



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Mercher, 26 Mawrth 2014
Wednesday, 26 March 2014**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Antoniw	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie James	Llafur Labour
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Mark Andrews	Cyfarwyddwr Materion Corfforaethol, Porthladd Aberdaugleddau Corporate Affairs Director, Port of Milford Haven
Claire Bennett	Dirprwy Gyfarwyddwr, Polisi, Cynllunio a Phartneriaethau Trafnidiaeth Deputy Director, Transport Policy, Planning and Partnerships
Ian Davies	Rheolwr Llywbrau, De Môr Iwerddon, Stena Line Route Manager, Irish Sea South, Stena Line
Alec Don	Prif Weithredwr, Porthladd Aberdaugleddau Chief Executive, Port of Milford Haven
Martin Evans	Cyn-gadeirydd ac Aelod o Fwrdd Sefydliad Siartredig Logisteg a Thrafnidiaeth Previous Chair and Board Member, Chartered Institute of Logistics and Transport
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Ceri Jones	Yr Adran Ymchwil ac Arloesi, Prifysgol Abertawe Department of Research and Innovation, Swansea University
Dr Andrew Potter	Ysgol Fusnes Caerdydd, Prifysgol Caerdydd Cardiff Business School, Cardiff University
James Price	Cyfarwyddwr Cyffredinol, Economi, Gwyddoniaeth a Thrafnidiaeth Director General, Economy, Science and Transport
Wyn Prichard	Cyfarwyddwr Cymru, Bwrdd Hyfforddi'r Diwydiant Adeiladu Wales Director, Construction Industry Training Board

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Olga Lewis	Dirprwy Glerc
	Deputy Clerk
Andrew Minnis	Ymchwilydd
	Researcher
Claire Morris	Ail Glerc
	Second Clerk
Siân Phipps	Clerc
	Clerc

*Dechreuodd y cyfarfod am 9:00.
The meeting began at 9:00.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **William Graham:** I welcome Members and our witnesses today and any members of the public. The meeting is bilingual; headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. I remind people to turn off their mobile phones and other electronic equipment. Particularly for witnesses, there is no need to touch the microphones; they should come on automatically as you answer. In the event of a fire alarm, follow the directions from the ushers. I have apologies from Members today from David Rees and Byron Davies. There are no substitutions.

Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 (Sesiwn 8) Inquiry into EU Funding Opportunities 2014-2020 (Session 8)

[2] **William Graham:** We continue with our inquiry into EU funding opportunities and we have three evidence sessions on it today. I welcome the witnesses. Thank you very much for coming. I ask you to formally give your names and titles for the record.

[3] **Mr Don:** Alec Don, chief executive of Milford Haven Port Authority.

[4] **Mr Andrews:** Mark Andrews, corporate affairs director, Milford Haven Port Authority.

[5] **Mr Davies:** Ian Davies, route manager, Stena Line, Irish Sea South.

[6] **William Graham:** Okay, thank you very much. As you might imagine, we are always short of time in this place, so we will go straight to questions.

[7] I will start with the first question. To what extent have Welsh ports engaged with INTERREG and TEN-T funding between 2000 and 2013, and the process by which any projects were developed and their impact?

[8] **Mr Don:** TEN-T is a programme that is in development. As I understand it, the UK Government, as the member state, has to make its submission at the end of September. We are seeking to engage extensively with the Welsh Government and the UK Government to inform that process. I am sure that the committee will be aware of the numbers associated with TEN-T; we think that there is about €26 billion to be allocated. There are 104 large core ports in the TEN-T network. If you do the math, that works out as a very large amount of money that Wales should be targeting, between its three TEN-T ports. My simplistic calculation would say that we should be trying to come up with £750 million to £1 billion-worth of projects. We have been submitting thoughts on investment plans to the Welsh Government. In the past, we

have generally been successful in getting access to funding, but on a much smaller scale than the opportunity offered by TEN-T.

[9] **Mr Andrews:** I endorse that. The submissions we have made, going back a number of years, and we have had a number of them, have been a mix of infrastructure and community-based projects. All have generally been very successful, but, from our perspective, we have generally found that the infrastructure issues have been much more straightforward and easier to quantify in terms of the benefits, rather than the others, where the tangible benefits are less easy to quantify. We have struggled with that. We are better at it now, but we feel very strongly, looking to the future, that infrastructure is where we should be focusing attention.

[10] **Mr Davies:** Like my colleagues—for infrastructure, we have only one example in the last 12 years, which proved to be very successful—I would endorse that infrastructure is where we feel the funding is needed going forward.

[11] **Mick Antoniw:** On funding, during the 2007-13 period, there were no applications for TEN-T funding by Welsh Government. The process now, looking forward, is that bids will go in in September and substantial amounts of money are available from Europe. How advanced are the discussions that you are having with Welsh Government? Have particular substantial projects now been identified that are being prepared effectively with a view to going off early in the process in September, or are you still at a very preliminary stage of discussions?

[12] **Mr Don:** From our point of view, we are at a preliminary stage in relation to that, to be honest. The TEN-T funding programme is inviting applications; I do not think that it has existed before, so this funding is essentially new funding. I would need to be reminded what the date is when they expect disbursements of that programme to happen, but it is some way in the future. I think that it is true to say that the UK, generally, has not been as effective as other countries in applying for some of these EU funding programmes that exist. I think that we should be very keen to make a really big effort, collectively, to do that this time.

[13] **Mick Antoniw:** What is the reason why there seems to be a weakness of proactivity on this? We are talking about very substantial amounts of funding. I imagine that other parts of Europe are almost kicking at the door already, waiting with the projects that they have identified. What is the reason why there seems to be a certain dysfunction between you and the Welsh Government in really moving forward and in the prioritisation, I suppose, of funding applications?

[14] **Mr Andrews:** I do not think that it is an issue of a failure to communicate. I think the Welsh Government has been quite proactive in trying to engage with us and we are trying to participate. I think the issue is that we realise that it is very much at the behest of the Welsh Government to liaise with the UK Government in order to try to move it forward. I suppose that we do have another option: some of us that are not devolved could go through the Department for Transport, but that, from our perspective, is not the right way to go about it, if we can do this through the Welsh Government, and we are engaging with the Welsh Government. Indeed, I think that there have been developments since the paper was put forward, in taking it to the next level. That engagement is on a fairly regular basis. Tomorrow, there is a meeting of the Welsh ports group in Cardiff, at which the Welsh Government will present. One of the items on the agenda is this very subject. So, in many ways, it has been quite good.

[15] **Mick Antoniw:** We have had evidence from the Department for Transport that indicated, to some extent, quite a shambolic operation in certain areas, particularly with regard to Wales. I can understand why you would prefer direct contact with the Welsh

Government. Are you satisfied that those contacts are now sufficiently in place to ensure that bids, programmes, projects, or whatever, will be capable of being delivered, in order to then go with some force to the Department for Transport to be included as part of the UK's bids?

[16] **Mr Andrews:** Yes, but obviously only time will tell, will it not? It is certainly true, as Alec pointed out at the beginning, that the scale of the opportunity here is massive. It is enormous. What I tried to indicate in what I talked about earlier is that, where we have gone in for European funding, it has been on a very small scale. In order to do that, I think that we have to work together collaboratively to try to make certain that, in actual fact, everybody is aligned. I think that it is going to be a much better argument within Europe if we go in with a credible project that has the full backing of everybody concerned. That is why we got involved closely with Europe. I went across to Brussels earlier this year to a workshop on the core TEN-T funding, with the precise view of meeting the people who will decide whether a project is eligible. We have those contacts, as does the Welsh Government. So, it is a combination of us working together. I am reasonably confident that we are going in the right direction.

[17] **Joyce Watson:** That leads nicely into my next question. Having identified eligibility, do any of you have a pipeline of mature projects available that meet those eligibility criteria?

[18] **Mr Don:** I think that we have a pipeline. It is always very dependent upon the development of market interest in the things that you want to do. So, some of the investments will depend upon—. A lot of the TEN-T programme in particular is focused on the prospect of the use of liquefied natural gas as a ship fuel, as a distribution fuel and so on. If I was asked if there is any real consensus around the technology that is going to be used for the connectors and how you refuel LNG ships, I think the answer to that would be that it is way too premature for that at the moment. Somewhere like Rotterdam, which is going to be about refuelling barges that are going up the Rhine into the heart of Europe, is obviously going to be about a distribution system that is a lot more advanced and coherent in terms of the technology that it will use. So, we will be led by the market nine tenths of the time. However, I do think that the TEN-T programme offers an opportunity, actually, for Governments and the ports to start bashing each other's doors down. I am not quite sure who should be bashing whose doors down: should the Government be forcing this issue and saying, 'We really need to make a really good programme of investment here and this is what it should be'? Or, should it be the port sector that is leading on it? One way or another, the two have to get very much closer together. We are all in favour of that. I would not draw a distinction between whether we are getting closer together with the Welsh Government or with the UK Government, or the UK Government and the Welsh Government. We all need to do that to make a success of an application to the EU for TEN-T funding.

[19] **Mr Davies:** It is likewise for Stena ports. Going back to the issue of a lack of investment in the last few years, that was purely the economic circumstances in which we have found ourselves. That has probably changed in the last 12 months, and we have seen a bit of buoyancy returning to that market. Regarding projects in the pipeline, we have developed a master plan for the port in Holyhead with the assistance of the Welsh Government. So, yes, we have several projects in the pipeline, but they will basically be responding to what the market wants and that is renewable energy and nuclear energy and so forth in north Wales. Therefore, we are in a position to respond as the market wants and I think that the support from the Welsh Government—. Dialogue has improved greatly in the last 18 months with the Welsh Government in assisting towards some of these projects. However, it is the market that will be the ultimate catalyst for moving those projects further.

[20] **Rhun ap Iorwerth:** Just briefly, on projects that you might have wished to have in your pipeline that you perhaps know now, realistically, that you will not be able to deliver because Holyhead is a comprehensive port and not a core port, are there things that you know

that you are going to be frustrated about, because of that difference in status?

[21] **Mr Davies:** I do not think that we are in that position yet. The master plan that we produced was only completed at the back end of last year and it is quite a broad-brush master plan. It looks at the energy island of Anglesey and how we can support that. Therefore, at present, we are not in a position to dismiss any of those projects, but it is very early stages.

[22] **Rhun ap Iorwerth:** Whereas, in Milford Haven, they are rubbing their hands together at the prospect of substantial levels of funding that might be possible in the coming decades, in Holyhead and Fishguard you are not in that position and you are realistic about that, are you?

[23] **Mr Davies:** Yes, I think that you have to look at the different scales of the ports that are involved and the sectors that we are involved in as well. So, while it is disappointing, you have to look at the whole infrastructure. We are where we are in that sense.

[24] **Mr Andrews:** Is it possible for me to say something?

[25] **William Graham:** Yes, please do.

[26] **Mr Andrews:** I think that if core ports are eligible for certain major projects, I do believe that, in actual fact, that will also benefit the comprehensive port network. Bear in mind that the overall idea of the EU is to integrate transport across the European Union and there must be some ongoing benefit. For example, if we had a facility to provide bunker services to LNG ships in the port of Milford Haven, where will they go? They could be going up to Holyhead in order to be able to bunker ships up there. So, rather than them having to pay for all of the infrastructure to be put forward, they could actually take advantage of something fairly close by. We do feel that, in actual fact, as part of the core port network, shall we say, the benefits between ports and for other ports—it is not just the port of Milford Haven, although, obviously, we recognise the fortunate position that we are in—actually reinforce why we needed to become a core port. There was a point in time when we had also been left off the list, so thank you very much, Welsh Government.

[27] **Lord Elis-Thomas:** Was there any concern among you about the very successful investment by Siemens at Associated British Ports in the north-west of England, given the massive development in renewables already happening and planned off the north Wales coast?

[28] **Mr Andrews:** I am delighted that, in actual fact, it is going ahead there. We have our own opportunities in Pembrokeshire with Tidal Energy Limited and there are a number of other projects. The same thing could happen for Pembrokeshire or for Wales based on subsea renewable energy. It is fantastic.

[29] **Lord Elis-Thomas:** So, you see it as an exemplar, rather than a lost opportunity.

[30] **Mr Andrews:** Correct.

[31] **Mr Davies:** Likewise, we saw a lot of wind energy projects being cancelled, so I think that this is a vote of confidence. We had grave concerns about where it was heading, so it is an investment that sends the right signal to the market, I think.

09:15

[32] **Lord Elis-Thomas:** However, are you not concerned that Wales is lagging so far behind in the renewable energy market, compared with Scotland or, indeed, Northern Ireland?

[33] **Mr Andrews:** I would venture to suggest that, in actual fact, we are not, and, actually, bearing in mind our energy limits, for a specific technology, it is ahead of the game. I think that we are in the lead here. So, I think that it is a fantastic opportunity. Irrespective of where we are, whether we are behind or ahead, I think that the fundamental question is: is Wales committed to renewable energy and are we willing to put money into supporting a fledgling industry and getting it to work? So, we could export, through our ports, these pieces of kit all the way around the world. I think that that is a fantastic opportunity. So, I do not see that. What is happening elsewhere is fantastic, but we should focus on what is happening in Wales.

[34] **William Graham:** We are grateful to Callum Couper for joining us. Could you state your name and title for the record?

