



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Busnes
The Enterprise and Business Committee**

**Dydd Iau, 16 Hydref 2014
Thursday, 16 October 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
Jeff Cuthbert	Llafur Labour
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives

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)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru
	Welsh Liberal Democrats
Gwenda Thomas	Llafur
	Labour
Joyce Watson	Llafur
	Labour

Eraill yn bresennol
Others in attendance

Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Rob Hunter	Cyfarwyddwr, Cyllid a Pherfformiad, Llywodraeth Cymru Director, Finance and Performance, Welsh Government
James Price	Cyfarwyddwr Cyffredinol Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director General, Economy, Science and Transport, Welsh Government

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

Andrew Minnis	Y Gwasanaeth Ymchwil
	Research Service
Claire Morris	Dirprwy Glerc
	Deputy Clerk
Richard Watkins	Clerc
	Clerk
Robin Wilkinson	Y Gwasanaeth Ymchwil
	Research Service

Dechreuodd y cyfarfod am 12:59.

The meeting began at 12:59.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **William Graham:** Good afternoon and welcome. I welcome Members, witnesses 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 later. I remind Members and witnesses that there is no need to touch the microphones. In the unlikely event of a fire alarm sounding, I ask people to please follow the directions from the ushers.

13:00

Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2015-16: Yr Economi, Gwyddoniaeth a Thrafnidiaeth
Scrutiny of Welsh Government Draft Budget for 2015-16: Economy, Science and Transport

[2] **William Graham:** I welcome the Minister and her officials this afternoon. I ask them just to give their names and titles for the record.

[3] **The Minister for Economy, Science and Transport (Edwina Hart):** I am Edwina Hart, Minister for Economy, Science and Transport.

[4] **Mr Price:** I am James Price, director, Economy, Science and Transport.

[5] **Mr Hunter:** I am Rob Hunter, finance director, Economy, Science and Transport.

[6] **William Graham:** Thank you very much. Our session this afternoon is to scrutinise the Minister, and I will ask the first witness this afternoon—[*Laughter.*] I am sorry; the first question is from Jeff Cuthbert.

[7] **Jeff Cuthbert:** I used to be a witness.

[8] **William Graham:** Quite.

[9] **Jeff Cuthbert:** Sustainable development, clearly, has always been a cornerstone of Welsh Government policy, but in particular now, especially with the development of the Well-being of Future Generations (Wales) Bill. How has sustainable development been involved in the assessment of your budget, and how has it helped to shape the budget allocations?

[10] **Edwina Hart:** Thank you very much indeed for that question because sustainable development, rather like the Welsh language and equality and human rights, is actually part of our considerations in the budget process, and we actually have those as challenges in the budget process. The leads for those are part of the way that we discuss our budgets. We look at all of our policy developments in terms of sustainable development. We make all decisions around it on that basis as well, but it is important to recognise that it is embedded fully into the way that the department discusses these issues. We obviously have to do an annual report as well on sustainable development. Rob, do you want to say a few words about how we integrate sustainable development into the budget process, which will also cover Welsh language, equality and other issues as well, because there are the same mechanisms?

[11] **Mr Hunter:** Yes. Within the department we have leads for sustainability and Welsh language and equality and human rights. In the past, around two or three years ago, we tended to look at the stuff after a decision had been made, actually. People would go in and review the decision and then see whether action needed to be taken. I thought that it was better to be more proactive and those leads now sit in on all of the budget scrutiny meetings throughout the year. We challenge the businesses monthly, in terms of the figures, but we have quarterly in-depth reviews on all of the numbers and, of course, we have had a detailed in-depth review of the budget itself. So, rather than looking at it from the outside, they are now a core part of the process and they contribute to the discussions as they are taking place rather than afterwards.

[12] **Edwina Hart:** That leads us into the discussion about the implementation of the future generations Bill, which you indicated, across Government. There are four key

considerations that we look at, and we mirror that in some of the projects that we discuss all the time. If you look at bus and rail, for instance, you will find that we look at a preventative policy in terms of that agenda, which I think is very positive in terms of dealing with the outcomes. The council for economic renewal is a long-term commitment to working across with businesses and so on, and the national transport plan also has to be taken into account within that, as does collaboration across business and others around these goals. For example, I think that if we use the city region, I think that it is probably quite a good example, is it not, James? On the city region, it is to provide leadership and strategic direction, and it looks at all of those spatial economic development issues as part of how we would look at the future generations Bill and its implementation for our department. We would be very interested to see how the Bill proceeds, whether it is amended in any way, and what emerges in terms of discussion that will also allow us to reflect on some of our decision-making processes. To include some of the stuff is really sometimes quite difficult in discussions around projects. You have to have a clear focus in your mind about how it will impact in terms of outcomes. The fact that the key players in departments at official level are involved now, prior sometimes to some decisions on budgets and where we are targeting, I think, does help us in bringing the concept into an element of reality in terms of what we are doing on budgets. However, I would not say that it was an easy thing for us to undertake, Chair.

[13] **William Graham:** Byron, do you have questions?

[14] **Byron Davies:** Good afternoon. My question is based on the wellbeing of future generations Bill, which is currently being considered by the Environment and Sustainability Committee. Of course, it proposes to place a duty on public bodies, including the Government. I guess that you will have to demonstrate how your business and financial planning process aligns with the six goals in the Bill. My question is whether the principles of the wellbeing of future generations Bill have been taken into account in preparing the 2015-16 draft budget for your department.

[15] **Edwina Hart:** Yes, I do think that we have looked carefully at the principles behind it, and we have tried to take it into account. I would not say that it is a perfect process yet and I think we are going to have to do a lot more work in years to come as we embed the principles of the future generations Bill into the budgeting process.

[16] It is very easy when we talk about these things in the round, is it not, and we have our gestures about what we want to do? I was listening to Owen Paterson talk about climate change on Radio 4 this morning, and you start to think that there are a lot of discussions about a lot of issues around this. Getting officials to really understand how we need to embed it is quite difficult, because you cannot see sometimes, when you first see a budget line, how you can actually do it, and what you need to do. I do not know whether you agree with me, James, about some of this, because the concept has been difficult for officials sometimes.

[17] **Mr Price:** I think that that is absolutely right. I think it is a whole lot easier to do it at a strategic level on something like the national transport plan, where you are considering—

[18] **Byron Davies:** I was going to ask you about that, actually. How has it affected the development of that?

[19] **Mr Price:** As that is a long-term strategy, and as you are taking into account a whole host of different things, I would not say that it is easy, because you are offsetting different things against each other, but it is easier. Where I think it is a bit more difficult is where you are engaging in reactive one-off projects, particularly on the economy side,

where, I do not know, but, for example, something might be highly polluting locally, but it would create an awful lot of local employment, and if the employment did not occur here, it might well go overseas. I was talking to my son about this the other day when we were looking on YouTube—they were taking boats to Turkey and running them up on the beach to cut them up, and there were fluids going back into the sea. Now, if that activity was taking place in Wales in a regulated fashion, we would say that that would still be seen as polluting and maybe something that might fall foul of one of these aspects, but you have to look at it in the round, and in the context of a global ecosystem. So, we are trying to do it, and I think, in the strategies we have, it is kind of already there, but we can make it a whole lot better. It is much more difficult when it gets to the tactical element.

[20] **Edwina Hart:** On the national transport plan, it is like the discussions that we have already had in the Chamber about the metro and the M4. How you then embed all of those principles into all of that to get a strategic plan that deals with the whole is very difficult. I would not pretend that we had the answers to this. The only fact is, following Jeff Cuthbert's question, that we are trying to do it on that level, but I think that the illustration you gave is absolutely correct. Sometimes we would want a project, and we would think twice about the project because of its impact, but the impact of it going elsewhere would actually endanger the global environment far more than if we managed that very difficult project within Wales.

[21] I think that these are some of the questions that we are set to answer over the next few years as we develop the policy. It will be very interesting, when the scrutiny comes out of the committee, to see where the committee might make useful suggestions on what could be areas of dilemma for Government and anybody who has to make decisions about investment.

[22] **William Graham:** I call Gwenda.

[23] **Gwenda Thomas:** My question is around equality and the Welsh language, and you have anticipated much of it. Could you possibly give an example of where your proposals were amended or changed as a result of their potential impact on people with the protected characteristics in the Equality Act 2010?

[24] **Edwina Hart:** The Equality Act is quite a difficult area in terms of how you can give positive examples. I think one of the best examples would probably be financial support for bus services for various individuals, for example, people with a disability who rely on public transport et cetera. So, I think we have made a positive impact in how we developed policy within that area.

