK Government.

As a result, two of the authorities with relatively high economic development needs - Rhondda Cynon Taf and Caerphilly - have allocations per capita that is barely above the Wales average.

### *Impact on Welsh Government strategic spending*

EU funds played a significant role in supporting Wales' long-term strategic priorities in areas such as R&D, energy, infrastructure and skills. Their loss is causing considerable disruption to the funding landscape and to the Welsh Government's ability to support strategic areas as we were with EU funds.

The UK Government has denied the Welsh Government access to these funds and a decision-making role in the distribution of the funds.

As a result, we are already making tough choices on our priorities – such as protecting our commitment to apprenticeships, Business Wales and Communities for Work, which have been part-EU funded for many years.

### *Devolution issues*

The UK Government's use of their Internal Market Act powers to encroach into devolved policy with the SPF is one amongst a range of actions that they are taking to spend money and enact UK policy in Wales without the oversight of the elected Welsh Parliament.

The Senedd holds the Welsh Government to account on its spending of public money. There is no equivalent level of scrutiny afforded the UK Government's spending in Wales. Welsh voices do not have the same influence in Westminster as they do here.

The UK Government is persistently refusing to respect the devolution settlement. It is undermining the democratically-elected powers of the Senedd and the Welsh Government to govern and oversee devolved areas of public life.

## **Committee inquiry into Retail, Hospitality and Tourism**

### ***Retail Sector***

The cost of living crisis is impacting on consumer habits with potentially serious implications for the retail sector. There will be an inevitable impact on those retailers who trade in discretionary goods and services given that consumer expenditure on discretionary items is likely to be the first sacrifice in any squeeze on personal finances.

Similarly, there will be expectations and pressures on those retailers who trade in essential goods and services, given the impact that rising prices will have on household incomes.

In terms of energy costs, the cost increases for businesses are just as eye-watering and just as consequential as those for consumers. For some retailers a cash

increase in their energy bills of £20,000 would require an increase in sales of nearly £100,000 to pay that bill. Rising product and wage costs compound these pressures.

I am acutely aware there are no quick fixes, easy solutions or infinite budgets. What we do have however is a willingness to work in social partnership with Welsh Government, employers, business representative bodies and trade unions working together to understand where we are now, where we want to get to and how we can get there.

Last year, with the support of the Deputy Minister for Social Partnership we established the Retail Forum to begin this conversation. We published a [Position Statement](#) in March and a Shared Strategic Vision for Retail will be presented to the Committee at the end of the month (May) - setting out our actions to date alongside our future ambitions.

It is my intention to then, over the coming months to develop a delivery plan, taking into account any recommendations by the Committee following its own inquiry into the Retail (and Hospitality and Tourism).

### ***Tourism & Hospitality***

We are ambitious for Wales as we look ahead to the summer and our tourism and hospitality sectors have a key role to play in supporting the economic and societal recovery of Wales from the pandemic.

Our strategy, *Welcome to Wales: Priorities for the Visitor Economy* sets our vision and ambition for the sector. Our ambition is to grow tourism for the good of Wales, balancing economic growth, environmental sustainability, social and cultural needs, health and wellbeing aspects along with supporting the need of local communities.

We emphasise the importance of addressing **spread** of benefits, encouraging increased **spend** in our economy and tackling **seasonality** by promoting Wales as a nation you can visit all year round.

We recognise that there are continuing challenges and our focus and commitment will require an effective response. There are short-term and long-term challenges facing the sector, such as inflation, cost of living crisis, energy costs, skills and recruitment, and so on.

These challenges coming together as the sector continues to recover from the pandemic means people have less money in their pockets to spend, generating less demand to go out, to take holidays and visit attractions. Therefore the tourism and hospitality sector is likely to suffer the consequences of a 'perfect storm'. We are fully aware that continued action is required over the course of the next few years to help these vital sectors return to sustainable operation and contribute to Wales's recovery.

The Spring Tourism Barometer found that 29% of tourism and hospitality businesses are currently trying to fill staff vacancies, with 63% of these experiencing considerable difficulties. Issues of attracting people back to work in the sector / work

at all remain the main themes. The effects of recruitment difficulties remain considerable, with some unable to open as often or fully as they would like.

In response, and in partnership with the industry-led Wales Tourism and Skills Partnership, a campaign was launched in August 2021 to support the sector by raising awareness of the high numbers of vacancies and of the variety of career opportunities available.

The campaign is being delivered in partnership with Working Wales [Work in hospitality and tourism | Working Wales \(gov.wales\)](#) – which provides one simple route for young people.

Earlier this month, and coinciding with the Wales Tourism Week, I announced the projects receiving funding from this year's Brilliant Basics capital fund.

The £2.9m fund for 2022-23 will be shared among 18 projects that will help deliver small-scale infrastructure improvements in strategically important tourism locations across Wales.

The fund is supporting local authorities and national parks to deliver improvements which will benefit both visitors and local communities. This year's fund is supporting a variety of projects including initiatives to help alleviate pressure in areas that are seeing increased visitor numbers, projects to improve accessibility and projects that make their destinations more environmentally sustainable.

## **Summary**

Despite the aforementioned challenges, we will continue to deliver on our vision of making Wales an attractive place to live, study, work and invest, including the quality of life in an inclusive, open and green nation.

The Welsh Government's Cabinet have all committed to creating the conditions where more people feel confident about planning their future in Wales.

My newly appointed [Ministerial Advisory Board](#) have been tasked with building on our work to date, as their first challenge.

When I talk to potential investors or those that have come to Wales already, it is also the coherent programme, the political stability and the partnership approach Wales has to offer, that provides that extra edge.

Our social partnership approach has a crucial role in all of this, not least in bringing people together to not only promote fair work and better jobs but as a nation of sanctuary - epitomising the Team Wales approach.