[35] **Mr Couper:** I am Callum Couper, port manager for Associated British Ports at south Wales ports.

[36] **William Graham:** Thank you. Keith Davies—

[37] **Lord Elis-Thomas:** May I take this forward? You have already mentioned core ports and the rest of the network. What is your view of the potential of the European Commission concept of motorways of the sea for the integration of transportation, which would, obviously, involve ports as well as rail and road?

[38] **Mr Don:** Motorways of the sea is a programme that has been around for quite a long period of time, and where I have been in ports and looked at the idea of taking movements off the road and putting them on to coastwise transport, from the south to the north or things like that, it has always been very hard, in market terms, to make that stack up, even with the assistance of motorways of the sea. What that speaks for is the fact that road transport, particularly, and rail transport are efficient, effective distribution means in the UK, and the distances are not necessarily quite long enough for motorways of the sea to be particularly relevant. However, there will be routes where it could be brought to bear that would strengthen the networks through the Welsh economy. I think, and colleagues will doubtless confirm this, that the coastwise ferry sectors have been particularly badly hit over the past three to four years, basically by the economic circumstances. We need to come out of that cycle.

[39] **Lord Elis-Thomas:** There was some INTERREG funding going into modal shift. Would you anticipate this happening again in the future? Would you be able to take advantage if it did?

[40] **Mr Don:** It would be the shipping lines that, I think, would need to be motivated to set up a route and invest the work and capital in that route, with the support of the motorways of the sea programme, and ports would play a supporting role in relation to that. Personally, I would like to see quite a bit more economic recovery, and then I am sure that those sorts of investment plans would start coming forward.

[41] **William Graham:** Keith Davies is next.

[42] **Mr Davies:** Sorry, just to reiterate, I wear two hats—in the port sector and in the ferry sector. As Alec mentioned, motorways of the sea is quite a well-established programme, but without the funding, I cannot think, off the top of my head, of anybody who has prospered. As soon as the funding tapers off, the projects have finished. So, we as a company have never stepped into that market, because we want continuity and so forth. In the short term, we do not see investment opportunities in that.

[43] **Lord Elis-Thomas:** Is that a general issue with European funding?

[44] **Mr Davies:** I am just talking about the motorways of the sea, that particular project.

[45] **Keith Davies:** Rydych chi wedi sôn yn barod fod cyfarfod gennych yfory, lle bydd Llywodraeth Cymru yn bresennol, ond faint o drafodaethau a gawsoch gyda'r Llywodraeth yn Llundain? Mae'n dibynnu'n llwyr ar y Llywodraeth yn Llundain, yn y pen draw, cyn ein bod yn cael cyfle i gael y cyllid hwn o gronfeydd Ewrop. Faint o drafodaethau a gawsoch gyda nhw yn Llundain yn ogystal â gyda ni yn y fan hon yng Nghymru?

Keith Davies: You have already mentioned that you have a meeting tomorrow, at which the Welsh Government will be present, but how much discussion have you had with the Government in London? It will depend entirely on the Government in London, ultimately, before we have an opportunity to obtain this funding from European funds. How much discussion have you had with London as well as with us here in Wales?

[46] **Mr Don:** I will answer that. I am a member of the British Ports Association council, and we were at that meeting last week with the Department for Transport in connection with identifying the individuals and the timescales for TEN-T programme applications. So, there is a discussion that is going on there. You are right to say that it will be a member state application to the European Union, and the Department for Transport will primarily draw the content of its application in relation to Welsh ports from interaction with the Welsh Government, so that link really does need to exist. What I am always very keen to advocate, actually, is that ports are not just for the ports sector; ports are really places where every sector operates. So, ports are about energy, containers, agri-cargoes—they are about all sorts of industries. I am very keen to get ports being talked about when Governments are talking to Governments, and being much more at the centre of the discussion. Then you are talking about industrial growth, infrastructure and investment generally. That needs to happen. The Welsh Government needs to be interacting and making the case for Welsh ports into the Department for Transport, and we as ports will be setting out through the Welsh Ports Group and the British Ports Association, and as individual ports, to interact with both of those.

[47] **William Graham:** I am quite keen to hear from Callum. Would you have a comment on that?

[48] **Mr Couper:** I think that Alec has resumed the position. My apologies for being late. I was in the waiting room at the time.

[49] Motorways of the sea has perhaps been more difficult to source funding from, for revenue support in particular, for the shipping lines and operating between ports. We have often detected that the hurdle rates that kick support in can be quite testing in terms of the mileages and other factors involved, and they do not lend themselves easily to a smaller island with this proximity to Europe. They appear to be more appropriate to long distances between the Iberian peninsula and the eastern Mediterranean. They have been quite challenging to fit. Certainly, we keep a close relationship with DFT, looking for opportunities for both EU and domestic grant support for modal switch. Alec made the very important point that ports are, as modal points, extremely interesting and important facilities that energise an economy and permit flows of cargo that otherwise would be travelling elsewhere. They can shorten the road leg. There is always a road, from origin to destination, required and, indeed, rail as well, but the closer that goods are, in terms of destination or origin, to a port, the less road haul there tends to be. Ports that are close to hinterlands and population, where there is opportunity for inward investment, can facilitate, within a few miles of the port, activity that otherwise would have gone elsewhere. So, they are very key pieces of infrastructure and quite unique offerings. For regions and authorities that have ports within their boundaries—

significant sea ports—they are a very powerful part of the offer for investment and for the protection of existing industry, which ports have normally have had some association with or are very central to in the first instance.

[50] **Keith Davies:** Hoffwn symud ymlaen a gofyn: er mwyn ysgogi cyllid o'r Undeb Ewropeaidd, efallai ei bod yn bwysig ein bod yn cael cyllid o'r sector preifat. Pa gamau y dylai Llywodraeth Cymru eu cymryd i weithio gyda'r sector preifat er mwyn cael cyllid?

Keith Davies: I would like to move on and ask: in order to encourage funding from the European Union, perhaps it is important that we should have funding from the private sector. What steps should the Welsh Government take to work with that sector in order to obtain funding?

[51] **Mr Don:** I think that the private sector is extremely effective where there is a commercial case for an investment, to get the investment from banks, from infrastructure funds and from wherever it comes from. If the case is there, the funding will follow. The most difficult part of that programme is right at the outset, where you are trying to create market interest and you have to invest to achieve that, and you have to possibly even go through consenting processes. So, I would not necessarily put the question in terms of asking whether the private sector could contribute funding to a pot in some way to stimulate the process, but I would ask what we can do to release the private sector and enable it to be more speculative with some of these consenting processes and early work that it has to do. For me, one of the biggest deterrents to really engaging that entrepreneurial moment with the development of a proposition is the sort of barriers that you get from the planning system, the environmental legislation, the time that it takes, and therefore the cost that it takes to get through those gates before you can talk to the market credibly and say, 'We have a project here; please become a customer for it'. So, working on that part, with the private sector very closely, probably would be very productive for the growth agenda.

[52] **Mr Couper:** In addition, again, to what Alec has said, I think that in terms of the engagement with the Welsh Government, UKTI, and the local authority economic departments, we should get early on our radar the potential inward investment and work alongside the public authorities that are out there and are probably able to scan, and have the resources to scan, different places than the ports can. At the end of the day it is a matter of the shipper, receiver or, perhaps, manufacturer looking for new locations. They will knock on the Welsh Government's door, or on UKTI's door. The ports have early engagement with that. We should start, in a partnership way, leveraging in investment. It is only in a 30-year or 50-year cycle that we get this opportunity. We are probably in an environment now where we may be able to benefit if there is deft footwork and we are aligned together.

[53] **William Graham:** We are very nearly out of time. Rhun, you have one question, with a short answer, please.

[54] **Rhun ap Iorwerth:** We will stretch it to two, if we can. Not being parochial, but as the Member for Anglesey I am pleased that we have spent a lot of time talking about Holyhead port, for various reasons, over the past few months. We are disappointed generally that it is a comprehensive port, not a core port, in terms of the possibility to lever in funding, but it has been pointed out to us time and again that there may be routes into major funding through Dublin port. What do you make of the potential there to take Holyhead forward by virtue of the fact that you have a core port just across the Irish Sea?

[55] **Mr Davies:** Dublin is obviously a key driver in the whole economic region. Just stepping back, I have been in Holyhead now for the last 12 months. There was definitely a feeling, originally, that Holyhead was a very ferry-centric port. I think that part of the whole master plan process that we have gone through is that we really need to broaden away from that. The ferry industry will always be a core component, but if you look at our master plan,

you will see that we need to develop the port in other directions. Dublin and the ferry business will be a part of that, and it is also linked to the cruise industry. However, beyond that, with nuclear and so forth, Dublin is not the sole driver in this one; there are bigger economic drivers to it.

[56] **Rhun ap Iorwerth:** Could you very briefly just give an idea, in your cases, of the possibilities that you see that could come about through INTERREG, for example, in terms of the relationship between Welsh ports and our Irish counterparts?

[57] **Mr Andrews:** Obviously, the issue that we talked about was LNG. That is clearly one. There are no LNG terminals in Ireland at all. So, from our perspective, there would be a link there. That is a pretty obvious one. As we said before, with the whole area—because it is outside the controlled emissions area—there is certainly an opportunity for any of the ports to take advantage of that, not just from Ireland but also from the Iberian peninsula and even Liverpool, which is just across the bay.

09:30

[58] **Mr Couper:** From the perspective of Associated British Ports, we have a container terminal at Cardiff, and it is the only lift-on and lift-off unit load service that operates between here and the Republic of Ireland and also Northern Ireland. I think that there is considerable opportunity for expansion of that, given the right handling capabilities. We are slightly constrained in terms of craneage and other features. There is a trade corridor there, which has long been there, and there is an opportunity to enhance that through INTERREG. I would also add, similarly, with the connections to, for example, Le Havre in France. Having a feeder service that connects the deep sea port to Cardiff would mean that you would then start getting containers coming into the UK via the Welsh gateway. Then you would have the opportunity to start building out distribution facilities actually at the port of Cardiff, so you would not have to take the container into the midlands and then strip it and distribute it back out again—you could do that here. Logistics jobs are high quality; they are skilled and they are well paid, so they are worth having.

[59] **William Graham:** Rhun, this is your last question, and I am going to ask for, more or less, one-word answers, please.

[60] **Rhun ap Iorwerth:** Yes. Basically, we have been over to Brussels and we have had a look at the representation Wales has in Brussels. Do you think that it is a disadvantage for Welsh business, including ports, that there is not a specific voice for Welsh business at Wales House in Brussels?

[61] **Mr Don:** I think that it would be good to strengthen that voice—it always is. I think that, in this world, we are getting ever more connected and the need for the UK Government to work with the Welsh Government, to work with the European Government and to work with industry is just becoming ever greater. So, more is better in that respect.

[62] **Mr Andrews:** I would just agree.

[63] **Mr Davies:** Likewise.

[64] **William Graham:** Callum?

[65] **Mr Couper:** I concur.

[66] **William Graham:** Thank you very much. Time has beaten us. Thank you very much for your attendance today. You will get a copy of the Record, which will be published shortly.

Thank you very much for coming.

09:32

Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 (Sesiwn 9) **Inquiry into EU Funding Opportunities 2014-2020 (Session 9)**

[67] **William Graham:** May I welcome the witnesses for this part of our meeting, which, again, is our inquiry into EU funding opportunities? Could I ask you for your names and titles for the record? We are much obliged to you for your written papers.

[68] **Dr Potter:** I am Dr Andrew Potter. I am a reader at Cardiff business school and chair of the Chartered Institute of Logistics and Transport Cymru-Wales.

[69] **Mr Evans:** I am Martin Evans. I am a visiting fellow at the University of South Wales. I am the previous chair of CILT Cymru and a director of CILT UK.

[70] **William Graham:** Thank you very much. You will know that we are very constrained by time, so if I do stop you, it is not because we are not interested in your answers, but just that we want to get on. Eluned Parrott has the first question.

[71] **Eluned Parrott:** Thank you, Chair. In your paper, CILT describes the way in which Wales has used European funding for the transport sector as limited and particularly concentrated in the passenger sector. I wonder if you can tell us how you would rate the effectiveness of the way that we have used EU funding for Welsh transport in the past.

[72] **Dr Potter:** I think, as I said in the paper, that it has been used in the passenger sector in a number of different ways for things such as supporting developments. I think that it is from a freight perspective that we would have more of a concern. There does not seem to be a huge take-up across the projects that were funded previously. Those that are funded are passenger orientated and they do seem to have delivered some benefits. Some of the regional bus services that have been supported through regional development funds have done well. It is the concentration purely on the passenger that I think is probably our main concern with that direction of the funding.

[73] **Eluned Parrott:** Do you think that there is perhaps an issue with the approach we have taken or the priorities that we have chosen in terms of transport funding that would account for those limitations?

[74] **Dr Potter:** I think that, in a way, you are always naturally going to fund passenger transport more because it is what the general public sees and, therefore, it is what the bulk of people see as where there are going to be benefits. Obviously, logistics has a more economic benefit, which sometimes people do not see. They see big trucks on the road; they do not see that they are moving goods that are made in Wales or being distributed to Wales. In a way, it is not necessarily a problem if there is a slight skew; it is just about making sure that the freight side does engage with it. Once again, if you look at things like policy, there has been some policy support, but getting that into the actual industry is a bit harder.