[25] You also mentioned in your question the Welsh language and I think that my department, I have to say, although I should not blow my own trumpet or that of my officials, has actually been very good on language issues in terms of the work that we have undertaken. We have been very positive, I think. For example, the Teifi valley growth zone stuff has been extremely positive. We have put in money to help that agenda and we see it organically growing and being very important to us. As far as that is concerned, I think the fact that there was an interest in it by Assembly Members, and the fact that we decided to do some working parties, has changed the development of policy in those areas. What I think it has also done for me in terms of the Teifi growth zone, which I think is really interesting, is bring two local authorities together in quite a collective way, in terms of how they really see that area of Wales. I think there are some good examples for us to use in the future in that regard.

[26] On development, the language is the first language in that community, so business really should be done and undertaken in that language. I think that there has always been a

discussion about whether the language is a downside to the economy, and some businesses have said, 'Oh, we don't want all this', but at the end of the day, I always think that if you are bilingual, you might well be trilingual, and then the benefits of language come across.

[27] So, I think that we have done a good job on that, and I also think that we looked at the impact of the language very much on our approach to issues. I have actually protected spending in terms of the 27 recommendations that were made on the Teifi valley growth zone, and all our business services—because I protected some money for them—are also fully bilingual, and we intend to continue with that policy. However, I am reliant really on the individuals that gave advice on the original project to take it forward, and I am reliant on some very good officials in the department to actually understand the needs.

[28] So, the issues around sustainability, equality, the language and, of course, the other issue that underlies our budget, which is tackling poverty, are ones that we are actually looking at. Some of the poverty issues are quite interesting in Welsh-language areas as well, about what they do not attract in terms of business and how we have to make them more attractive. So, I think that we have done quite a rounded job, and I hope that in 12 months' time I will be able to give positive news on the development of those particular policies in that area.

[29] **Gwenda Thomas:** I think that that anticipated my question on the language very well.

[30] **Edwina Hart:** You mentioned the language before.

[31] **Gwenda Thomas:** Yes.

[32] **Mr Hunter:** On equality and diversity, one of the things that we have done in the last 18 months, since buying the airport, was an in-depth equality impact assessment on the capital works that have been taking place at the airport. That is really beneficial, and I have to say that the airport worked really well with our team. They have implemented many of the changes—in fact, pretty much all of the changes—that were recommended through the review. Actually, it was interesting that their marketing manager was saying to me that they are now in a position where they are so positive about this that they can use it as a marketing ploy, because they have changed the facilities, the toilets, access at the front, and it is better for visually-impaired people, along with a range of other things across the site. So, I think that that is very positive news, and, definitely, that implementation plan was directly changed as a result of the equality impact assessment.

[33] **Gwenda Thomas:** Thank you.

[34] **William Graham:** Good example. I would like to turn, if I may, to economy and science revenue reductions. Eluned is next.

[35] **Eluned Parrott:** Yes, I want to ask about the revenue reductions in this budget. Clearly, we have seen a net reduction of £27.4 million. Now, I recognise that £17.4 million of that is the consequential that was to do with the business rate reduction, but, clearly, above and beyond that is a further £10 million. You say that you have identified £16.5 million of savings. You talk about the review that you have undertaken, looking for efficiencies, to reprioritise and re-profile commitments. Can you therefore tell me, in terms of the prioritisation, what criteria you used to decide what the priority should be?

[36] **Edwina Hart:** Yes. We actually looked at some of the priorities for Government, particularly in what Government policies were, which is of course about employment and opportunities, and also about tackling poverty. What I have tried to do is to look at the

budgets that directly impact on where Government policy is and to try to ensure that I keep the funding streams within those particular areas. We do have good examples, I think, of savings—I think it was the public sector broadband, was it not?

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

[38] **Edwina Hart:** Do you want to give those examples of savings that we have done? What we have tried to do is to keep as key our delivery commitments that we have wanted to undertake: we need to support jobs and growth, and there is also the tackling poverty agenda. We kept performance in our minds and, where we have reduced budgets, we have tried not to reduce the ones that would so adversely affect those aspects. However, the reality is that it is a very difficult job to do, I have to say, Eluned, because everything is a priority. I would love to be able to do money in a whole range of areas, and we tried to narrow it down there. Also, before James comes in on that example, we looked for opportunities to maximise money, to get more in, and at how we could use structural funds more imaginatively, which I think is a big issue for us. If you look at some of the projects that we are discussing now, such as the metro and so on, we need to think about how we can use money imaginatively there, and for other transport schemes, and for other opportunities in terms of the JEREMIE fund and all things like that. However, we do have some good examples.

[39] **Mr Price:** All I was really going to say—and the Minister has really said it now—was that, in simple terms, what the Minister asked us to do was really to continue to deliver everything we were delivering and to try to deliver it with less money, and, largely, that is what we have done. So, you have things like maximising the intervention rate on European structural funds so that we get more out of Europe for every £1 we spend. On road maintenance, I think that we have taken out somewhere between £3 million and £4 million just by trying to have a different inspection regime. On public sector broadband aggregation we have taken out a couple of hundred thousand pounds per year.

13:15

[40] **Edwina Hart:** And Finance Wales.

[41] **Mr Price:** Yes, and on Finance Wales's running costs. We have taken out about £0.5 million per year.

[42] **Edwina Hart:** However, there is a wider issue on my budgets, which it might be helpful for the committee for me to address. We have been re-looking at transport budgets and we have a feeling, if you take the big projects out, that transport budgets are not running in the way in which we would like. I will give you the best example, which is Safe Routes in Communities. I do not feel that that has ever worked properly, so we are sorting our trunk roads out. Also, there are suggestions for schemes. You all write to me about noise mitigation and asking, 'Can we have a roundabout here, and do this?' There is a whole list. I write back to you and say, 'When the budget is available', or that it is in line. So, I now ask for the full list of things that everyone has been talking about over the years of what they have promised everybody. I would not say that it was easy to get the list, but we are getting there. If we really agree that these are the correct projects to do, I should publish that list and show that these are the projects that I am currently doing. I am going to say that there is a budget there and that we will work through those individually—whether it is across one year, two years, three years or four years—and then we will individually agree any additional ones and do the budget differently.

[43] Also, I have started to do an analysis of local authorities and the money that is going into them via the block grant, because they sometimes come to me and say that they

have a nice project. I would rather like to know that they have spent their money for transport on transport, and what they have spent it on. We have not done that historically. This morning, I was with Ieuan Wyn Jones, discussing another matter, and he asked me, 'How are things going?' I said, 'This transport budget—all of these projects', and he said, 'It was ever thus'. so, it has been a historical problem, but we are getting to grips with that now. I think that it gives certainty, because, when I write back to you, I would like to be able to say, 'Yes, it is on the list, I have published the list, and we are going to do it'. We all accept that, if there is an emergency, or if there is bad weather, we might then have to adjust the money in order to do things. I also think we can get better value out of the contracts that we run on road repairs, and we need to contest more, I think, some of the costs that are involved in some of this. When you look at the problems we are having problems on the A55 now, because of the poor contract on the private finance initiative—it was absolutely dire—. To do some of the work that we need to do, we really need to start to prioritise how that work is done. So, I hope that that gives you a feel for where we are, but it is very difficult to answer your specific question, because we have tried to focus on those key areas. However, the proof will be when you ask me questions when the budget is in, will it not?

[44] **Eluned Parrott:** Very well, Minister. Thank you for that information, it is very interesting, but we want to come to transport later and I asked you specifically about the economy and science budget and the revenue reductions in that. I was not talking about capital and I was not talking about transport. What I am interested in really, as I said, is which specific services and which specific programmes have been most affected. James, in your answer, you spoke about looking for efficiencies and ways of delivering all of the priorities with less money. The cynic in me would ask why you were not doing that before in any case so that you could spread your canvas more effectively with the money that you had previously.

[45] However, if I can look at impact and performance, what you have not really spoken about in those criteria—you talked about the criteria being based on the priorities laid out in the programme for government—is how you assess the performance of individual interventions against measures, for example, of value for money or whether or not they are actually delivering on the priorities that you anticipated. Can you tell us how you have been assessing those and whether any projects or programmes were cut as a result of the fact that they simply were not delivering the outcomes that you had expected them to?

[46] **Edwina Hart:** Yes, we have obviously looked at individual projects. If you take the Wales economic growth fund, we had a review of that after the first stage, and we amended what we wanted to do by the time we got to the second stage. The Wales economic growth fund currently has no money, as you will see, in the next lot of provision, simply because of the cuts—not because it was not a programme that we thought worked well, because we could see the number of jobs et cetera in it, but because of the availability of cash. We felt that, if we had a programme that we thought we had to do in that area, we would have to go back to the centre and say what businesses we wanted to support within it. Obviously, across my portfolio there are other budgets that we have looked at, in terms of the fact that they have performed well, on the innovation side of the house. However, we will look now to try to get other private sector funding to help us with that, and not use our own budgets. In terms of specific programmes, we have streamlined a lot of programmes, James, have we not? Do you want to go through some of the issues, Rob, where we have streamlined?

[47] **Mr Hunter:** There were a lot of questions there, so I will try to address them. You asked where the money came from. If you take the biggest reduction, as the Minister said, it came through innovation and entrepreneurship. So, those were the two areas. One is a re-profiling of EU expenditure on the entrepreneurship side. That will not make any difference

to the overall size and scale of the project itself over its lifetime. The innovation one is slightly different. What we are going to do is to look at some of those projects to see whether we can get them private sector matched, rather than Government matched. So, once again, it is about trying to deliver the same for less, if we possibly can.

[48] In terms of driving out efficiencies constantly, it is a surprise from where I am sitting that, when you look at a budget, you can constantly find things that you can deliver savings on. It does not mean that, in the past, we have just thrown money at things; things change. For example, on public sector broadband aggregation, we came to a natural break point in the contract. We have re-let the contract and we have managed to get a better price due to competition and also changes in the technology. So, as the technology moves forward we will have those savings, and we are absolutely over the moon to receive them.

[49] On the under-performing projects point that you raised, there are a number of issues. If I take one project that is under-performing, because it basically has not spent the money that was allocated to it, that is the legacy single investment fund. Every year, we do take money out of that and we recycle it into the sectors. The reason for that is because, years ago, when that fund was operating, businesses were given these long open-ended grants, which were basically given months or maybe even years before they took the offers up. That led to a position where we still had them on the book—they were still in the budget—but they were not being used. Quite often, when we have gone through that and we have challenged those directly with the companies, we have offered them different interventions. For example, some companies were given WEGF support, which is a different intervention, and the legacy SIF was cancelled. That money has been recycled back into the overall pot. That was a fund that delivered jobs and growth, but not necessarily at the pace we wanted. We have tidied up the grant offer terms to make sure that we have a much more defined scope for when those things come to an end.

[50] As the Minister said, it is really important to recognise that we will sometimes reallocate funding because projects over-perform. We think, 'Right, we're getting enough from that one, so we'll move the money somewhere else', or we have simply got a better price from the contractor. In the last six months, we have had rail projects that have come in under target, which is fantastic, and then we can reallocate that funding into other schemes.

[51] **Jeff Cuthbert:** James, you mentioned maximising the structural funds intervention rates, and I asked a similar question this morning to the Minister for Education and Skills. So, are you able to send us—it does not have to be now—some more details of how that has been able to assist in your spending? Also, it would be good for us to know the level of co-operation that you have with the European Commission at times like this.

[52] **Edwina Hart:** We can do a note, but we did have that start-up thing, where we were able to negotiate higher intervention rates, did we not, Rob? That helped us as well in terms of the European funding with a project, and it freed up our own domestic budget then to do more work in terms of our portfolio. However, we would be happy to look for examples. Obviously, our main relationships are with the Welsh European Funding Office in those terms, and I would say about WEFO that I am sure that it does an excellent job, but it is more risk-averse than perhaps the Minister sitting here in terms of how we would want to support projects. *[Laughter.]* Perhaps it is due to the fact that you are always worried about the Commission looking at you, but it can have an impact. Sometimes, we all have the same legal advice. I have legal advice and WEFO has the same legal advice; my interpretation would be, 'This is good', and WEFO's is sometimes more conservative, and that can lead to an awful lot of dialogue at official level to broker some agreement on some of the stuff that can maximise the benefit. I sometimes feel that I see more maximisation of benefit on the continent, which I think that we have to be aware of, but I have discussed all of these matters with the Minister concerned, Jane Hutt, because we are always trying to get

more money out of that particular strand. I would not want you to think that we were not exploring these areas, Chair.

[53] **William Graham:** Quite. Byron is next.

[54] **Byron Davies:** We have covered the point.

[55] **William Graham:** Fine. We are going to move on now to Keith on city regions.

[56] **Keith Davies:** You have mentioned the metro already. Is there anything in the budget for city regions? As we have the boards now, they might have some particular projects that they are really interested in and they might ask you for some money to support them. Where are we on the city regions?

[57] **Edwina Hart:** There are no separate budgets for the city regions. We obviously do the administration of the city regions; we just deal with that, so it is our departmental running costs and some of the local authorities, and, of course, the university in Cardiff is also picking up costs for running the secretariat. What we feel is that they are currently bringing forward their investment priorities rather like the metro and we have given money already to the metro in terms of the budget. Also, in south-west Wales, they have identified projects like the A40, which we will be giving anyway. So, what we try to do is streamline what they require, but they are not at the stage yet where they have finalised their development of projects. Jane Hutt has been particularly keen that they finalise what they think is required for European structural funds collectively within the regions.

[58] I have to say that I was quite concerned about the Swansea city region not getting to the level of dialogue that I require, hence why Sir Terry Matthews is there, and he will now be looking strategically at what main projects it needs to go to and where the sources of the funding are. Some of them will already be—. For instance, we will have the national transport plan delivered and, if they come through with some ideas for that, those might be incorporated in that. I am also very conscious that, when I talk about the city regions, I cannot ignore north and mid Wales either. It is very important that I have the same arrangements now with the north Wales economic board, which is chaired by Councillor Dilwyn Roberts, and the excellent work that is going on in the ministerial taskforce with Lesley Griffiths on electrification, as I have with the city regions. They need to be able to feel that they can feed into the mainstream budgets. However, that is not to say that they will not ever have a budget, because the city region structure is quite key on that.

[59] In terms of the city region structure, I think we are moving to the conclusions, in terms of Cardiff, that, if we do look at the metro scheme, is that for a not-for-profit organisation, does that require a board, and then will the city region board just feed into that work there on other areas? In south-west Wales, to be really honest, I will be waiting for the conclusions that emerge from Terry Matthews chairing that group in terms of how they want to see the governance arrangements. I do not think that these should be tied by apron strings to me, and, when you see the developments across the whole of the UK in terms of Manchester and across the whole of Europe, I think that we have to be quite clear that we perhaps have to have separate and different type of governance arrangements for the two city regions.

[60] **William Graham:** Minister, may I ask you about a timescale for identifying and prioritising transformative projects within the city regions?

[61] **Edwina Hart:** I have to say that that has been the question that Jane has been asking them, about what they are going to do in that regard. I think in Cardiff, because it is wedded to the metro, that is the key and that work will go ahead. In south and west Wales,

they have looked at smaller projects, tourism projects and everything, and obviously the A40 and so on. However, I do not feel that they really have their mind at ground about what they really need to do in terms of transformational projects. I think that we have the opportunity now in the next few weeks to deliver on that. I am fairly certain that they have on the other side of Wales, and I know that north Wales has on transformational projects, because it is obviously looking at the issues about rail specifically and making its case to the UK Government and everything. There seems to be more unity of purpose there, not that the four ones in the south-west do not get on all right and talk about things; it is a question of delving down.

[62] The one thing that they have agreed is that, unless they redevelop and rejuvenate Swansea successfully, the rest of the region will not follow. Now, this is a key issue and I think that there has to be more ambition on some of this. I know that money is tight, but, at the end of the day, you have to have a vision for what you want to kick-start that part of Wales. I know from discussions with the leader of Pembrokeshire, Carmarthenshire and others that they want Swansea to say what they are going to do to regenerate that area so that we can kick-start the rest. There is a very low population base for the city region of Swansea, so, unless we get that Swansea Neath Port Talbot bay bit right, we are not going to get the rest of it right. They are talking, obviously, and a lot of them individually are very supportive of the tidal lagoon project, but it has already been put to me that, given the nature of Swansea Bay, there may be a lack of ambition with that project, and perhaps there could be more ambitious projects in terms of developing energy within south-west Wales. So, these are the issues that they are going to have to conclude on fairly swiftly in order to have the programme terms available so that we can then look at how we can finance it.

13:30

[63] The other issue is: do we look for private finance? Do we look for sovereign growth funds for these large projects that might be required? Let us look outside of the box and look outside the EU and the public sector and consider whether there is anything else that we can do to generate something. That is why I am very hopeful that, with Sir Terry taking the lead, it will enable us to have these types of discussions. Cardiff can get money relatively easily. It is a very different region in terms of money and resource, is it not?

[64] **William Graham:** That leads us quite neatly into enterprise zones.

[65] **Joyce Watson:** Good afternoon, Minister. Enterprise zones have been set up and have been running for some time, quite successfully in some cases—in most cases, actually. Which of the enterprise zones are seeing the greatest business and investment activity and how has that helped to inform your budget allocations for those zones in 2015-16?

[66] **Edwina Hart:** In terms of the enterprise zones, they are very much like the city regions. They are integral to how we do the rest of our budgets. For instance, if you take the airport and the enterprise zone there, we are funding improvements in road structure there from the transport budget, because it identified transport as being a priority. Probably the most successful zone, in investment activity, has been Cardiff, in terms of financial and professional services. It also has the longest pipeline of possible projects within that area that will help to deal with things.