[75] **Eluned Parrott:** So, it has been a bit of a cinderella industry to date.

[76] **Dr Potter:** At times, yes.

[77] **Eluned Parrott:** Do you see that changing at the moment?

[78] **Dr Potter:** I think that it is changing a bit. The Wales freight strategy was a good

way of taking forward integration with the freight sector. Some of the work that was done by the Wales freight group, again, took that forward. With the current changes proposed for things like the disbandment of regional transport consortia—and, once again, some of them were very good at looking at freight movements as part of the overall transport network—we are a bit concerned that the policy emphasis for freight is drifting a little bit again, and we will end up with logistics operating as best it can within the constraints that are imposed upon it.

[79] **Eluned Parrott:** Would you agree with the comments made by Milford Haven Port Authority that Wales has been overly focused on public and third sector transport, as opposed to engaging more with the private sector?

[80] **Dr Potter:** Yes, again, that is probably true. As I said, a lot of the passenger services are driven by local government or national Government objectives, so there is a good alignment there between what the funding is and where the public sector is, and the public sector can set out what it is looking for. Due to the fact that freight is far more defined by the private sector, I think that there has been a struggle to get engagement there and actually to get into the European funding.

[81] **Rhun ap Iorwerth:** In general terms, what would you say are the key projects that you can identify in the Connecting Europe Facility and INTERREG for the 2014-20 period?

[82] **Dr Potter:** In terms of the CEF, obviously that funds more sort of infrastructure-type projects. Some of the ones that we have suggested here are things like, going forward, north Wales electrification, using the funding in this period to do some of the preparatory work for that and to develop the business case ahead of implementation and, effectively, in the next funding period when it might have to get more funding to support that. We have not really highlighted any major infrastructure projects for this period, because a lot of them are fairly well advanced on the planning process, currently. We would rather not see project creep occur where the costs go up and it takes longer to get them, if there is already some funding in place for those.

[83] INTERREG projects tend to be slightly different in terms of providing new services. Some of the things that we have suggested are things like the Bwcabus concept that is already being used in Wales and developing that into, maybe, other parts of Wales or using it as a knowledge transfer to, say, Ireland, through the Ireland-Wales scheme, because I would have thought that there must be similarities in the distribution and movement of passengers in those areas. Equally, we can probably learn from Ireland about some of the stuff that it does, for instance, in its inter-urban bus networks and things, maybe. So, that would be one area.

[84] Another area that we have thought about is around Holyhead. Some work has previously been done by the regional transport consortium in north Wales on an intermodal terminal, so that vehicles coming off the ferries, instead of being taken across on the A55, are put on a train and then distributed either to the UK or through the channel tunnel. It has been suggested that that is viable. So, there would seem to be an opportunity there for developing that concept further through either of the funding mechanisms, depending on how viable it is and what the timescale is for implementation.

[85] **Rhun ap Iorwerth:** Martin Evans, we heard there a suggestion that 2014-20 could be a stepping stone towards 2020 onwards. I know that, as an organisation, you are suggesting that we should perhaps be planning further ahead than this six-year period. Is that the way in which you look at it in general, that perhaps one funding period on its own is not enough to look at and that we need to look much further ahead?

[86] **Mr Evans:** The difficulty that we see is the time that it takes to bring projects forward. So, in terms of some projects, a six-year period is a very short period of time. So,

you need to be able to plan much further ahead in order to make sure that you can accommodate all those projects.

[87] **Rhun ap Iorwerth:** Is it therefore good that the TEN-T project certainly looks ahead to 2030 and beyond? Is that the right way to go about investing in, certainly infrastructure?

[88] **Mr Evans:** The way to look at infrastructure is that you know that you cannot do everything that you need to do at once, because infrastructure investment is expensive; it has to be planned over a long period of time. In a perfect world, you would be able to do everything immediately, but because of the nature of infrastructure, you cannot. It is helpful to know with forward planning what you are going to be able to do in the future.

[89] **Rhun ap Iorwerth:** Do you believe that you have the flexibility, Dr Potter, to plan beyond 2020, say, or are you forced in a way to plan only within the period that is about to start now?

[90] **Dr Potter:** To a point, you are always going to be focused on more short-term goals around the political cycles of the terms of Assemblies and so on. However, there is an opportunity to take this longer term view. Network Rail is doing that, for instance, in terms of planning right through to the 2020s as to when different parts of the Welsh network are going to be upgraded. From a policy perspective, we should be looking longer term and thinking, 'In 2030, what's Wales going to look like? What are the transport infrastructure needs and what are the steps then to get that?' As you say, what we plan in this period we can then implement in the next period and we can perhaps not be quite so reactive to EU funding and actually have a strategy to pull it forward over the longer term.

[91] **William Graham:** Your institute suggests that the Welsh Government should support strategic projects outside Wales. Can you suggest what form that might take?

[92] **Dr Potter:** I thought this might be a slightly interesting statement to put in. We are not suggesting in any way that we should give financial support to projects outside Wales, but there are sometimes infrastructure developments that would have a knock-on impact for Welsh services. For instance, money has been put into improving the rail route from Felixstowe to the west midlands, going across through Ely, Peterborough and Nuneaton. What that does is that it takes trains away from the London region and the west coast main line, which means that you then have spare capacity that could be used for freight trains from other areas. So, if we then want to implement a train service from Cardiff to Felixstowe, there would then be capacity for that to be accommodated. Currently, a lot of the traffic improvements are about dealing with bottlenecks. If we can move other services that can be routed elsewhere out of those bottlenecks, where a Welsh service has to go through that, it gives an opportunity then for developing services from here that are for the benefit of Wales.

[93] **William Graham:** How do you suggest that that would be implemented? We know that there is enormous pressure, for example, on the Severn tunnel, for freight traffic in particular. I see what you say, but how would that be implemented? Do you have to make representations to Westminster?

[94] **Dr Potter:** Exactly. It is a case of not just looking at what we are doing internally, but looking at what has been put forward from Westminster, and to have discussions with the Government at Westminster as to how this would have a benefit for Wales, so that when it does a cost-benefit analysis, the widest range of benefits are included. If we can identify particular opportunities in Wales that are being constrained, we can say 'You'd have this', and we can then quantify what the benefits for Wales are, and that can go into the cost-benefit analysis and hopefully improve the ratio and, therefore, get it funded.

[95] **William Graham:** Thank you very much. Keith is next.

[96] **Keith Davies:** Thank you, Chairman. How should the Welsh Government address the lack of engagement by Welsh organisations from the transport and logistics industry?

[97] **Dr Potter:** Do you want to have a go at that one, Martin?

[98] **Mr Evans:** Do you mean the lack of engagement in European funding?

[99] **Keith Davies:** Indeed.

[100] **Mr Evans:** I have had the benefit as a director of a UK professional body of going over to Brussels for briefings from the United Kingdom Permanent Representation to the European Union. That is not something that I would be confident that I would be offered as a director of an organisation in Wales. So, there is a clear gap there for Wales-based organisations. The difficulty is that you can put representation in place, but you cannot guarantee that it will be used. The process involves commercial organisations that put together networks of organisations that have an interest in Europe. I think that what you would have to be able to guarantee is that you can put those networks in place and bring people together in order to maximise the benefit of anything that you would put in place.

09:45

[101] **Keith Davies:** When I was reading the papers for today's meeting, I was astonished to read that the roll-on, roll-off ferry in Fishguard is now 30-odd years old—

[102] **Joyce Watson:** Thirty-two.

[103] **Keith Davies:** Thirty-two. Thank you, Joyce. It cannot take the big freight lorries. Then there is the approach to Fishguard. I did not know about that until I read these papers, and I just wondered how we can get that kind of information across to the public so that they can support improvements there and get people from these organisations to put bids in to improve the situation.

[104] **Mr Evans:** Obviously, there is commercial decision making going on there on the focused issue of getting that sort of company more engaged. We have to have mechanisms in order for companies to see the benefit of that engagement. Dr Potter mentioned earlier that the changes to the Wales freight group took away a lot of the engagement with the wider industry and took it to a much narrower focus. The success of the Wales freight strategy was that it was a document that was led and created by the industry itself. Where there is now a deficit is that there is not that industry engagement in taking some of the suggestions in the Wales freight strategy forward. If companies are to maximise their opportunities, then we have to have those networks. Certainly, when it comes to funding, projects tend to proceed from one funding period to the next, with networks of companies and organisations involved in moving from one funding period to another. We now have this deficit in terms of being involved in a number of projects in Wales, and, when you are out of the projects, it is very difficult to get back in again.

[105] **William Graham:** Mick, you had a point on this.

[106] **Mick Antoniw:** Yes, if I may follow through on that, Chair, because this also leads into the question that I wanted to ask on Wales House. Businesses seem remarkably disengaged and dysfunctional in terms of their relationship with what is going on in Europe. Is that a fair assessment?

[107] **Mr Evans:** Well, I think you have to give them a reason to be engaged. If businesses were to see clear benefits from that engagement, they would be engaged. So, if they are not engaged, it is either that there is no benefit available to them or that they find it difficult to get into that engagement because there are not these networks available to bring people together in order to maximise opportunities.

[108] **Mick Antoniw:** We are talking about one project fund of £26 billion. We were talking earlier with the ports about the possibility of their share being around £1 billion. These are enormously substantial amounts of money. The response that we seem to get from business in all the evidence sessions is a 'let's wait and see', almost a 'let's wait for it to come to us', 'maybe, if' and so on. I have to just stress that it does seem as though there is a rather alarming lack of understanding about, first, the way in which Europe works, and, secondly, how to actually engage on a consistent basis. Am I right to have those concerns?

[109] **Mr Evans:** Well, you assume that, one, business knows that the money is out there, and, two, that business knows how to access it. Getting involved in these projects and accessing funds can be terribly complicated and time-consuming. Certainly, smaller organisations would not have the expertise to access those funds. So, there is either an engagement and education process that needs to be gone through, or you need to get businesses engaged in consortia that can keep bid teams together, so that you have at least one or two people with expertise in putting these bids together who can represent businesses, and not depend on them to be able to find that expertise themselves.

[110] **Mick Antoniw:** Is it of concern that, for example, there is no co-ordinator for the voice of business through, say, the Confederation of British Industry for example, or perhaps other bodies, and that it does not actually have a direct presence within Wales House or within Brussels itself in respect of Welsh business interests? Do you think that that is something that would benefit businesses within Wales and perhaps address those gaps that you were identifying?

[111] **Mr Evans:** As I said earlier, it would not help just having somebody in Wales House if they were not engaged. You have to have a dual process of putting those networks together and ensuring that companies can have the best access to the funds available. If the mechanism involves business representative organisations such as the CBI, then all the better, but not all businesses will be involved in CBI affairs. It is difficult to have a mechanism that will encompass all.

[112] **Mick Antoniw:** Would you feel, then, that Welsh Government has a key role in terms of pulling together business interests and opportunities, perhaps playing a part with a slightly more functional structure within Brussels?

[113] **Mr Evans:** Certainly having some sort of permanent secretariat that would actively look for opportunities, and look for opportunities to draw people in, would, I think, have advantages, yes.

[114] **William Graham:** Thank you very much. Keith, have you finished your questions?

[115] **Keith Davies:** Yes, thank you.

[116] **William Graham:** Could I ask you whether you have considered the implications of the withdrawal of funding for regional transport consortia?

[117] **Mr Evans:** Yes. We are concerned about this. I have said previously before this committee that I am a supporter of the regional transport consortia evolving into something else, something better. The difficulty here is that the funding is disappearing from the regional

transport consortia and nothing is there to replace them other than the local authorities. Now, some of the local authorities look after small geographical areas. They cannot have that strategic view that the regional transport consortia had. I know that the Welsh Government takes a strategic view, but there have been advantages to the regional transport consortia taking a strategic view regionally, particularly on the freight side. If we are, in the future, going to be organised into city regions, city regions would be very good at having a focus on passenger transport, because what passenger transport has to do is to bring people into our big cities. The deficit here is freight. Certainly, Taith in north Wales has been very good at looking at strategic corridors and making suggestions as to how those strategic corridors can be improved. This is where we see the deficit: how are those strategic corridor plans going to be brought forward for freight?

[118] **Dr Potter:** To add to that as well, if you look at INTERREG funding, a number of the projects that have been funded in England have had this overarching body involved in them. There have been projects involving the Greater Manchester authorities and Transport for London, where they have a kind of cross-border view in terms of unitary authorities and therefore do take a slightly more regional perspective. Having the regional transport consortia would have been a way of bringing that in and perhaps supporting INTERREG projects.

[119] **William Graham:** Thank you very much. Are there any other questions from Members? There are not. We are most grateful for your evidence today. The transcript will be prepared and sent to you for comment.

*Gohiriwyd y cyfarfod rhwng 9:56 a 10:09.
The meeting adjourned between 9:56 and 10:09.*

Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 (Sesiwn 10) Inquiry into EU Funding Opportunities 2014-2020 (Session 10)

[120] **William Graham:** We will reconvene now. I welcome our witnesses today; thank you very much for coming. Would you give your names and titles for the record?

[121] **Mr Prichard:** I am Wyn Prichard, Welsh director of Construction Industry Training Board Cymru/Wales.

[122] **Mr Jones:** I am Ceri Jones, acting director of research and innovation at Swansea University.