[67] It is also important to recognise—. I could say immediately that Ynys Môn is an absolute success as an enterprise zone, because I have Hitachi there and all of those jobs, but that would be false in many ways. We are very fortunate to have had the Hitachi project and that it is in Ynys Môn, but there are a lot of other issues that the enterprise zone in Ynys Môn has to look at. That is underlying what is happening with Hitachi, because Hitachi is such a big project, which impacts across all of the north Wales enterprise zones

into supply chains all across Wales. So, even though you can say that it is a success, underlying it, there are issues that we need to deal with. With the enterprise zone there, I think that the communication that we are now having with the port is particularly important, as are the developments that are likely to take place. However, that also applies, dare I say, down in the Haven. That was extremely well led; it has had good relationships and a lot of small businesses are very pleased with the way that it is working. You can see its success in terms of how it took up the business rate stuff so well. It is now also starting to have an engagement with the port, which I think is valid. It is good news today that I have had an informal letter, indicating that it would like an observer from the enterprise zone on the port board in Milford Haven, which I think will consolidate arrangements. However, they are looking at what more they can do within that area.

[68] So, all of these zones are in a different place. Deeside is an example of a zone that we put there because we knew that it would be successful. The easy answer is—I think that this came up in evidence to you from the enterprise zone chairs last week—that I could have made very easy decisions on enterprise zones, including Newport and others, and some of my chairs would probably have liked me to have made those, but the answer was that you had to have a mixture, where some are successful and some are not. Blaenau Gwent is very dependent on the racetrack project to kick-start it. We have been able to support it as well as we can, but when you support it, you are criticised that you are supporting something that seems to be so risky, but in some of those areas where there have not been employment opportunities and there has been a lot of site clearing, you have to take a risk on a project.

[69] So, the reality is that they all have different strategies; they are all based on a sectoral approach, in the main, so they have to link well with the sectors. What we are trying to do is not have rivalry between them, but co-operation. That is illustrated by the fact that John Idris Jones sits on Ynys Môn enterprise zone and chairs Snowdonia's enterprise zone, which shows the type of collaboration that you can have. So, we do not want to put a ceiling on any of their ambitions and we will fund what we can. In fact, I have been discussing this morning what more we need to do to attract financial and professional services, what greater presence we need in London and the type of people we need to attract businesses, using a lot more Welsh people who work elsewhere in the world to talk about our case, like the Scots have done. I think that we will try to do a lot on that.

[70] I try not to double-guess what the private sector is asking me. Having met my chairs, you can understand that they all have their own opinions on what we should be doing in Government and I do not want them to feel that I am going to take a very centralist, Stalinist approach to how they should behave and operate. I think that they are best led by those who are in the private sector. I take direct advice from businesspeople about how to take things forward. I cannot say that it is all correct, because I know that there are concerns about key performance indicators and all of these issues, but I think that the right way forward is to consult with them, because they have certain views on this issue, which I respect.

[71] **Joyce Watson:** Thank you for that. Minister, I understand that a report on the performance and outputs associated with enterprise zones will be published at the end of this financial year. Will that report provide details of Welsh Government expenditure in each zone as well as information on the performance and outputs associated with each individual zone?

[72] **Edwina Hart:** I think that we need to—. We are providing the overall data rather than data for the individual zones. That is not just my view, but also that of my chairs from the enterprise zones, who recognise that there are different starting points. We do not want competition between zones and we do not want to put off investors, either, in any shape or

form. So, we keep that position under review. On what projects have been done and what money has been spent in those zones, if you would like to see what has been done and the overall position of what we have already spent in those areas and its impact on the zones, and I can get a useful paper to you, Chair, I am more than happy to do so.

[73] **William Graham:** Thank you, Minister.

[74] **Edwina Hart:** We will probably have to caveat quite a bit of it as well.

[75] **Keith Davies:** I have just one question, because we interviewed the chairs of the panels. Is there a link between the panels and the enterprise zones?

[76] **Edwina Hart:** Yes. The panels give the direction of travel in some of the enterprise zones, especially if you look at advanced manufacturing, and the chairs are the same, which has been quite important, and particularly in terms of life science. If you look at that sector panel, that is what, effectively, created the life sciences hub. That leads us to a discussion about the role of the sector panel. In terms of financial and professional services, which is an issue that I think Eluned Parrott always raises, about the groups that are in Cardiff, where is the link between the city region, the sector panel and the whole issue around who is on the enterprise zone board? So, I will be making some decisions about a couple of these sector panels and links to enterprise zones in the next few months, because I think that I need to have a slightly different approach, as things have emerged. In terms of Cardiff, I have all of these other interests, such as Cardiff business and all of that. I need a more rounded group, perhaps, that is more representative. They need the enterprise zones as their flagship, but what underlying work do they do?

[77] Some of the problems with the underlying work has been in the economic development departments of local authorities, because there is an issue that, as local authorities have had cuts, they do not have the resources that they used to have. Sometimes, however, they like to hang on to economic development, rather than doing a referral upwards and perhaps we have not been doing a referral downwards. So, we have been trying to work on a protocol—with some local authorities, it is easier than with others—so that we can see all of those linkages between the sector panels and the enterprise zones and how they also fit in to local economic development activity. You always raise the creative issue with me, Keith, because you have a big creative block down there, have you not? A very successful company there has very successful companies that it owns abroad, which are probably larger than it. Should we consider these things?

[78] We also have a good relationship with Carmarthenshire. We understand that, if somebody is interested in coming here, we can go to talk to Carmarthenshire because we know that the expertise is there. So, these are quite difficult areas. It is not actually about budgets; it is sometimes about having good relationships.

[79] **William Graham:** Rhun is next, on tourism.

[80] **Rhun ap Iorwerth:** Minister, you know that this committee took evidence suggesting that, in the view of some people, the target of growing Welsh tourism by 10% by 2020 was not ambitious enough. In that context, perhaps, with that as background, to what extent has the decision to cut the revenue budget for tourism being linked to the fact that you are on track and are actually exceeding your target on reaching that 10% growth?

[81] **Edwina Hart:** I acknowledge that there has been a real-terms reduction in the budget, so we have had to float money back and forth between budgets. I think it has been a case of looking at what we were spending our money on and seeing whether we could get more value out of it and dealing with it in that manner.

[82] There is a long discussion going on about how you best market Wales as part of this discussion. Are we too hidebound to use agencies to do work for us, which I do not think is necessarily value for money? Are we too attracted to doing the big advertising campaigns that were successful years ago, or should we go far more to the new media that exist and do more of that, which is cheaper and reaches more people? So, we have looked at all of this, in the round, and we do feel that, in terms of the budget, we have got to a level that we think is acceptable and can still deliver growth, but that does not mean that we do not want to deliver more growth. Underlying that, we are now looking at what resources we can allocate to new developments.

[83] I have been exploring the whole issue of: if you find someone who is very popular on social media and they like Wales—some of these people have thousands and thousands of people following them—what if they were interested, for instance, in visiting the slate quarries, going up and down the attractions that are up there? Would it not be easier to ask them to put something online for us, to see how many people follow them? It would probably get us more publicity with the appropriate age group. So, we are starting to explore things like that. Should I do something on YouTube, in terms of two-minute slots about things that I do and more linkages. All of this is part of an underlying discussion. It does not answer your question about budgets, but it is to see how we can make our budget go further.

[84] In terms of what we looked at in total, we have identified another three key markets: Ireland—I think that we are mad not to be doing more with Ireland; we have our discussions, of course, with the Irish Government—Germany and the USA. Dylan Thomas has upped the profile, I think, in the USA—we have an office in the USA—and Germany actually likes Wales. The Germans, when they come to Holyhead on cruise ships, love it.

[85] **Rhun ap Iorwerth:** Of course they did.

[86] **Edwina Hart:** Did you know that what they loved most was a little thing that we did on all of this? We marketed directly into TUI. Certain types of people come on cruises, so I asked, ‘Why don’t we get German speakers to go out and about with them?’ If you are on holiday you might want to ask about simple things, such as, ‘Where do I go to the pharmacy? How can I ask for the following?’ Everybody said, ‘We can’t get German speakers’, so we did an advert and lots of people volunteered to come to help the cruise ships. So, there is growth potential all across the place. They were happy to be hosts for Wales; they were happy just to pick up their expenses and have a meal on-board ship. We have had the best feedback that we have ever had, I would say, from that group of tourists. It has now encouraged TUI to look at that market. I think that we can do a lot more like that. I also think, in terms of our budget, that we put a lot of stuff on our advertising, but we might be better just concentrating on some of the tour operators from China and Japan, to see if we can get them. So, in real terms, we have cut the budget, but I think that we are doing more within it.