[123] **William Graham:** Thank you very much. We will go straight into questions. The first question comes from Julie.

[124] **Julie James:** Good morning. It is nice to see you again. I have a general opening question. Can you tell us why and how Swansea originally became involved in the Enterprise Europe Network?

[125] **Mr Jones:** Yes. We were a partner in the previous programme, along with the Welsh Government, BIC Innovation from north Wales and a company based at Cardiff University. We were one of the four partners delivering against the last programme, which was funded by the Executive Agency for Competitiveness and Innovation in the European Union. We perceived a lot of value in the project, in terms of working with Welsh SMEs and in terms of technology development exploitation. We were quite attracted to the idea of continuing the project, given the capacity that we had built within the university, working with other partners in Wales and in Europe.

[126] The Welsh Government decided to withdraw from the project as the lead, and we were presented with an opportunity for the university to step in and assume leadership of the programme, given the fact that if we had not, Wales would have been the only country within the European Union without an EEN. So, we felt that it was important for Wales to have that global presence.

[127] **Julie James:** How does it fit together with the rest of the strategic stuff that the university is doing around Europe, supporting SMEs and so on?

[128] **Mr Jones:** We see that as absolutely critical, given the university's support to and engagement with businesses, particularly in the south Wales region. We have a large number of European-funded projects that are there to support businesses in their aims of developing new products and processes. A lot of the research at the university is applied in this nature. So, industrial collaboration is part of the fabric of the institution. We are building a new campus around the innovation agenda. So, in terms of the EEN, it has a very neat strategic fit with what the university currently does for business and industry. Also, we are a very international institution, and we are very outward looking. International partnerships are valuable to us.

[129] **Julie James:** Does it benefit businesses from across Wales, or is it a geographically limited programme that you run?

[130] **Mr Jones:** No, it is across Wales. Our partnership with BIC Innovation—. It is quite an innovative partnership, in Wales terms, in the sense that we have a large university working in partnership with a small company. That is quite innovative. BIC Innovation and Swansea University deliver across Wales. However, the university delivers across Wales by having a strategic partnership, if you like, with the Welsh Higher Education Brussels office. We use the WHEB office to ensure that the rest of the sector is joined up with the EEN.

[131] **Julie James:** What sorts of companies are involved in that? We say SMEs, but that covers a multitude of businesses. Are we talking microcompanies or very or nearly large companies? What is the range?

[132] **Mr Jones:** We would like to focus on growth companies. So, from a Swansea University perspective, given our priority is technology, we look at companies that are R&D active, that have the potential to grow and that have the potential to find new markets in Europe. They tend to be the mid and higher level of SMEs, generally. Although the university, in many other forms, supports microcompanies. The door is not closed to microcompanies, obviously, but we like to focus on the growth sectors.

[133] **Julie James:** Are you targeting those companies, or are they self-nominating? How does that work?

[134] **Mr Jones:** It is a bit of both, really. The EEN machinery, in terms of promotion, is through e-mail shots, the web and on the media side. It is important that the EEN is plugged into the rest of the university, given the fact that the university has thousands of links with SMEs. So, we ensure that we, as much as possible, talk to the right companies.

[135] **Julie James:** My last question is this: in terms of the overall investment, can you give us a ballpark figure for that? Is the Welsh Government still supporting that, or are you now self-supported?

[136] **Mr Jones:** The tall order, in terms of match funding, is €1.1 million for a two-year period. At the moment, the match funding comes from the university. There is currently no Welsh Government investment into the network. Looking ahead, and without pre-empting

other questions, we are now entering a partnership with the technology strategy board for a UK-wide network, and the TSB will provide match funding for, hopefully, the next six years.

10:15

[137] **Julie James:** You have also answered a question that we have all been asking, which is what TSB stands for.

[138] **Mr Jones:** There you go.

[139] **Julie James:** That was very nicely done.

[140] **Keith Davies:** Who are they, and what do they do? You said that you can get funding from them, so who are the TSB?

[141] **Mr Jones:** The TSB is the body within the UK Government, if you like—in the Department for Business, Innovation and Skills. It is the old DTI, the Department of Trade and Industry. The TSB clearly has a UK-wide brief. It supports technology development and technology exportation within the private sector. It is a very private-sector-focused entity, based out of the UK Government.

[142] **William Graham:** Keith is next.

[143] **Keith Davies:** Does the funding go to you and to business?

[144] **Mr Jones:** Absolutely. Yes. The drive for the TSB is that it invests a lot into business for technology programmes, and all universities in Wales and across the UK already have strong links with the TSB through initiatives such as knowledge transfer partnerships and technology programmes. It is very well established. In fact, in the ‘Innovation Wales’ strategy there is a clear direction of travel where the Welsh Government wants to build links with the TSB. So, we see this as playing into that agenda.

[145] **William Graham:** Mick Antoniwi is next.

[146] **Mick Antoniwi:** You mentioned that the Welsh Government had withdrawn from the enterprise Europe network lead. Why was that?

[147] **Mr Jones:** I think that you would have to ask the Welsh Government civil servants, really, for a direct answer. The Government, I felt, perhaps wanted to develop an infrastructure within the Government, and it has now created a Horizon 2020 unit, for example. We are working closely with that area. Strategically, I guess that it wanted to go in a slightly different direction, although I would like to ensure that we are joined up with what it is doing.

[148] **Mick Antoniwi:** Do you think that not having that lead actually weakens the co-ordination of enterprise development through European opportunities?

[149] **Mr Jones:** We have given the Welsh Government the opportunity to sit on our steering group. So, it is a question of whether it weakens the co-ordination. If we do not join up, I think that it weakens the co-ordination. However, even though it is not leading on the network, I still feel that there is an opportunity to co-ordinate our efforts.

[150] **Mick Antoniwi:** Has it taken up the offer that you have made?

[151] **Mr Jones:** I have been told that we have a steering group meeting in two weeks’

time, and I have been told that someone will come along to that meeting.

[152] **Mick Antoniwi:** You also mentioned that it does not put any funding into it. I presume, therefore, that it did put funding into it originally.

[153] **Mr Jones:** Yes.

[154] **Mick Antoniwi:** Do you know how much funding was put in?

[155] **Mr Jones:** I cannot give you the figure. Rather than me giving you an estimation—. In terms of the network, it was a major investment. I believe it was a matching half. So, if you work on a figure of €1 million, I would probably estimate that the Welsh Government put in approximately 40% as a match-funding contribution. I know that it can speak for itself, but, for BIC Innovation, that kind of intervention is very valuable to allow it to run the network, and for us, in fact, but we are a bigger institution, so we are able to find match funding elsewhere.

[156] **Mick Antoniwi:** How do you evaluate the effectiveness of the enterprise network?

[157] **Mr Jones:** As part of the future of the network, with the TSB, there will be some evaluation of the network in terms of how it has delivered on its objectives. So, there will be a natural evaluation. However, there is an ongoing evaluation, if you like, through the operational groups and the steering groups that we have within the network. So, we are always taking the feedback from the end users.

[158] **Mick Antoniwi:** Chair, this might lead into the question that I want to ask later in respect of the business representation in Wales House. We have had various bits of evidence about how business is or is not actually represented in Brussels—in Wales House—which contributes a little bit to what you were saying about the joined-up nature. Do you have any views on how well business is represented in Wales House or how it should be better represented in Wales House?

[159] **Mr Jones:** Wales House is where the Welsh education office is in Brussels, I believe. I think it is in the same area. I believe that, if we could find a stronger voice for business in Brussels—. On how we could do that, I guess it would involve talking to the right groups within Wales, but I think that that has to be a good idea.

[160] **Mick Antoniwi:** Is it a concern for you that business is—. I seem to be getting the feeling that, from the Welsh perspective, business is quite disengaged from a functional voice and representation within the Brussels network.

[161] **Mr Jones:** Given the fact that it is recognised at a European level that SME participation in European programmes is lower than it should be, and there is evidence to back that up, that has to be a concern, absolutely, yes. How can we engage with the private sector more in European programmes such as Horizon 2020 and, previously, the framework programme? Universities are trying to do what they can to engage the SME sector particularly in that.

[162] **Mick Antoniwi:** Is that a view you share?

[163] **Mr Prichard:** It is an interesting one. If you talk to industry, and you take my sector, you will see that it is microbusinesses, micro-SMEs in some cases. It is about the level of engagement and whether they want a conduit to do it with the right feedback of people feeding in at the right level. Our organisation, where we have been for 50 years, is quite happy to have secure stakeholder engagement with other people leading it, as long as they are

respecting our views. Most businesses will ask, 'Have we got time to be involved in that bureaucracy? Are we better doing our job as long as our view is being put forward? Can we link it in?' I think that there is a need—and I share Ceri's view here—for a good conduit, a good communication strategy, which does not currently exist, for micro-SMEs in terms of their importance.

[164] **Mick Antoniw:** Thank you.

[165] **William Graham:** May I ask you—and this is really to Ceri again—for practical examples for where the Enterprise Europe Network has made a real difference?

[166] **Mr Jones:** Yes. Only this week, in fact, we have agreed a partnership agreement between a company in Poland and an SME in Wales. That is a commercial agreement rather than a technology agreement. That will open the way for an actual trade agreement between an SME in Wales and another part of Europe. Hopefully, that will lead to the creation of new opportunities and new jobs for Wales. There are many other examples we can give you of how we are linking up Wales with the rest of Europe and, in fact, beyond Europe. It has also helped because the EEN also has a presence in the BRIC countries—Brazil, Russia, India and China. In fact, the university has just helped a Swansea-based company to expand into China, and we are on the brink of signing another agreement with that company and the Chinese Government.

[167] **William Graham:** Thank you very much. Rhun is next.

[168] **Rhun ap Iorwerth:** May I ask you to expand on something you just touched on, namely the lack of a strategy on communication with SMEs? What is going on in terms of engaging business at the moment and increasing awareness of funding opportunities?

[169] **Mr Prichard:** I think that the language used is crucial. The language for an SME environment does not need to be as technical as some of the correspondence that comes out of Europe. It is about making it accessible. I think that people are still turned away, for want of a better expression, by the bureaucracy they need to go through, the time involved and the cost to a company before it even gets to the point of engaging. It is about trying to break down some of those barriers and make it simpler. I know that it may be a cliché to say that, but I feel that SMEs are not engaging because they see this process as a big elephant that they cannot get hold of. We need to break it down and look at how it can be done within the rules—and there need to be rules in order to keep the audit and sustainability of the programme correct. For the SMEs, it is a difficult one. We were talking about this earlier on. They would rather just have the programme; they do not want to have to go through the bureaucracy of trying to find out what the programme is or what the mechanics of the programme are. They will be the end user, but, again, to answer your question directly, it is crucial that the end users are getting out of the programme what they want.

[170] **Rhun ap Iorwerth:** So, specifically looking at, say, INTERREG and Erasmus+, what kind of awareness level is there among your partners about the funding opportunities?

[171] **Mr Prichard:** If you use the terminology with the industry, the awareness is very poor. If you use the mechanics of what it delivers with the industry, the awareness is a little better. Once you get into the jargon of what the programmes are, our industry does not know what to know where the funding is coming from or what the programme is—it is about what the programme is going to do. There is a balance to be struck in getting the programme detail out, but in a language that they understand as SMEs.

[172] **Rhun ap Iorwerth:** In terms of breaking it down to the different opportunities that there are for infrastructure or training or what have you, what is your vision about how that

communication should be delivered?

[173] **Mr Prichard:** We have quite an advanced governance structure in terms of where we sit. We have a Wales construction skills group, which is employer-led totally with employer chairs. We have a north-east Wales forum, a south-east Wales forum and a south-west Wales forum. It is our role to be the conduit to get the employers to understand that and cascade that through the representative bodies and the federations' institutions. So, I think that there is a need in certain sectors. We are not perfect by a long way, but we are getting there in terms of acting in a conduit role of de-jargonising and getting to the end user, so that the end user knows how they can get into the process of making that as simple as possible. I come back to that, because it still a little bureaucratic and it is still seen as something where you think, 'Do I really have to fill another form in? Do I really need to do this?' It does get to that point.

[174] **Rhun ap Iorwerth:** Should it be direct from Welsh Government to business, or will there always be some sort of middleman, be it yourself or others?

[175] **Mr Prichard:** I think that the balance between regulation and advice is key here. I believe that the regulation should come down from on high, but there is a need in a lot of sectors that may not be advanced in terms of a conduit role and an advisory role to break it down. That role should be impartial and not trying to drive its own agendas—it is about making sure that it is led by the industry, that it is representative and that it is the employers making the comments. If we are to speak with any authority, I do not think that I should be speaking here as CITB Cymru; I should be speaking as the employers that I represent, and that is what I try to do. I understand the programmes, but I try to make it so that they understand them as well.

[176] If you look at it in terms of engagement, that is improving. People are seeing the benefits of it, but, when you get into the terminology, they switch off and grey cells come over their eyes.

[177] **Rhun ap Iorwerth:** Do you have any thoughts on the streams of communication?

[178] **Mr Jones:** I think that, ultimately, it is about a partnership between organisations such as universities and the Welsh Government, working together to be able to communicate the messages of how businesses can access the funding and ensuring the right support is there to allow companies to make these applications for funding in a streamlined way. For example, a key feature of the next round of the Enterprise Europe Network is that there will be provision for coaching for SMEs to access Horizon 2020 funds. As part of the delivery of the EEN, the SMEs can have expert guidance in terms of being able to craft a bid and lead bids, but bring in other partners from academia and other private sector partners from Wales, the UK and Europe. That is just one example, but I think that partnership is the key to this.