[87] **Rhun ap Iorwerth:** Just to clarify, if there is no direct linkage between being on target towards 2020 and the cut in revenue, are you still happy, as I think you have said on record, to consider upping that target again? That is not going to be constrained by budgets.

[88] **Edwina Hart:** No.

[89] **Rhun ap Iorwerth:** On the tourism investment support scheme, I know that we, as a committee, have been up to Blaenau Ffestiniog and had a taste of how some of the money was spent, which was very good. What assessment has been made of the value for money that you are getting out of that investment, not in Blaenau Ffestiniog specifically?

[90] **Edwina Hart:** Across the piece, every project is appraised and challenged in terms of value for money. However, we do feel that we get a better value for money, really, out of big projects, like Zip World; Surf Snowdonia has been another excellent project, as has the Royal Mint visitor centre in terms of the expenditure and so forth. We get better value in terms of that funding in terms of more visitors and strategy. So, we are looking at TISS in terms of what we should support. We have earmarked £2 million for 2015-16, but some of the small projects, even though they have been good for small businesses, have not given us the volume in terms of what we could achieve with tourism numbers. I think that that is an issue for us, because we have to look at the average cost per job, which is—

[91] **Mr Price:** It is between £7,000 and £10,000.

[92] **Edwina Hart:** Yes, it is between £7,000 and £10,000. We had a target, which we nearly reached. Was it 200 jobs?

[93] **Mr Price:** It was more than that.

[94] **Mr Hunter:** I think that we reached around 200. We have reached the target almost at the half-year point. So, we are well on track.

[95] **Mr Price:** There is another important point with TISS and our other support schemes for business, which is often kind of missed; people look at the tourism budget but they forget that tourism is just one division, if you like, within the support for Welsh business within the department. So, tourism can access other budgets, and that has happened on a number of occasions. They are not all tagged as tourism expenditure. A good example of that would be if a really big project, such as Zip World, came along and was not constrained by the budget that is in TISS. We would look right across all the other portfolios. We have done that before.

13:45

[96] **Edwina Hart:** We did it with the Royal Mint.

[97] **Mr Price:** I do not think that came out of the TISS budget.

[98] **Edwina Hart:** It did not. I think it was £2 million-odd, which came out of other budgets. I think there is a mystique about tourism, because it is Visit Wales. It is only Visit Wales because it is VisitBritain and VisitScotland. They are actually civil servants who work in a wider department and can generate cash from other areas. I think part of the problem about marketing tourism is because marketing is in that group, it actually has a wider responsibility. So, it is rather, I think, like CyMAL and Cadw. What do they need?

[99] **Rhun ap Iorwerth:** Just before we move on, I think you have answered it, but I just want to confirm that TISS is the entirety of the tourism capital pot. I think the capital is £2 million and you said that your—

[100] **Mr Price:** I think it is the entirety of the allocated capital pot.

[101] **Edwina Hart:** In that part of the budget.

[102] **Mr Price:** But in terms of spend on tourism-related activity, I suspect that it is far higher than that, because of other capital expenditure that will go on across the piece.

[103] **Edwina Hart:** Would you like us to do a little list of some of the projects that we

might have supported that are tourism related, which would actually show what has come from TISS and what has come from other budgets, to give an indication of how it works across the department?

[104] **Rhun ap Iorwerth:** Yes, and just confirmation that TISS is basically in budget lines the same as—

[105] **Edwina Hart:** Yes, it is within budget lines, but, you know, I could use £2 million on tourism in about a month, probably. You know, other bits come in on it. So, it might be helpful for you to have a little list.

[106] **Mr Price:** The convention centre discussions are a very good example.

[107] **Edwina Hart:** Oh, yes. The convention centre discussions that are going on, which everybody is aware of, for the Celtic Manor, are a fine example. You could never expect that £2 million for tourism to do anything like what we are hoping to do on a convention centre in Celtic Manor. So, we would use other budgets and other lines and other ways of dealing with it, possibly to support that convention centre. We have done the first and second stage, and we are moving into the third now, and there are very positive proposals in Newport for the development of that conference centre.

[108] **William Graham:** Thank you very much. I just remind Members that we have another 12 broad sections to look at. We are doing reasonably well for time—

[109] **Edwina Hart:** I will stop talking. *[Laughter.]*

[110] **William Graham:** Mick is next on major events.

[111] **Mick Antoniw:** I have a very short question. There is a slight reduction in the moneys available for major events. There have been quite a number of high-profile, successful sporting and cultural events and quite a number have prepared for the future as well. What are your views in terms of the adequacy of the budget in terms of competing to obtain and then the carrying out of our future events, and is there an analysis of the value for money in terms of the return?

[112] **Edwina Hart:** The value for money issues are things that we do look at in detail, and I am sure that Rob will cover those. One of the issues on major events is to support events all across Wales, which I think is important. I will arrange for Members, Chair, to have a list of all the major events that we have supported across Wales, to give an indication of the spread that we have in terms of major events. When I look at it from Swansea, I sometimes think it is a bit Cardiff-centric, so I do not know what other people think. So, it is important to note where we are supporting them. I think that that would be quite helpful. Obviously, some of the events that we might be doing in the future I will not be able to share with you, because they have not been finalised, but I will certainly share the historic ones.

[113] We looked at our commitment in terms of the budget, did we not, and we felt that we could manage within the levels that were there? We are trying to encourage more partnerships to get these events in, so that the burden does not necessarily always fall on Government. I think that is quite important from our point of view. In very real terms, some events would not take place, I do not think, without our support, but I do not think we can analyse that down to the detail that we would require yet, in terms of major events.

[114] We are compiling a whole look at 2014-15 and an information assessment. Do you want to say something about what they are currently doing in the department, Rob? We do

make them go to the ultimate level in terms of how many visitors we have had, who might not have come, and the spin-outs that come as a result. I know that people criticise the Wales Rally GB, but I have to say that the north Wales local authorities do not criticise the Wales Rally GB. They love it, and they do not criticise it because the big car manufacturers come. Toyota used its space, and so that actually cements our relationship with a major manufacturer, as they are actually helping us with that. So, it is not just the sheer numbers who come to see it; it is about your relationship with other companies, which might be delighted to be part of the supply chain or the sponsorship. Do you want to cover how we deal with it in the department, and how we have got to where we have got to?

[115] **Mr Hunter:** Yes, sure. The first point really is that every major event is fully evaluated, as are all of our projects. As part of that, they would go into some depth on the need for the funding. So, as the Minister said, I think, we are increasingly looking for partnerships, and we are looking to minimise our contribution while still attracting the actual event itself. That has driven out some of this saving, which is good.

[116] The other thing is that, by its nature, this is a little bit demand led. So, in some years, you will get quite a few events, while in other years, you might get fewer events, but that is something that works in cycles, so we would expect this budget to flex year on year, as the stuff sort of comes in and goes out.

[117] We also monitor post the event. All events have to submit a post-event report, which basically demonstrates what it is that has been achieved, the number of visitors, the spend and all of those sorts of things, as well as the impact on the economy. So, in the round, those things are always reviewed as well, prior to our actually going into another round of funding, either for individual events or for particular types of events.

[118] **Mr Price:** Just in terms of the metrics, it was looking at this yesterday, and it varies quite a lot year on year, depending on which particular events have come in and what we have supported. However, a budget of around about £4 million looks to have supported between £40 million and, in a really good year, £80 million to £100 million-worth of economic activity in Wales. So, in terms of the cost-benefit ratio, that actually looks really good.

[119] **William Graham:** Rhun, is your question on this point?

[120] **Rhun ap Iorwerth:** It is just a request for more information. Do you know whether that £80 million to £100 million means money spent by people coming to the events—

[121] **Mr Price:** Yes, there will be multipliers and various things in it, as well.

[122] **Rhun ap Iorwerth:** All I was going to ask was whether it is possible to have information on the added value to Welsh companies involved in the staging of major events.

[123] **Edwina Hart:** We could do some case studies on that.

[124] **Rhun ap Iorwerth:** I know of companies, and one in my constituency, for example, that really want to get involved in the staging of these major events. So, any information like that would be useful.

[125] **Edwina Hart:** Perhaps we will do some case studies, then, Chair, to illustrate those points quite fully in terms of what they look like.

[126] **William Graham:** That would be very helpful. Thank you, Minister. Okay. We

now move on to broadband with Jeff.

[127] **Jeff Cuthbert:** Yes, thank you. I will be asking about broadband, and then afterwards about science and innovation. There is clearly a link, but I will deal with them separately.

[128] Superfast Cymru was on the news today, on the radio, with people in, I think, Carmarthen, complaining about slow speeds and what have you. Are you confident that the money that you have allocated will see 96% of properties in Wales covered by 2016? I realise that you are in partnership with BT here and it is not just the Welsh Government, but I am sure that there is good communication. Finally, 4% will not be covered by Superfast Cymru, but there may be other technologies, such as mobile technologies. Are you confident that sufficient funds have been allocated to see that through, as well?

[129] **Edwina Hart:** Yes, well, in terms of the money, I am advised by my officials that 96% is a reality, and that the 4% will be covered, and we will have the financial coverage to deal with that 4%. There will always be some individuals within that 4% that I could not necessarily say, in some places—well, you can never say 100% that you are going to cover 100%, can you? We anticipate that we will do most of that 4%, but there may be waifs and strays in some very difficult areas. I always ask, when people say to me about difficult areas, ‘Well, how difficult is Switzerland and other places but they seem to get coverage?’ I was at a fjord in Norway and had a perfect signal in terms of undertaking stuff. So, we are satisfied, I think, about the money.

[130] We have had an internal value-for-money review, which we have found satisfactory. I think that the Wales Audit Office is now looking at issues on this. Rob actually manages the financial perspective of the project, so do you want to cover some points on this, Rob?

[131] **Mr Hunter:** Yes, sure. The 4% is an interesting target. We have to go for 96%, and one of the things that we found out during the roll-out was that there are actually quite a few premises—in fact, just under 46,000 premises—that have been missed, largely, by the commercial roll-out from BT. Now, they are missed for good reasons. Each of those cabinets may be next to an area where there is not sufficient demand, so it is not cost-effective for BT to roll them out. Now, if we were not to tackle that now, that 4% would grow quite dramatically, and we would end up with a very big percentage of non-covered things. What we have managed to do, however, is have a new project that we are working up at the moment, called ‘infill phase 1’. In this, we have been fortunate enough to get an additional £12 million of funding from Broadband Delivery for the UK towards it, and it is going to be European matched. The aim of that infill phase 1 is to basically cover off the footprint that was missed by the main roll-out and some of the footprint that has been missed as we have been moving through Wales on our roll-out.

[132] **Edwina Hart:** Cardiff, for instance.

[133] **Mr Hunter:** Yes, Cardiff, for example. You would not expect that certain areas in central Cardiff or certain areas in Swansea—

[134] **Edwina Hart:** People in Penylan are always asking me ‘Where’s ours?’

[135] **Mr Hunter:** There is a rationale and a reason for that, but at the end of the day, from our point of view, we do not want to leave those alone because it means that the 4% figure would grow dramatically.

[136] Those two projects, the superfast project, which is rolling out now, and the infill

project, are going to be working together, and they will finish at the same time. There will then be an infill phase 2, which, in effect, is the project that is going to be targeted at the remaining 4% at the end. The project itself—and it is interesting, because I am—

[137] **Jeff Cuthbert:** So, phase 2 is the 4%.

[138] **Mr Hunter:** Yes, and that will be started in 2016. We need to start it when these other two projects have finished, because, quite literally, the engineers have to walk up the street to see how far away the house is in order to work out what the missed percentages are. BT has been very good because it has provided new technological solutions, and it is developing new technological solutions even within the existing contract. That is not mobile. These are smaller cabinets that can be put up telegraph poles or on the sides of buildings and things. So, that reduces its cost for roll-out but also reduces our cost for roll-out. It means that we can reach further with the superfast broadband roll-out. The roll-out has already been delivered to 300,000 premises, so it has passed that figure of 300,000 premises.

[139] As a final point—sorry, but I get excited about this stuff—

[140] **Jeff Cuthbert:** No, that is all right.

[141] **Edwina Hart:** He probably does not have broadband at home. *[Laughter.]*

[142] **Mr Hunter:** I have now. I have superfast in Treherbert. So, the roll-out has passed the figure of 300,000 premises. One of the things that is hard to communicate to people is that this is a major infrastructure project. It is absolutely huge from a civil engineering point of view. If you spoke to people on the street, a lot of people would probably think that it involves just flicking a switch, changing the circuit board and then you suddenly have superfast broadband, but this is about laying fibre cables across some of the most difficult parts of the United Kingdom. So far, we have the biggest project in the United Kingdom, and I think that we are further ahead than any of the other roll-outs across the United Kingdom that are supported by BDUK.

[143] The Minister mentioned the audit point. We have the Wales Audit Office, but BDUK, which is managing all of the roll-out for the United Kingdom with projects similar to ours, has also undertaken an independent review in recent weeks. I think that the fieldwork finished last week. So, we should be getting feedback from it on how it thinks we are spending its money.

[144] **Edwina Hart:** I wonder whether it would be helpful to you as a committee, outside a formal meeting, to have a proper briefing about what is going on with broadband—just informally, as a group.

[145] **William Graham:** I think that that would be immensely helpful.

[146] **Edwina Hart:** They might share more outside this formal setting about what is going on and the reality of the situation, which may be very helpful to members of the committee.

[147] **William Graham:** Jeff Cuthbert, before I come to you again, Eluned, you had a quick point, as you were named?

[148] **Eluned Parrott:** Thank you, Chair. I will hang out the bunting myself, Minister, when the good people of Penylan have 2 MBps or above in broadband terms. However, one of the things that was identified, in terms of futureproofing the roll-out for individual areas,

is that where new housing estates are planned, they are not being taken into account in terms of the planning for broadband provision. For example, even though BT fits the infrastructure to enable there to be a phone service to these estates, it does not necessarily tell the people who are in charge of the superfast broadband to take that into account when they are assessing cabinets. Can you have a look at that issue, please?

[149] **Edwina Hart:** We would be delighted to pick up these points, because we have constant dialogue with them. You would think that someone would do that.

[150] **Eluned Parrott:** You would think so.

[151] **William Graham:** Jeff, you had a question on this.

[152] **Jeff Cuthbert:** Yes, indeed. I am happy to move on to science and innovation, but before I do that, I would certainly welcome the offer of a presentation on Superfast Cymru. I would like to see it linked in to the issue of digital exclusion, as well. I know that it is not the direct responsibility of your department, but I want to know how Communities 2.0 is joining in with this to make sure that people, at a time when the facility is there, are not, in effect, excluded from it, and that everyone is able to take advantage.

[153] Linked to that, ICT is clearly an important part of science and innovation, so I would like to ask the Minister about the national science academy and its hub, and how cost-effective she thinks it is in terms of promoting science and the STEM subjects generally: science, technology, engineering and mathematics. Also, how does she think the innovation budgets, revenue and capital, will be used to deliver her priorities?

14:00

[154] **Edwina Hart:** The Chief Scientific Adviser for Wales has instructed a full review of this area, which we are anticipating we will have quite soon, are we not?

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

[156] **Edwina Hart:** That will come forward to me because we want to know how wisely the money has been spent, what has been undertaken and what has been done. Obviously, the budget has enabled certain projects, it has enabled STEM-related activities, it has enabled some events to take place, and it has done stuff with the British Science Association and everything. So, it has gone quite well from the point of view of the work that it has undertaken, but the chief scientific adviser's view is that it needs to be reviewed because she thinks that there is room for improvement within that area in terms of how we spend our cash, which I think is fair.

[157] In terms of the wider agenda on innovation, we have been pleased with what we have done in terms of the past history of use of money for innovation—vouchers and everything—and people have been very grateful for the money that has come in there. We obviously have a budgetary issue, which we raised earlier, within that particular area about how we are trying to get more private sector partnerships to help us in terms of our budgets, because one of our budget lines has gone in that area. However, in terms of what we are doing on innovation, we have quite a lot going on with the open innovation with the anchor companies, which we support. We give grant support, and, of course, there is our work with the universities and companies. Cardiff University particularly is looking at semiconductor issues, and at a semiconductor centre as a part of that, and we are very supportive of all those areas.

[158] We have also done work with the Patent Office as well in terms of innovation, so

there is a lot of good work going on in terms of the budget. On the other hand, you could always require more money for this area, because there are always exciting projects that you could support, but we are limited by resource. So, I think, in terms of the availability of budgets, we are actually punching above our weight in terms of some of the projects that we have supported.

[159] **William Graham:** Thank you very much. Perhaps we could move on now to transport and particularly to local and national transport planning.

[160] **Yr Arglwydd Elis-Thomas:** Weinidog, fel defnyddiwr o drafnidiaeth gyhoeddus bron bob dydd o fy mywyd, mae gen i ddiddordeb enfawr, ar fy rhan fy hun yn ogystal ag ar ran fy etholwyr, yn yr anghenraid i gynllunio trafnidiaeth yn lleol ac yn genedlaethol cyn y gellir pennu blaenoriaethau cyllideb yn deg ac yn effeithiol. Mae gen i o fy mlaen y cynllun trafnidiaeth cenedlaethol, Mawrth 2010, o ddyddiau hapus a hyfryd Llywodraeth Cymru'n Un. Ble mae'r cynllun trafnidiaeth cenedlaethol a oedd i fod i ddod allan i ymgynghoriad cyn diwedd 2014, ac sydd i fod yn weithredol erbyn 1 Ebrill 2015?