[179] There is going to be support from a whole range of actors in this—the universities, the Government, the further education sector, trade associations and chambers of commerce; it can be quite a complex landscape. What we try to do from the university's point of view is to ensure that we join up with these key stakeholders.

[180] **William Graham:** The CITB Cymru's paper calls for reform in procurement. Would you care to enlarge on that at all?

[181] **Mr Prichard:** I would. Joyce will know well, as chair of the cross-party group on construction, that it is more than likely the issue that hits the postbag the most. I think there are significant improvements in procurement happening in terms of moving forward. Some of the recent initiatives coming forward are well supported by the industry. The main point that we were trying to make there—and it is one that we have always questioned in terms of the

industry and community benefits—is that I think Wales is selling itself short in terms of the industry and community benefits. I will clarify that a little, Chair. A lot of organisations, when they start counting community benefits, count apprenticeships. What they are really saying is that they are not apprenticeships, because they are not on site for two years, they are work experience or units of apprenticeships leading forward. By not collating the information correctly, or perhaps not understanding how to do it correctly, that is not delivering correctly the actual benefits that Wales could have.

10:30

[182] The other point that I will raise on procurement, which does link a little bit to the investigation that you are looking at here, is that companies have not understood the time that it takes, which they lose on a job, to complete a procurement exercise, whether that be for a £1 million job in north Wales or south-east Wales. It takes time, resources, and there is the possibility of not even winning that job. The added bit then is the forward planning, that is, ‘If I win the job, have I now got the skills in place quickly enough to deliver the job?’ So, it is about integrating all of that, and about how all this funding is strategically linked as a plan to that end user.

[183] **William Graham:** Thank you very much. Eluned is next.

[184] **Eluned Parrott:** Thank you. Going back to the representation through Wales House in Brussels, I have a question for Ceri. Obviously, the higher education sector has representation in Wales House already, and I know that it is involved in a lot of the partnership work that you do. What consideration has been given to broadening the remit of the HE representation in Wales House to include voices for business in those kinds of activities?

[185] **Mr Jones:** I formally sat on the steering group for WHEB and the focus has been strongly on representing the sector. Given the provenance of structural funds, for example, there have been some key challenges to ensure that Wales can secure significant funds for structural projects. So, the focus, really, of WHEB has been finding the opportunities for the sector in Wales, but with a view then of the sector joining up with the right sector plus other groups. I do not believe that enlarging the focus in terms of representing the private sector—business—has been part, from my experience, of that conversation.

[186] **Eluned Parrott:** Did WHEB, as you say, focus more on structural fund opportunities over and above FP7 opportunities, as they were then, or Horizon 2020, as they will be?

[187] **Mr Jones:** No, I was just giving the example of structural funds. WHEB represents all of the universities in Wales and many of the universities will have different priorities; WHEB is representing the whole sector. So, for Swansea, for example, there has been a heavy focus on structural funds. For another university, it might be something different. So, it represents the sector as a whole really, and FP7 certainly has been a part of that.

[188] **Eluned Parrott:** Wales has not really been as successful as it might have been through FP7 and we are hoping that Horizon 2020 will see a step change in the research funding that comes into Wales. Particularly given Horizon 2020’s focus on developing these partnerships and on being linked up to the private sector as well, do you think that there is now an onus on WHEB to be developing partnerships in a new way? Do you think that it is responding appropriately to that? Are we already seeing signs that it is working in a different way to respond to that change in focus?

[189] **Mr Jones:** Absolutely, yes. I have been working very closely with WHEB, through the EEN network, in my broader role at the university. WHEB clearly understands the

challenges that lie ahead of us in terms of the different approach that we need, or the much broader approach that we need with Horizon 2020. Absolutely.

[190] **Eluned Parrott:** So, what differences do we need to see going forward into Horizon 2020 to see us being more successful than we have previously been in gaining research funding in Wales?

[191] **Mr Jones:** Evidently, we need to deepen our relationship with business, because business will be very prominent in the next round of Horizon 2020 funds. Some of it is what we have discussed already, about ensuring that we can communicate more effectively with industry and streamlining the processes to get business into these bids quickly. Many of these bids will be led by business. So, at Swansea University, working with WHEB and EEN, we are trying to ensure that that all joins up.

[192] **William Graham:** Joyce Watson is next.

[193] **Joyce Watson:** Are there any other comments or recommendations that you would like to make that we have not asked you about?

[194] **Mr Jones:** We were speaking before we came in. A real emphasis on partnership is needed, working between the public sector and the private sector and perhaps having, to an extent, some leadership from the Welsh Government in ensuring that not just Swansea University, but the other universities in Wales, can work with it to find the right partners for European bids that can access the expertise that the university can offer. The university in its own right is working with the private sector to help businesses grow. From where I come from, it is about just trying to explore these partnerships and working with the Welsh Government closely.

[195] **Joyce Watson:** So, where do you think that the Welsh Government should sit within that? You say 'leadership', but where should that leadership be sitting?

[196] **Mr Jones:** It should be within the innovation department of the Welsh Government and it is about having a strong referral network, so that we can join up our activity.

[197] **Keith Davies:** To follow up on that, Chair, in the evidence that we have had so far it seems to me that structural funds get all the push. When talking to the WLGA and when WEFO was here last week, I asked a question on one of the European funds and although I cannot remember which European fund it was, I remember that Erasmus was being increased by 75% and there was another fund that was being increased by some percentage. The response from WEFO was, 'Well, you know, they are small funds'. The impression that I am getting in this inquiry is that the structural funds, the ERDFs, get all the push and support and then all these other funds, like COSME and stuff like that, are not being chased by SMEs, universities or arts people. What can we do about that?

[198] **Mr Jones:** I agree, because EEN is funded out of the COSME area of European funds. I take the point that there is not as much emphasis on those other funds as there would be on structural funds. In a sense, the COSME funds and Erasmus, in some respects, are harder to win; the structural funds are slightly easier to win. I wonder if that is why the emphasis is the way that it is. I believe there is a big opportunity through COSME.

[199] **Keith Davies:** Okay, they are harder to win. The other thing that I have had from this inquiry is that we should have a one-stop shop, so that people have somewhere they can go to get advice on all these smaller funds. I say 'smaller', but we are talking about billions. Is it the EENs that should do this? Will there be more EENs after May? How much do you cover? You are in Bangor; do you cover all of Wales or do we need another EEN somewhere else in

Wales?

[200] **Mr Jones:** EEN has a limited resource envelope. The reach of the EEN is limited by its resource investment. That is why we have to ensure that it is co-ordinated with the rest of the delivery in the regions and that is really important. That is why, for me, a partnership with the Welsh Government over the next six years is fundamental to the success of not just EEN, but Wales, in fact, when we look at grant capture from Europe. Partnership is the way forward, absolutely.

[201] **Mr Prichard:** I want to come back to Keith's question about why SMEs do not join in. I think there is a need to look at retrospective claiming in terms of the staff costs incurred during the application process and the writing stage. It is a big barrier. Cost is always a barrier for any microbusiness. The other point that comes out, and I do not know if it has been fed into the committee before, is that the rules are downright complicated in terms of de minimis and state aid. If you really get down to where Rhun was coming from, namely the small companies, there is a need for a bank of information and there is a fear factor of people stepping out of line. I back the whole point about better co-ordination with European funding and it should be by sector and by region. I believe that sectors have different needs and need to be linking a lot better than others.

[202] We have the Wales infrastructure plan, and where I see Welsh Government in this—to try to cover that point as well—is that there should be co-ordination linked to economic growth and there should be at least the plans, the structures and big investments going forward and how funding can help SMEs to take advantage of that in pre-planning. I see the Welsh Government in very much an advisory and leadership role in this, in terms of setting the standards and allowing groups to really join in and partner with that. That is one of the key things in there. I think that there is a lot of duplication as well. There is a lot of wasted effort, where people are putting in bids and somebody else down the road is doing something similar. There has to be a mechanism of pulling five or six partners together that may be going down a similar line of thinking. The mechanism is not that clear there within that point. Again, I come back to simplifying the application process—I know that that has been said—and the evidence requirement without losing the audit trail. There is a bit of distance to be travelled there.

[203] **Keith Davies:** I agree with you completely. I remember years ago, when working with FE colleges, that some of them were putting bids in and the time it took to put the bid in cost the college more than the grant they would actually win. So, your suggestion there of organisations going together seems to me to be a way forward.

[204] **Joyce Watson:** I just want to finish on the point about being risk averse, which is understandable. To tidy that up, do you think that there would be some benefit—and how would it be arrived at—in helping those small businesses and microbusinesses to be more empowered so that they are not so risk averse? In the area that I cover, Mid and West Wales, they are the major employer. So, if they are not taking the opportunities to grow or sustain those economies, the impact could be significant. On the other hand, it could be significant if they did. How do we help those, as a collective?

[205] **Mr Prichard:** It is a good point. 'Partner' is sometimes a misused word in a number of contexts, but it is about creating the right partnerships and a synergy between them that pools the expertise. I think it is a win-win for everybody. The five people are not in competition; they are working together collaboratively. I think it is about creating the right headline for the bid and then, going back to the conduit role, pulling a group of SMEs together that can work effectively within that. You know that well within the constituency that you represent; there are some very innovative Welsh construction companies that, given the right environment—perhaps this is something that the group could look at—could create

very meaningful partnerships, looking very sectorally, linked to priority issues per sector. That could work. It is done informally. I think that giving some credence and some credibility to those partnerships, and perhaps some mentoring and support, would be a way forward.

[206] **William Graham:** Are there any more questions from Members?

[207] **Joyce Watson:** Did you want to add something, Ceri?

[208] **Mr Jones:** Yes, I just wanted to add to that. What I would like to emphasise is the opportunity. We have spoken about Wales a lot, but the opportunity is the rest of the world and, in fact, with EEN, the rest of Europe. So, how do you help to de-risk some of this expansion for small companies? I can give you a taste of the opportunities through EEN, for example. There are 14,000 individual opportunities on the EEN database across 50 countries in Europe, and EEN has 3,000 staff supporting those opportunities. I feel that we have a responsibility to work with small businesses in Wales, to join those up with those opportunities. That is what EEN does. So, we talk about Wales, but the opportunity is enormous. That is why it is important to me that we continue this network, for the advantage of Welsh business.

[209] **William Graham:** Thank you very much for your attendance today. I am sorry that we did not have a representative from GE Aviation, but I am most grateful to you both for your evidence. The transcript will be published and, if you have any comments, please let us know. Thank you.

[210] We have the Minister coming in at 11:00, so we will break now until then.

*Gohiriwyd y cyfarfod rhwng 10:44 ac 11:00.
The meeting adjourned between 10:44 and 11:00.*

Cynllunio ac Ariannu Trafnidiaeth Transport Planning and Funding

[211] **William Graham:** May I welcome Members and witnesses to our session on transport planning and funding? These are topical and important issues, which is why we are holding this one-off scrutiny session. We are very grateful to the Minister and her officials for coming today. So, if I may, I ask witnesses to give their names and titles for the record.

[212] **The Minister for Economy, Science and Transport (Edwina Hart):** Thank you very much, Chair. I am Edwina Hart, the Minister for Economy, Science and Transport.

[213] **Mr Price:** I am James Price, the director of economy, science and transport.

[214] **Ms Bennett:** I am Claire Bennett, the head of transport policy.

[215] **William Graham:** Thank you very much. We will go straight to questions and the first question is from Dafydd Elis-Thomas.

[216] **Lord Elis-Thomas:** Minister, it is always a pleasure to scrutinise you and your officials, so I will begin by reminding you of what you said to this committee in February of this year, when you described a new approach to transport planning as ‘a risky strategy’.

[217] **Edwina Hart:** Yes.

[218] **Lord Elis-Thomas:** Is it not more risky not to be more interventionist?

[219] **Edwina Hart:** Yes. I think that that is the key, because, in all honesty, it is very nice to have arm's-length organisations if you are in politics, to which you give the money and delegate responsibility because, at the end of the day, I can always stand up in the Chamber and say, or say to committee, 'Well, it is a matter for local government', or, 'It is a matter for the consortia'. However, I do feel, particularly in light of the experiences that we had with the bus services and the way that they were just taken off in terms of some of the TrawsCymru and rural services, that we cannot allow that to continue. There has to be more central guidance on how we deal with these matters.

[220] Therefore, we are now trying to look at how we deal with some of these issues. We obviously have a consultation taking forward the guidance on the local transport plans and we will be issuing that shortly. We have the local transport funds and the road safety development funds that we have already got out of the way, as it were, and we have the final details now coming through on those funds and how they will be allocated. We also have to look at the implications of how we produce the evidence that we need to demonstrate in terms of developing a new national transport plan. We are accumulating that.

[221] For me, how I deal with transport is about value for money, but it is also about being fit for purpose, in the context of value for money. I do not think that we have necessarily done that with some of the arrangements that we have had in place. When I go ahead and look at how I need to plan, I think that, in the long term, we will get better results from having more direct intervention.

[222] If I use the TrawsCymru route—. My first group on buses will be responding to me in June and when its plans are forward, I will decide its future role and function. However, I am considering whether I should directly decide on the bus services myself, from the centre, and whether I should run a national route directly, which we would manage from the centre to get that coherent core there. Transport, in my opinion, is not just about making a profit for the bus companies; it is also about the integration of a nation. It is very important that the nation is integrated and that everybody in the nation has the opportunity to get to work and to education, and all those types of issues. Sometimes, when you look at a purely economic argument on these, you cannot make the economic argument. You actually have to say, 'This is a political decision; it is a decision that we are making because the citizens of Wales require it'. I think that that all has to be taken into account and into the mix as we further develop transport policy.

[223] If I may, Chair, I will give an example that is not related to buses or rail, but actually to the air service, because the Public Accounts Committee discussed that service yesterday. On the air service, if we look at a broad economic case, I could probably make it stack up economically if I take factors into account. However, the issue is: do I need a service from north to south because I need to link the nation? Should we not be entitled to make those decisions on the basis that it is the right thing to do? That is what I feel about direct control and commissioning it ourselves. James, you have looked at whether we could directly commission services on buses, have you not? Do you want to say something?

[224] **Mr Price:** Yes. I think, in previous committees, we talked about the future of bus planning and we talked about this coming financial year potentially being a transitional year where the money was directed from regional transport consortia directly to local government. Now, with the establishment of the bus policy advisory group, we would consider what services should be at least planned, and potentially commissioned, centrally, because most journeys cover a local authority or some kind of administrative boundary. I think that that is the fundamental issue by breaking down a service. Not many services go the entire breadth of the nation, but most services cross an administrative boundary, and something needs to be done to be able to co-ordinate that properly. The view was that the consortia did not do that,

so we need to put in place something that does.

[225] **Edwina Hart:** We felt that the consortia were not strategic in this regard. They were good at spending the money, but there is more to it. It is about prioritising the spend, the strategy of how you connect things and what you do. That has been illustrated quite well with some examples that we have had, and that was part and parcel of some of our decisions.

[226] I am mindful that I have to make decisions now on the future of transport that might not be based on the existing local authority boundaries. We have the Williams commission, and I have to be prepared to administer, irrespective of what goes on in certain discussions in local government about boundaries. We have to have a transport system that is fit for purpose. In an ideal world, it would be nice to say that somebody else was doing it, but in many ways it is better for us to have the scrutiny here and that the buck stops here, in terms of the delivery of certain service provision. That does not mean that local authorities do not have a role and function in what they do in transport.

[227] It was interesting what Richard Parry-Jones and the ministerial advisory group looked at with regard to what we should do on transport, originally. We have redefined as a result of his report, because I returned to his report when I became Minister. Obviously, local authorities still have the responsibility in terms of what they do on their local roads. Also, they still have a substantial amount through the RSG. I think that I made a note about the RSG funding when I was coming here this morning. They still have £270 million through the RSG. So, it is disappointing then when you see them already taking money off routes in local government, and choosing not to fund, when they have that RSG money. However, if it is not being used for purpose, possibly, we could start to review what does go out.

[228] **Lord Elis-Thomas:** You have already answered my next question.

[229] **Edwina Hart:** I am sorry.

[230] **Lord Elis-Thomas:** No; I am pleased. [*Laughter.*] The question was what amount of weight you give to the view expressed by the ministerial advisory group. The answer to that is obvious. So, I will ask you one more question. I want to thank you for what you have just done, in terms of investing in Machynlleth and access to that station. Would it not be wonderful, Minister, if there was an integrated transport hub, of buses and trains, in Machynlleth, right in the middle of Wales?

[231] **Edwina Hart:** I concur, and this we want to start to do. We do not think that we have had the mechanisms in place to do that. I think that we have been a bit at arm's length with some of this, and we have to be more strategic. Also, people ask you how you prioritise issues, and another key area that I have been very keen on is looking at issues around rural issues and services. You have indicated Machynlleth; I am looking at, and am waiting for, submissions about the Aberystwyth-Shrewsbury link.

[232] If I made a purely commercial decision, would it stack up? Shall I make a decision based on people's ability to go to work and do things? I need to be able to do that, and that is interesting. The other thing is that I have to have connectivity for people, in terms of not only people but freight. There is a big issue about freight and how we deal with it in the environmental context. We also need to have more resilience across the entire network, whether it is buses or rail, which we do not have. I have to look at how I deal with key employment areas and sectors and at access there.

[233] The final thing on this is: how do I get rid of people's attachment to the car? How do I make using public transport attractive? That is a very difficult area, because we all do it—we all nip into our cars to go somewhere rather than look for a bus. Where I live, there is a

nice new revamped station in Gowerton—and I hasten to add, Chair, that the station was not done during my time of signing things off— and I can walk to it and go. It makes me all the more inclined to do it, because there is parking there. However, we have to start to look at the whole issue of the attractiveness of this, and we will only do that by updating the quality of stations, allowing full accessibility, with people knowing that, when they get off that train, they can get a bus. It has been absurd, in mid Wales, that buses have been going as trains are coming in, and vice versa, when they should all be integrated into one service. It is a real challenge, collectively for us in the Assembly and in Government, during the next few years, to try to make a difference in terms of transport planning and policy.

[234] **Lord Elis-Thomas:** Thank you, Minister.

[235] **William Graham:** May I ask you about the role of city regions in identifying transport priorities? What about those regions that do not have a city region board?

[236] **Edwina Hart:** You make an exceptionally important point about city regions. I will illustrate by way of the discussions that have been going in the Cardiff city region. Cardiff has absolutely signed up—bearing in mind that there is local authority representation on that board—to the metro concept. It knows that work is going on, and it knows how long it is going to take. In my opinion, if you sign up to that and local government signs up, they also sign up to the issue of how it will be funded and that some local schemes might have to go to one side to fund the whole. On the other hand—I do not wish to be critical—Cardiff has produced another metro report. That metro report, produced by Cardiff, is all very nice but it does not fit into the wider issues of the city region. At the end of the day, we are either signed up to the city region, collectively across the piece, or we are not. All this work might be very nice, but it cuts across where there is a consensus and agreement. Cardiff is not the centre of the world; there are other areas, dare I say it, which need to be dealt with.

[237] Regarding the city region in Swansea, it is far more coherent in terms of what it wants to do on transport links. It understands that it has to look far west and has to look at what goes. It is anxious and able and wants to take over the reins of looking at transport planning. In north Wales, Lesley Griffiths is chairing that group. It started off as a discussion about electrification and has now moved on to a much wider discussion about the links into England and how things can be dealt with. You are right; it will be a challenge for me. While I might be quite confident in the city region context, how confident can I be with those outside the city regions? That is something that we will have to look at very closely as we develop the national transport plan.

[238] I will not criticise Cardiff for that report, but it does not help with the discussion on integration of transport in such a huge project as the metro. It does not help discussion when you might want to use structural funds for that. If we are going to have structural fund projects, they need to benefit a whole region; they cannot just benefit little bits of road. Sometimes, you will have to forgo your pet project to get the connectivity that you require in that area. That will make sure that the places you currently think are well connected—I can see Eluned Parrott smiling at me; she always raises with me what is going on in parts of her region—there are parts of Cardiff that you think would be connected that are not. That is really quite important.

[239] **William Graham:** Before I bring Eluned in, do you think that the city region boards have enough transport expertise?

[240] **Edwina Hart:** We might have to enhance it. We are looking at how we can structure the city region boards. Professor Kevin Morgan is looking at governance issues for city regions, to make them almost part of us, but not part of us. When that happens, it will be up to them to suggest having more transport expertise. You make a good point; they will need it.

When we get to strategically how the metro might run and all those stages, they will need help and assistance, because we will be relying on them to help us with the business case. I expect the business case for the metro and its funding to be done by the city region board, not by individual authorities. That is quite important. Then, it will not matter what happens with local government reorganisation, because the city regions are established. The only issue is where Bridgend goes in all of this. Effectively, Bridgend is in both. I am conscious that, outside the city regions, it is difficult, especially for the middle part of Wales, in Ceredigion and Powys, in terms of how we will deal with those issues. It has always been difficult to deal with some issues in Powys.

[241] **Eluned Parrott:** Minister, on a personal level, I take exception to the idea that my region is not the centre of the world. [*Laughter.*] On the issue of buy-in from local authorities, you have local authority representation on the south-east Wales city region board, but you will be aware that there has been a change of leadership and a change of cabinet in Cardiff Council. What are you doing to ensure that you have the buy-in of the leadership of councils?

[242] **Edwina Hart:** As far as I am concerned, I have the buy-in already. They all agreed to it collectively. Changes of leadership happen—a change of Minister happened here—but they do not stop the direction of travel.

[243] **Joyce Watson:** Moving on, on the same theme, how will the Welsh Government ensure effective co-ordination between the local and national transport plans?

[244] **Edwina Hart:** This is a key issue for us in the developments. I will give an illustration about the discussion about the metro and how that fits in. There will be some hard discussions had. Local authorities, primarily, have responsibility for their local roles. It is important that they recognise their authorities and obligations within that area and that they have a collective position. James has much more experience in dealing with them. Do you want to comment, James?

[245] **Mr Price:** I will not go over the things that I have talked about in this committee before and the examples that I gave in Cardiff et cetera, where no-one was focusing on specific transport issues. What we have tried to do, for this year, is give local authorities tighter guidance on what they need to bring forward as individual local authorities in terms of transport problems in their area. We will then input that into one national transport plan because there will be no regional transport plans this year. That is right, Claire, is it not?

11:15

[246] **Ms Bennett:** Yes.

[247] **Mr Price:** It is Claire's team that actually does it, but we will try to integrate all of that into one transport plan, with one set of prioritisations that leads to a deliverable set of schemes rather than a whole series of bidding documents, which I think there were before. I do not think that it is easy. I am sure that we will not get it 100% right. I do not expect that anyone anywhere in the world would know what 100% right was anyway, but I think that we are on a journey to try to get it better.

[248] **Edwina Hart:** I do not know whether Claire wants to add anything, but I want to say that we are also very concerned about the expertise that we have in transport planning. Am I correct?

[249] **Mr Price:** Yes.

[250] **Edwina Hart:** Transport planning in itself is something for which you require

expertise and direction. It is not something that we naturally have within the system. James is looking at how we can get that type of expertise in to help us on transport planning. You have looked at some work on this that the committee might be interested in.

[251] **Mr Price:** Yes. I guess that we should say that we have come from a place in Wales where, really, no-one was doing any transport planning. Claire has brought in a couple of individuals recently to her team who do have expertise from outside the Welsh Government. All of the feedback, externally from the Welsh Government, which is always a good test of things, is very positive about their capability. However, we now need to build on that still further, particularly with things like specifying bus routes, because there just is not the expertise in the system at all in Wales to do that type of activity. There is in the private sector.

[252] **Edwina Hart:** Yes.

[253] **Mr Price:** The bus operators themselves know how to do it, and the rail operators know how to do it, but I do not think that the public sector does. Given that we are paying for large amounts of this service we need to be at least as smart as the people that we are paying to do it.

[254] **Edwina Hart:** Claire, do you wish to add anything, because you directly deal with the work?

[255] **Ms Bennett:** I will just add a few brief points. One of the other things that we are looking at with the national transport plan is to have that longer term horizon, so that it does not just become a list of schemes. We should be thinking where the challenges and opportunities are over a 10, 15 or 20-year period. That has not always been the sort of focus of the documents previously—they have just been a list of immediate deliverables.

[256] On the point about building up our expertise, we have brought in some external economists, as James mentioned. They have brought a tremendous amount of additional expertise in terms of transport modelling and being able to really interrogate information that others are presenting to us. So, that has been really valuable. We want to build on that further. We have also been asking them to look at making sure that we have all of the tools and all of the data and evidence that we need to make properly rounded decisions. A lot of the stuff at the moment has historically been focused on individual projects and assessing those. We want to make sure that we have that suite of tools and resources to enable us to look at the transport system as a whole. I think that we have made some good progress, and there are some quite important further steps to take now over the next year or so.

[257] **Joyce Watson:** Do you think that one of those important steps would be a move to a regional transport executive?

[258] **Edwina Hart:** Not necessarily.

[259] **Rhun ap Iorwerth:** Just to look at some funding mechanisms for local transport planning, in general terms how, do you think, does the bus services support grant operate? Building on something that you have touched upon before, in terms of making sure that services operate across the boundaries of authorities, how will it work in those terms?

[260] **Edwina Hart:** This is what we are hoping to improve with the system that we are about to adopt, because we do not think that it has necessarily worked that well, in practice, before. By having more direct control and developing the work nationally, we will do so. You have had concerns about the way that it has operated for a long time, James.

[261] **Mr Price:** Yes. I can talk you through how it did operate, how it will operate this

year, and how it might change in future. This came from the bus service operators grant and the local transport services grant—for anyone who can remember a few years back. If you go right back to the beginning, you will remember that the bus service operators grants—I do not know whether this is actually true, but this was the view when I used to work in the Treasury—was put in place to even out the subsidy provided to public transport, because trains run on red diesel and do not pay fuel duty, and buses do not run on red diesel and do pay fuel duty. So, bus services operator grants were paid per mile to try to take out the cost of duty. It no longer does that, because duty went out with the fuel duty escalator. However, that is where it came from.