Lord Elis-Thomas: Minister, as a user of public transport almost on a daily basis, I take a huge interest, from my own point of view as well as from that of my constituents, in the need to plan transport both locally and nationally before we can set budgetary priorities fairly and effectively. Before me, I have the national transport plan, dated March 2010, from the happy and wonderful days of the One Wales Government. Where is the national transport plan that was supposed to go out to consultation before the end of 2014, and was supposed to be implemented by 1 April 2015?

[161] **Edwina Hart:** Right. We are actually there. I have actually got the first draft of the national transport plan.

[162] **Lord Elis-Thomas:** Thank God for that. *[Laughter.]*

[163] **Edwina Hart:** I am now in the process of having amendments undertaken to it to strengthen it in certain key areas. I think that I need to strengthen it in relation to ports development and some of the other work that is being undertaken. So, we very much hope that this will be done quite quickly, James, and that it will be available to go out for consultation and implementation. We have a very strong focus on the evidence that we need for a new transport system in Wales. However, some of the national transport plan is dependent on other factors, too. One of the other factors is what is going to happen to rail. Am I going to have devolution of rail, and, if I have devolution of rail, how am I going to manage it and what am I going to do with it?

[164] **Lord Elis-Thomas:** Of course you will have it.

[165] **Edwina Hart:** That is particularly important if we are to get the services right, because we cannot carry on with the quality of the rolling stock that we have. I want to be in the position to know that, if I have rail, I can purchase decent rolling stock. I want to have control over the routes and I need to have control of the franchise arrangements. So, all this has an impact. Also, we need to identify the parts of Wales where we need to improve accessibility as part of this national transport plan. It is all very well saying that I can go from Gowerton to Swansea, or that you can nip on a bus from Llandaff down into Cardiff. We can do all these things in certain areas, but in other areas there is not the accessibility, and if we are to get people into education, training and work, we have to start to improve those. We looked in particular at identifying pinch points on road networks where we can do work quite quickly, and that is where we are in terms of the development of the plan. Of course, James is very active in all of this. Is there anything that you want to add, James? The proof will be when you read it, I suppose.

[166] **Mr Price:** The proof of the pudding will be in reading it and then in what comes out of it. What we have attempted to do this time is create more of a living framework, if you like, rather than a set-in-stone document, albeit that the document will have a whole series of schemes in it. We have tried to take on board some of the comments that have been made—and I have made them, too, but lots of other people have said that it is no good just looking at one part of the network and not taking into account a network-wide issue. We are, for instance, looking at commissioning a transport model for south-east Wales that would be fully integrated. I know that the Swansea area is also looking at doing something. Those two would integrate properly together. That is not the whole of Wales, but it would be a good start.

[167] For the rest of Wales, we have bought in data for things like Trafficmaster, which involves real-time global positioning system data. We have never had that before. We are building in traffic counts and looking at projections of population growth and at where key public services are going to be delivered. So, this is the first time, really, that any of that has been attempted in as holistic a way as possible. I do not think that this will be the end of the process; I think that this is the beginning of the start of having better transport planning in Wales.

[168] **Edwina Hart:** I have just received—and I will share this with the committee in due course—from the Public Policy Institute for Wales, a document on approaches to strategic transport planning, which I asked it to compile. So, it has done a very good exercise in looking at the issues of the effective strategic role, the lessons from others, the models and methods, and the use of new technology and data sources. We are working our way through this as a department, but I have no objection to circulating that for information to the committee, Chair. In addition to that, bus services are also particularly important in terms of what we do. We also commissioned work from it on the regulation of financing of bus services, which I also think would be of interest to the committee in terms of the issues that it raises. Of course, those are around alternative approaches and effective quality partnerships and what we need to do. Some of it does not make for very easy reading for us, although some of it makes for nice reading for us, but I will share these reports with the committee when we have gone through them in the department, because I think that they will help to facilitate any discussions that you might have on that particular agenda.

[169] **Yr Arglwydd Elis-Thomas:** Diolch yn fawr, Weinidog. Rwyf wedi cael cyfle i ddefnyddio gorsafoedd Tre-gŵyr a Llanelli yn ddiweddar. Mae angen mwy o barcio arnoch chi yn Nhre-gŵyr ac ni wn beth a wnewch chi i orsaf Llanelli, ond dyna'r math o *issues* y mae'n rhaid inni eu hwynebu. Fodd bynnag, yr hyn sydd o ddiddordeb inni fel pwyllgor yw beth yw'r berthynas rhwng y cynllun trafnidiaeth cenedlaethol a phroses y gyllideb? A gaf i ofyn ichi ba fath a pha faint o newidiadau yr ydych chi'n eu rhagweld yn y dyraniadau i'r gyllideb sy'n ymwneud â'r cynllun trafnidiaeth ar ôl i'r cynllun gael ei benderfynu? Yr anhawster yn y fan hon yw eich bod yn dechrau ar ddull neu ar gynllun newydd yng nghanol blwyddyn gyllidol, neu ar ddechrau'r flwyddyn gyllidol ym mis Ebrill 2015, pan fydd y gwaith o baratoi'r gyllideb wedi cael ei wneud. Rwy'n sylwi, er

Lord Elis-Thomas: Thank you, Minister. I have had an opportunity to use Gowerton and Llanelli stations recently. You need more parking in Gowerton and I do not know what you are going to do with Llanelli station, but these are the kinds of issues that we have to face. However, what is of interest to us as a committee is what is the relationship between the national transport plan and the budgetary process? May I ask you what kind of changes and what scale of changes you anticipate in the allocations for the budget related to the national transport plan once the plan has been finalised? The difficulty here is that you are starting a new method or new plan in the middle of a financial year, or at the start of a new financial year in April 2015, when the work of preparing the budget will have been done. I note, for example, that

enghraifft, fod cyfeiriad yn parhau i fod yn y gyllideb at gynlluniau rhanbarthol a fydd wedi diflannu erbyn 2015. Onid oes modd inni gael gwell polisi, gwell cynllunio a gwell cysylltiad rhwng polisi a chyllideb? Rwy'n gwybod eich bod yn mynd i ddweud 'oes'.

there continues to be a reference in the budget to regional plans, which will have disappeared by 2015. Is there no means by which we could get better policy, better planning and better connectivity between policy and budget? I know that you are going to say 'yes'.

[170] **Edwina Hart:** No, I will begin with an apology, because that comment on the RTPs should not have been put in, so that is a clerical error. I do not want to prejudge the outcome of any consultation on the strategy because, in the short term, you are quite correct, and there will be contractual obligations that I will have to fulfil, even if I am changing the policy, such as agreements, particularly on franchises and concessionary fares, and schemes that are in the process of delivery, particularly roads et cetera. I will not be able to change those even if I want to be more strategic about the policy agenda. I actually agree with you that I think I need to have the policy, and the budget needs to follow that policy. I think that that is quite important in the development. What I have outlined before, even on simple things, is that, if I am telling people that they are having noise mitigation, or that they are having a roundabout, everything I need to do needs to follow then, budget wise, so that I do it. I would not say that I would do it in 12 months, but over a period of time. That is what I think we have not got right, in terms of budgeting on transport. James, do you want to comment on Dafydd Elis-Thomas's point?

[171] **Mr Price:** Yes. I do not want to second-guess the outcome of the consultation or the document that goes out to consultation, because the Minister is still looking at it. However, in the current draft, what we are looking at doing is—apart from the things that have already been announced with specific dates for things—having a phased approach. So, you would say that the most important phase is phase 1, then you would have phase 2 and then phase 3, which would allow flexibility in delivery, depending on the amount of budget that comes in. I think that the view of the team—and this may not survive the process—is that it is unfair to the public and not a very smart thing to do to provide specific dates on specific schemes. We might be sending these out now when, frankly, we do not have a detailed cost estimate and we do not exactly know what our budgets are going to be. However, as the Minister said, that does not stop us having a prioritised programme and then trying to minimise the cost of all of them and working through them as quickly as possible in the order as prioritised.

[172] **Edwina Hart:** Like now, when we talk about rail projects in particular, we have a budgetary figure, but, if you are not starting work for four to five years, that budgetary figure is almost meaningless in the context of any discussion. When you look at some of the issues around electrification, and all these other issues, we know that the costs are going upwards exponentially, and will have to be controlled, not just by us, if we are involved, but by the UK Government, as well.

[173] I think that it is wrong that, when you promise people a bypass and it is going to cost so much money, and then you are so late delivering it that money becomes irrelevant, does it not, James?

[174] **Mr Price:** Absolutely.

[175] **Edwina Hart:** The promise, I think, is then absolutely meaningless.

[176] **Mr Price:** We talk about schemes in 2013 prices, and people then assume that that is what it is going to cost, but by the time you go to deliver it in 2025, it is completely different.