[262] The local transport services grant was about local authorities contracting for services that bus operators would not run on a commercial basis. The decision was taken to merge both of those grants together and run them through the regional transport consortia. If you look at the detail, though, behind that, you still, in effect, have two grants operating. So, the bus service operators grant still kind of operates—albeit there was a change that meant that dead mileage was not paid, so when you see a bus with ‘Returning to depot’ on it or ‘Not in service’, the mileage for those parts of the route is not paid any more—and you have the local transport services grant element. All we are doing this year is engaging directly with individual local authorities and paying individual local authorities directly for those services. The grant mechanism stays the same. What we are also trying to do through the bus advisory group is understand the issues where local authorities need to work more closely together in terms of specifying those services where they cross boundaries, which really was not picked up under the regional consortia or the old system. Going forward, we might need something genuinely quite different. However, that is the point of getting advice on what we need to do.

[263] **Edwina Hart:** The group will be reporting to me in June with its recommendations, and then I will decide whether I need it to carry on further after June. I will be very happy to share those with the committee when they are there for us to make future decisions. Also, another thing is that we have asked the Institute for Public Policy Research to do some work on transport planning for us, because we feel that we need help and expertise on transport planning. Where there is good transport planning, which London does have in very real terms, it certainly makes a strategic difference to connectivity, what happens in the economy and to people. I think that there are some good lessons to be learned from some of those areas.

[264] **Rhun ap Iorwerth:** On the guidance given to local authorities on the bus services support grant, I note that it was still in draft form as of a week last Friday. Has that been finalised?

[265] **Edwina Hart:** It is in the process of finalisation now, as I understand from Claire. We have actually worked with the local authorities on this in some detail. I have signed off the submission today for the bus services support grant. That has all been signed off, so it is a question of getting the guidance. Any idea on timescales—about a week or so?

[266] **Ms Bennett:** Yes, I think it should go out to them very shortly.

[267] **Rhun ap Iorwerth:** Some might suggest that local authorities have not had enough time to prepare to work with the finalised guidelines. What would your response be to that?

[268] **Edwina Hart:** Well, the local authorities were actually involved in the dialogue and the discussion on the guidelines. Some are better than others, of course.

[269] **Rhun ap Iorwerth:** Okay. I have just one other point. You state in your report to the committee that the BSSG does not actually represent a major change from the regional transport services grant. Would you like to elaborate on that and how important it was for you to have that continuity?

[270] **Edwina Hart:** Well, I think that it was important for us to have the continuity while we work our way through some of the issues that we have already discussed in committee.

[271] **William Graham:** Thank you very much. Mick is next.

[272] **Mick Antoniw:** Minister, you have answered some of the points that I wanted to raise about transport planning capacity and you have referred to advice and expert support. Does that indicate that you have a concern about capacity, both in Government and, I suppose, further afield, and expertise I suppose?

[273] **Edwina Hart:** If we answer absolutely honestly, yes. When I took over the portfolio, and James, of course, was the new director for that portfolio—it was not his existing responsibility—we started to review everything. One of our concerns was capacity issues and the ability to do proper forward planning in terms of transport policy. I think that it is very important that we have undertaken that, that we have strengthened our teams and that we are prepared to look imaginatively at what we might do. Some areas have always been regarded as no-go areas, such as commissioning directly on routes. I do not think that that is a no-go area in terms of us as a nation and in terms of our population. Those are going to be decisions. What we have tried to do is strengthen it. Also, apart from the discussions and difficulties—well, what bus operators say to us about concessionary fares—we actually have very good relationships with the bus companies and some of the rail companies, which have expertise in a lot of areas. We have been very successful in having a dialogue with them and looking at various secondments that might help us as well. So, I think that we are moving the agenda forward. However, I think that we have to recognise that transport almost had a life of its own previously. It has had a little light shone into it recently. I am shining it into those dark corners that I now need to get the spiders out of. [*Laughter.*]

[274] **Mick Antoniw:** Okay. Thank you.

[275] **William Graham:** Keith is next.

[276] **Keith Davies:** Thank you, Chair. You talked about the bus advisory group. Perhaps you can give us an update on that because I notice that you have chosen Victoria Winckler to chair it. Can you say where it is and whether the Community Transport Association is involved?

[277] **Edwina Hart:** Community transport associations are not involved in it currently. When my officials and I looked at the group, we looked at what group we had and we discussed it with Victoria. However, if the committee wants me to have a further look at whether they should be involved, I would be more than happy to do so, Chair.

[278] **William Graham:** Thank you very much; I am sure that we would find that worth while.

[279] **Keith Davies:** It is the second review though in a short time, so—

[280] **Edwina Hart:** I think that it is quite important now. Due to the fact that we are changing things, there is a lot of interest from local authorities and other groups. If you notice and look at the local authorities that have been involved, the Vale of Glamorgan and Ceredigion have actually done some excellent work themselves as local authorities. The Vale, particularly, has looked at issues and dealt with work outside Wales and how they run things in the south and west. Also, it is very convenient to have another look at this, because the work that we helped to do within the health department, on commissioning work on links into the health service, has now been completed, so that can go into part of the discussion about

how we integrate routes perhaps around the major hospitals, how things can be done and how we might want to issue guidance saying, 'You will run Monday to Friday. You will pick up in certain places and you will run a route', or 'Can we do it differently? Can we get people in minibuses to a hub where they can then get a bus?' So, all that will form part of the discussion. So, even though it seems that we have another group, I think that, because we have more information in about that—and this is really to help the Minister for health as well—we can run through all this together quite well.

[281] **Keith Davies:** I think that, perhaps, because you talked there about social services and health, you might consider school and college transport as well, because some of those contracts are pretty—

[282] **Edwina Hart:** Exactly. There is an issue, of course, that is always being raised, because I have asked why people from certain remote areas cannot go on the school bus or on the school minibus. The issue, of course, which is very important, has always been about children and the safety of children. However, if there is someone sitting on the bus, minding the children, can you do it? That is what that group is also going to explore.

[283] Already in some areas, they use the social services minibuses, so why can you not use the school transport? I was visiting Powys recently with Kirsty Williams, and I went to Newbridge-on-Wye, I think, and I saw the buses dropping the children from the high school to go into the minibuses to the remote areas for the primary, and I thought, 'I wonder what happens to those little minibuses and whether there is transport during the day'. I think that we have the opportunity, like they have done in some parts of England—I think that it was the south-west that we looked at, particularly—to integrate all of this and take a very holistic approach to get better things in. The key for me is also transporting people back and forth to work, and there are parts of Wales where people cannot get public transport to enable them to go to their employment. It is really key that we look sometimes at what routes have to come at certain times. However, we have to understand that, with the budget constraints, we might say to people, 'Yes, we can get you back and forth to work, but we cannot necessarily get you to a cinema on a Saturday night'. Those are going to have to be the judgments that are going to have to be made.

[284] **William Graham:** Thank you. Eluned is next.

[285] **Eluned Parrott:** Thank you. I wanted to ask about concessionary fares, which we have raised a number of times in the Chamber, as you know. There have been significant reductions in the funding for the concessionary fares schemes over the next three years. May I ask what impact assessments were undertaken to understand how this would affect communities in Wales?

[286] **Mr Price:** As part of the work that has been undertaken—I have not seen the detail of it—all of the requisite work has been done to arrive at those figures, which would include an estimate of any effects. The view of the policy team is that there should not be too many effects if operators deliver what they are meant to deliver, because this is meant to be 'no better/no worse off'. Operators are obviously saying—and I am aware of this actually—that it will make them worse off and, therefore, they will have to pull services. There are two mechanisms by which we can deal with that, one of which is that they can appeal to the Welsh Government, and there is an appeals mechanism to do that. I am guessing that we are expecting that to come through, although not necessarily from all operators. I think that it is one operator in particular that is in a complaining mode at the minute. Secondly, they can look to judicial review on the process that we adopted, which would include checking that we did all the things that you were referring to. So, I do not really want to comment too much, given that it might be explored in court. I am having everything that we have done checked currently, double-checked by lawyers, to make sure that we have done everything absolutely

correctly.

11:30

[287] **Edwina Hart:** The position was that our consultants recommended a figure—

[288] **Mr Price:** A lot lower.

[289] **Edwina Hart:** A lot lower. The operators went for another figure, and we have gone to the middle ground. It was 60% to 68%, was it not?

[290] **Mr Price:** Yes, our independent reviewers recommended about 60%. The bus operators' independent reviewer recommended 68%. We have looked at the figures and decided that we could probably justify about 64% or 65%. It is important that we do not pay more than we can justify because, first, we would be overcompensating the operators, which potentially just goes into profits, and, secondly, just as bad, someone could claim that we were giving an operator illegal state aid, and then they would have to repay it.

[291] **Eluned Parrott:** Minister, could I just confirm something with you? Did you see the impact assessments before you agreed—

[292] **Edwina Hart:** I had the advice from my officials, which I took.

[293] **Eluned Parrott:** You took advice, however, from an official who had not seen the impact assessment.

[294] **Edwina Hart:** The way that submissions work is that you have advice from your officials and they indicate to you the background documentation and everything that has been looked into.

[295] **Mr Price:** Could we provide a note on this?

[296] **Edwina Hart:** We could provide a note on the background if that would help.

[297] **Mr Price:** I do not want to be—

[298] **Edwina Hart:** From memory.

[299] **Mr Price:** I know that we have gone through all processes necessary to ensure that it is no better and no worse off. I am not sure that all of the normal assessments in terms of policy decisions immediately follow from that, because if it is no better and no worse off, it should have no implications for services anyway.

[300] **Eluned Parrott:** Okay. Thank you.

[301] **William Graham:** Will you let us have that note, Minister?

[302] **Edwina Hart:** Yes, of course we will. Thank you, Chair.

[303] **Eluned Parrott:** In terms of demographic projections for the group affected here, obviously we are expecting the group to increase in the future, and yet the concessionary fares will reduce again in the next two financial years as well. Did you do any demographic projecting against this?

[304] **Edwina Hart:** We will obviously have a look at all the issues and put it in a note for

the Chair.

[305] **William Graham:** Thank you very much. That will be a great help. Julie, you are next.

[306] **Julie James:** Minister, I just wanted to return to community transport. I was really interested in what you were saying about the colleges and schools transport and some of the difficulties. Some local authorities—and I am aware that Swansea local authority is one of them—are in correspondence with the various tertiary education providers about how much money parents should pay towards the cost of that transport. I am not absolutely convinced that the projections for how many students will use those buses are correct. I will tell you why: it is because, once you have put the cost to the parent up above £300, it is cheaper to provide a car for your child than it is to go on a bus. The consequence of the increasing amount is that you have fewer people on the bus, which has the opposite effect. At the same time, they are not considering allowing members of the communities that have to pay those charges because of the spread-out nature of the catchment areas in the Swansea region, which is the only one that I know about, to make use of that transport. So you have the ridiculous situation where a half-full minibus is passing through a village where there is no community transport scheme.

[307] **Edwina Hart:** Yes, these are exactly the issues that we are very concerned about that are happening all across Wales. There is an opportunity for communities to use other transport that exists, and this is what this group is going to have to look at, because we cannot carry on like this, where you have something that floats past you and you cannot get on to it when it is going to a town, when, in fact, there has been some element of subsidy there for the local authority or others to utilise. That is the area that they are going to actually have to look at.

[308] **Keith Davies:** May I add to that, Minister? What has happened over the past few years is that the number of colleges in Wales has more than halved, and that means, for example in the Swansea region, that there is one FE college now, which covers Gower and Swansea. So, transporting students across has become much more difficult for individual students, and the colleges have been putting more support on.

[309] **Edwina Hart:** Also, the costs are astronomical. I was with business in Lord Elis-Thomas's constituency, on the railways, and they were talking about their apprentices having to go from Bala all the way across to Dolgellau to go to college for one day a week. This is quite prohibitive in terms of the time it is taking. You would probably want to go and take a car or something. That is the easiest way of doing it. If we are genuine about public transport, and we are genuine about the environmental considerations, then these are matters that have got to really be looked at.

[310] **William Graham:** Eluned, on this point, is next.

[311] **Eluned Parrott:** Just on this point about young people and transport, obviously we discussed in the Chamber, perhaps two weeks ago, the idea of piloting a concessionary fare scheme for young people. May I ask what progress you have made on that?

[312] **Edwina Hart:** As a result of that debate, I had a rethink of the policy agenda, because we had a very consensual debate in the Chamber on how we need to do something for 16 to 19-year-olds. This would also tick a lot of boxes in the anti-poverty drive, accessibility and a whole range of things. We very much hope to have a few little pilot projects. I have asked officials to scope a far bigger piece of work regarding how we could run a scheme for 16 to 19-year-olds, the affordability of that, how we could do it and how we could run it. That work should be completed by the start of the summer term, and I will share

it with Assembly Members. We will have independent expertise to help us with some areas, which James will outline, but I was very taken with the idea. Probably one of the best things that we could do is to run schemes like that. It would help across rural and urban Wales, and in areas of deprivation. It would be most positive.

[313] Linked to that is a scheme that is not just for young people. I was very taken with the point about part-time workers and the way in which we do things. More and more people are going into part-time employment to balance the budgets at home, because they have to find employment. They take up part-time work because they are balancing childcare and for a range of other reasons. So, we will be picking up those points. James, you thought about having some independent experts in, did you not, because we will have to have somebody to help with this, because it is not something that can be done overnight? However, that debate has refocused our attention on doing something quite little in terms of what we were thinking about, and doing something that I believe will be far more fundamental.

[314] **Mr Price:** Yes, absolutely. The Minister has asked us to do a full review of what is possible here. We have already done quite a bit of that work. We know how long it would take to introduce. We have the powers, but it would need a negative resolution—is that right, Claire?

[315] **Ms Bennett:** Yes.

[316] **Mr Price:** That would not take long; it would perhaps take a few months. However, the issue is understanding what type of scheme would make a positive difference for the group of young people we want to make a difference for, how we ensure that we do not just have a load of dead weight and displacement in the scheme, how we make sure that we do not end up with escalating costs without escalating benefits.

[317] The Minister also said that we should think about having some external expertise. I want to bring someone on board who can understand the social policy aspects of this, namely how we make it attractive for young people to use. Secondly, there needs to be some proper modelling in terms of what it really will cost and how we can ensure that we are adding something for the people of Wales, rather than simply adding to the profit line of bus operators.

[318] **Edwina Hart:** Claire, do you want to comment on some of the work that you have done as well?

[319] **Ms Bennett:** Yes, absolutely.

[320] **William Graham:** Unfortunately, time is going on. Julie is next.

[321] **Julie James:** To go back to the community transport point, because it is linked to that, I would be very keen to see that review include the subsidy to transport from the local authority across the piece. In my experience, local authorities are not always great at pulling all of their transport subsidies into one place. They are often spread out into different directorates and a picture of that often shows something quite startling.

[322] **Edwina Hart:** It might be useful to have a financial analysis of what is going on across local authorities on this.

[323] **Julie James:** Yes, exactly. On that basis, on community transport, Minister, the draft guidance that you have put out has ring-fenced or allocated about 5% of that grant to community transport, whereas the regional transport grant used to have a 10% ring fence. What is the reason for the change of that percentage?

[324] **Edwina Hart:** Did they have 10% before, Claire?

[325] **Ms Bennett:** It was 10% previously, Minister. This has been done in response to feedback from local authorities regarding the development of the guidance, in which they indicated that, in certain locations, if you required 10%, it might mean that you would be funding services that offered less value than an equivalent bus service. Obviously, previously, the 10% was across a region, and you could balance out the ones where it made more sense to do more community transport and the ones where bus services were the priority. That is a little more tricky within an individual authority. So, it was a flexibility that local government requested.

[326] **Julie James:** So, it is basically a floor, rather than a ceiling.

[327] **Edwina Hart:** Yes.

[328] **Julie James:** Okay; that is very interesting. Minister, you have touched on my next point already, but in looking at community transport in future, I assume that you are looking at the impact of a reduction in things like social services budgets and education budgets, because that is part of the discussion—

[329] **Edwina Hart:** Yes, because that will impact on us directly in terms of the transport that we are looking at.

[330] **Julie James:** My last question, which is once again on the grant system, is this: do you believe that the change has complied with our public statements that funding decisions be notified three months in advance of changes? Have we complied with that?

[331] **Edwina Hart:** Yes, we have.

[332] **William Graham:** Thank you very much. Mick Antoniw is next.

[333] **Mick Antoniw:** Minister, on the topical subject of electrification and funding, as far as the Welsh Government is concerned, who is responsible for the funding of Valleys lines electrification?

[334] **Edwina Hart:** As the First Minister has indicated, we have had all of the public statements indicating that the UK Government was funding this.

[335] **Mick Antoniw:** Is there a formal agreement between the Welsh Government and the UK Government in terms of the funding arrangements?

[336] **Edwina Hart:** If we are being absolutely truthful about this matter, when I came into office I started to look at some of the issues around funding, particularly for Valleys electrification, which I know is quite key. We have engaged at an official and ministerial level with the Department for Transport on a number of occasions in the past 12 months to seek clarification on the issues around this. This ultimately resulted in the First Minister writing to the Prime Minister asking for reassurance on this particular matter. I am now in dialogue with the Secretary of State for Transport as a result of the Prime Minister's letter to the First Minister, and my officials are talking to Network Rail and are in dialogue with DFT officials.

[337] This is an urgent matter, but it is an urgent matter that we have to ensure that we get through to protect the project. My position has always been and always will be that the project is very important to us, namely the electrification of the line to Swansea and what we do in terms of the Valleys line. As far as I am concerned, this is a dialogue.

[338] **Mick Antoniw:** Minister, the suggestion from the Wales Office, which admittedly refers to only some items of correspondence that have been disclosed so far, was that there was a clear in-writing agreement that the funding of the Valleys electrification would take place through a charge on the rail system, hence ultimately higher ticket prices. Are you willing to say that that is definitely not the case?

[339] **Edwina Hart:** I have had responsibility for this portfolio in recent times only; I could not comment on anything that happened with the previous Minister in terms of correspondence, because I know what I have dealt with. As far as I am concerned, the First Minister made it absolutely clear that all of the public statements have been that this would be funded in this way. We knew that we wanted the necessary reassurance, and that is why the First Minister wrote. It is quite clear that these matters have been raised by the First Minister, and now I have to raise them with the Minister for transport to get the necessary clarity.

[340] **Mick Antoniw:** Minister, the answer suggests some doubt as to what the precise position for funding is.

[341] **Edwina Hart:** I think that the First Minister has made it absolutely clear what he regards the position to be.

[342] **Mick Antoniw:** The First Minister indicated that he would disclose the relevant documents and correspondence on this. Do you have any idea when this is likely to happen?

[343] **Edwina Hart:** That is a matter for the First Minister, as he responded.

[344] **Eluned Parrott:** Minister, your own business case suggests that the repayment mechanism for this is a payment on track access against the regulatory asset basis. Is that not correct?

[345] **Edwina Hart:** We would have to go through that. The business case is not—. It is about what we are doing currently.

[346] **Eluned Parrott:** Indeed. I have the business case in front of me, Minister, and I can tell you that it is proposed in your business case to the UK Government that the financing will be a cost financed by the regulatory asset base.

[347] **Edwina Hart:** That is a different thing.

[348] **Mr Price:** That is a different issue. There are a number of different business cases. If you have the original business case—

[349] **Eluned Parrott:** I have the one published on your website.

[350] **Mr Price:** Talking about funding against the regulatory asset base does not imply a specific track access charge for Wales. What that would imply is that it would be added as an average across the whole of the UK to the track access charges for Wales.

[351] **Eluned Parrott:** I will read something out to you that leads me to believe that this is implied in your business case. Section 6 looks at affordability. Section 6 essentially looks at the return on investment that the Welsh Government could accrue against its payments on this basis. There are sections that talk about this. For example, box 6.1 talks about savings on operational costs to do with track access charges being lower for lighter fleet, energy charges being lower for electrified trains and the rolling stock leasing charges being less than for diesel fleet. Further on it talks about gains in revenue returns for passenger growth, but also

for increased capacity due to timetabling changes. Sadly, some of those figures are redacted, particularly the increase in revenue figure. The financial case is then summarised as follows:

[352] ‘Financing the project through RAB will result in annual repayments of around £30m per annum. The operating cost savings and revenue gains are such that break even between investment and return (including RAB repayments) is forecast to occur in 2041/42.’

11:45

[353] So, you are actually giving a break-even date, including the RAB repayments, in the business case that you put forward to the UK Government, which was agreed in an exchange of letters. Is that not the case?

[354] **Edwina Hart:** Forgive me, Chair. I would like to have had the paperwork regarding all aspects of this in front of me. We are going through the correspondence. I could give you a casual answer, but I do not want to be hoisted by my own petard if I am wrong in any way. This is a very complex matter with several business cases and the dialogue. Forgive me, I do not think that I am in a position to give you an honest answer today. I would not want to mislead the committee in any way. We are now talking about details, substantial amounts of paperwork in terms of business cases and so on. There are elements, of course, that I was not involved in. If I had been involved in the original business case, then I could probably answer some of your questions from memory, but I will have to review these. I can only apologise on those grounds, Chair.

[355] **William Graham:** We fully accept what you say, Minister. We would ask you to send us a note on that when you are able to do so.

[356] **Edwina Hart:** We would be delighted to provide that. Thank you very much.

[357] **Eluned Parrott:** Looking to the future then, Minister, in terms of the cost savings that you are hoping to accrue over time—we are clearly talking about a long-term investment, we are looking not only at the economic development benefits that electrification will bring, but also cost savings and revenue increases—will you be able to provide us with the figures that have been redacted from the published business case that was submitted to the UK Government?

[358] **Edwina Hart:** We would have to look at all of these issues. I think that we also need to remember that the costs of electrification projects across the whole of the UK have also increased massively, whether that is in terms of HS2 or something else. This will impact on the future of any discussions.

[359] **William Graham:** On that point, Minister, there are rumours that the Valleys lines electrification will cost twice the original estimate.

[360] **Edwina Hart:** We have heard these rumours as well. We hope that in the discussions that our officials are having with Network Rail that we can put flesh on to what the cost could possibly be.

[361] **William Graham:** That would be helpful. If I may go back to the specific point that was raised, as I understand it, the electrification will allow a specific access charge on the franchise to repay the infrastructure investment. Was that always your understanding from the beginning?

[362] **Edwina Hart:** I would say from 1(i).

[363] **William Graham:** Quite so; yes, indeed. Are there any other questions from Members? Rhun.

[364] **Rhun ap Iorwerth:** It is a shame that we cannot go into detail and perhaps it is something that we can look at through inviting you back to discuss this in detail, with the relevant paperwork, in the not too distant future. Is it not the case that what we have in general terms is a situation that could be resolved in many ways through the financial devolution or the devolution of proper finances in relation to rail at the time of the devolution for responsibility?

[365] **Edwina Hart:** There are issues for us in terms of how we deal with the next franchise arrangements with Arriva and full devolution powers, yes. I need to say quite sincerely that I wish to resolve this matter for the benefit of Wales in terms of what we want to undertake. It is important that we recognise that commitments were made publicly and recognise that there has to be a solution to this.

[366] **William Graham:** Mick is next.

[367] **Mick Antoniw:** There is a lot of work going on within colleges and so on in terms of training and opportunities. Presumably, all of those things can proceed. Do you have any target for a timescale for the resolution of this?

[368] **Edwina Hart:** We very much hope that we will have meetings as soon as possible. You are right that there are enormous benefits from the electrification in terms of apprenticeships and everything. Simon Thomas raised some issues with me about apprenticeships and getting the benefit across the piece in Wales in terms of who is able to take those up. That positive work has to go on. We hope that we will be in a position after the Easter recess to update you more fully, Chair.

[369] **William Graham:** Thank you. Rhun is next.

[370] **Rhun ap Iorwerth:** I just have a general point about the potential knock-on effects of the dispute regarding south Wales and the Valleys. What measures will you be putting in place now to ensure that this particular dispute does not put delays in place for the eventual electrification of the north Wales line too, and the—

[371] **Edwina Hart:** The north Wales line is very important, but that will be the subject of another business case, which is actually going very well in terms of discussion in north Wales collectively, with business, local authorities and us in the Government. However, I do not think that we should muddle the two because we have to make the case to the UK Government, in terms of what we are going to do in north Wales, that will stand alone because it is very important to recognise that with HS2 coming up—

[372] **Lord Elis-Thomas:** To Crewe. That is important.

[373] **Edwina Hart:** Exactly, to Crewe. We have got to make sure that we then have the links across to north Wales. If it would be helpful, Chair, the Minister for Local Government and Government Business chairs that group, but I would be more than happy to provide a note of the discussions that are going on currently within that group, particularly on electrification and some of the wider transport issues, if it would be of assistance to your deliberations.

[374] **William Graham:** That would be very helpful; thank you very much. Eluned, do you want to come in?

[375] **Eluned Parrott:** Carrying on from the mention there of the north Wales

electrification, can you give us an update on the dualling work that was due to take place to improve connectivity between the north Wales main line and Liverpool and Manchester in particular?

[376] **Edwina Hart:** We will check on the update and we will get a note out from Network Rail about where we think we are.

[377] **Eluned Parrott:** Okay; thank you.

[378] **William Graham:** May I just ask you again to go back to electrification, Minister—

[379] **Edwina Hart:** With Network Rail, it is a question, Chair, of finding out where we think we are.

[380] **William Graham:** That would be very helpful; thank you very much. Could I ask you again for some clarification? We understand about the electrification of the main line between Cardiff and Bridgend, and also that the electrification from Bridgend to Swansea will be included in the high-level output specification. Has that always been your understanding?

[381] **Edwina Hart:** The Chancellor indicated when he was down yesterday that it was to Swansea, did he not?

[382] **Mr Price:** It has already been included.

[383] **Edwina Hart:** It has already been included.

[384] **William Graham:** That is your understanding.

[385] **Edwina Hart:** Yes, definitely. I think that the Chancellor confirmed that yesterday on his visit.

[386] **William Graham:** Thank you very much, Minister. Are there any more questions for the Minister now? I see that there are not. Thank you very much. We are most grateful for your answers, Minister. We know that your time is very precious, so we are very grateful to you.

[387] **Edwina Hart:** Thank you very much indeed, Chair, and we will provide those notes as quickly as possible.

11:52

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod

Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

[388] **William Graham:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[389] I see that the committee is in agreement. Thank you very much.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11:52.
The public part of the meeting ended at 11:52.