[177] The other thing is that I think that there was false accuracy. If we go back before the national transport plan, we had the trunk road forward programme, if anyone can remember that. That used to talk about projects. It confused me when I was first running transport, as we used to talk about projects that would start after a certain date, and I used to say to people, ‘Well, when?’, and they would say, ‘Oh, it will start after that date’, and I would say, ‘That is not much of a commitment, then, is it?’ *[Laughter.]*

[178] **Lord Elis-Thomas:** Thank you. I am not going to ask any more, because I would only ask about roundabouts and the A470. *[Laughter.]*

[179] **Edwina Hart:** I think that this is where the difficulty is, and that is why we commissioned the work on approaches to strategic transport planning, because we did not think that it was necessarily that transparent. To be honest, I was fed up of writing letters to you and thinking, ‘Is it going to be true, or will I not be here to have to answer for it after I have written the letter in terms of the delivery of it?’ I think that it is much easier to be honest about it and say, ‘This is what we would like to do and we will try to do it within these timescales’.

[180] **William Graham:** We have 45 minutes left, so we will just try to get in all that we possibly can. We move on now to highway investments and Rhun.

[181] **Rhun ap Iorwerth:** I think that it would probably be worth having on record, because there is an important element of spending on roads for local government, the decision not to proceed with the local government borrowing initiative after next year. What will the outcome of that be in terms of its use in the past as a preventative spend?

[182] **Edwina Hart:** We have had a lot of discussions internally about some of these issues on the local government borrowing initiative, and we have not necessarily been satisfied that it has delivered what it was required to deliver, so James has been taking the lead at official level.

[183] **Mr Price:** On the local government borrowing initiative, I will tell you what it was intended to do and then what it seems to have done. It was intended to allow local government to use its borrowing powers, underwritten by Welsh Government revenue, to unlock particular pinch points on local transport networks. The majority of what has happened with that money is that it has been used for resurfacing and regular maintenance of local authorities’ roads, which is a local authority responsibility anyway. So, it has done a job, in terms of bringing roads up to a good standard, and it has been evaluated, actually, and it shows value for money. However, in terms of delivering a real impact in connectivity, we do not feel that it has done that, and our conclusion, on reviewing it, is that it would be much better to be specific in terms of the interventions that we wanted to see happen to benefit the people of Wales, than simply to push cash through the system, basically.

[184] **Edwina Hart:** Yes. That is a nice way of putting it, James.

[185] **Rhun ap Iorwerth:** That is quite clear, actually.

14:15

[186] So, it might have had positive outcomes, but not the outcome—

[187] **Edwina Hart:** That we required for it and was originally envisaged.

[188] **Mr Price:** That was because of lack of control. There was nothing wrong—. It was designed in that way. So, local authorities had to decide where they wanted to spend, which was their responsibility.

[189] **Rhun ap Iorwerth:** So, there will be no further help for councils with that side of resurfacing, because—

[190] **Edwina Hart:** The whole point is that they do have money through the local government settlement.

[191] **Rhun ap Iorwerth:** Can we move on to the M4? We will not spend ages on it. We could, but we will not. Could you just explain to us how the draft budget provides for the development, specifically, of the M4 corridor enhancement measures because we know that nearly £7 million has already been spent on developing the route? Where is it in the budget?

[192] **Edwina Hart:** I will check the notes that have been drafted by lawyers on the M4. A £7 million allocation has been made for the preparatory work on the M4 corridor across Newport in 2015 to 2016. These costs are allocated within the transport capital budgets.

[193] **Rhun ap Iorwerth:** Okay. Does that include elements such as provision for fighting legal challenges and so on?

[194] **Edwina Hart:** Those are separate budgets. We think that is a separate—we will check.

[195] **Rhun ap Iorwerth:** Where would we find that number?

[196] **Edwina Hart:** That would probably be central services and not within my budget. We will check on that for you.

[197] **Rhun ap Iorwerth:** Okay. Are there any other additional costs in other pots associated with the development?

[198] **Edwina Hart:** Not that I am aware of. I can assure you, Chair, that, if I have not answered accurately on that matter, I will write to you.

[199] **William Graham:** Quite so.

[200] **Rhun ap Iorwerth:** In terms of looking ahead, and the assessment of the affordability of committing to such a major spend of £1 billion—even though you are using smaller figures now, that is still an official Government figure in the M4 plan—what is your assessment now, considering the tightness of the budget for 2015-16, of the affordability of committing to such a big spend?

[201] **Edwina Hart:** I think that the way that life works in Government is sometimes unfortunate in terms of budgets, et cetera, if we are absolutely honest. We have to make assumptions, I think, for future budgets and affordability at this stage. That is the case with any long-term project that we have to undertake and, of course, future years' budgets have not yet been determined even though we have agreed in principle about this particular project. The cost estimates that are currently in the public domain are only indicative. We just know that, if this project is to proceed after it has been through everything, we have to try to keep costs to the minimum, so we will have to look at how this is contracted for, to maximise value for money. That is an honest answer about where we are in terms of the M4.

[202] **Rhun ap Iorwerth:** In terms of the work done to assess the affordability of using the borrowing powers as a vehicle, for example, where are we on that?

[203] **Edwina Hart:** That will be a matter for the Minister for finance.

[204] **Rhun ap Iorwerth:** Okay. I am happy, Chair.

[205] **William Graham:** Thank you very much. Perhaps we could pass on to public transport and Eluned.

[206] **Eluned Parrott:** Thank you. I wanted to ask, if I may, about rail services and infrastructure. Notwithstanding the fact that rail infrastructure is not under your purview, you have got a £31.9 million capital funding allowance for rail investment projects. Can you tell me how you have gone about prioritising that investment and making sure that those represent good value for money?

[207] **Edwina Hart:** Yes, I think we have had a look across the piece about what people have requested, what is required in terms of travel times, and how we can actually help the economy. In terms of the capital rail schemes, which I think that you are talking about in real terms, we have had to look at the north to south route in terms of increasing the journey times. Another key thing has been the Ebbw Vale town station and the speed enhancements around that project, which I also think are important in terms of connectivity, getting people to employment and everything. We looked at the frequency of Maesteg services, because there has been an issue there, and we have also had to look at programmes that—. What are they called?

[208] **Mr Price:** Access for All, is it not?

[209] **Edwina Hart:** Yes, Access for All programmes in various places. We are also doing major work, of course, and Port Talbot station is a part of that and, of course, in due course in Llanelli, which has been raised before. There are also station improvements on the Cardiff to Merthyr line. We have had a lot of problems with the work that has been undertaken by Network Rail in Cardiff, have we not, in terms of what has happened on the network? We have had tremendous issues.

[210] **Mr Price:** It has been described to us as being poorly planned, poorly implemented and then it does not work. There was an element of that, actually, this morning with the London to Paddington stuff that was going on overnight.

[211] Just to comment on how we plan rail, it is more difficult than planning roads or bus activity, because it is not fully within—

[212] **Edwina Hart:** But there has been a massive 50% or so increase in rail passengers in the last 10 years, which proves that we must be doing something right in terms of supporting rail services.

[213] **Mr Price:** Yes. I was just going to say, Minister, that it is not fully within our power, because of the lack of devolution over infrastructure. So, what we have really is a category of things—. We have a list of things that we want to do and then, whenever Network Rail is doing some work in an area, we try to piggyback on that work, because it brings the costs down. In parallel with that, the station improvements stuff, in particular, is driven more directly by what we want to see happen in the priority order that we want to see it happening.

[214] **Mr Hunter:** On the £31.9 million, in addition to that, definitely the Ebbw Vale

town station and line-speed enhancements and the station improvement programmes are all European-funded projects as well. So, the actual size of that budget is considerably bigger.

[215] **Eluned Parrott:** So, just in terms of the reprioritisation of the transport plan, you give a delivery year for a number of projects in terms of access in your paper. Are those correct and not likely to change?

[216] **Edwina Hart:** Yes, they are correct at the moment.

[217] **Eluned Parrott:** One of the things that I wanted to query very quickly is that I notice that there is an accessibility project for Llandaf station, for example, down for 2015-16. Why is it in 2015-16? I was there a fortnight ago and met the builders. They are already doing it. I find this confusing.

[218] **Mr Price:** Can we get a note to you on that?

[219] **Edwina Hart:** We will get a note to you on that.

[220] **Mr Price:** There may be a second phase, but we will get a note to you on that.

[221] **Eluned Parrott:** They are putting in a lift. It seems like it is the accessibility work. They are digging the shaft for the lift at the moment.

[222] **Edwina Hart:** We are ahead then. Congratulations, James. [*Laughter.*]

[223] **Eluned Parrott:** I just wanted to check to make sure of the accuracy of that, if you do not mind. You also mention—there is a passing reference to it—the affordability of the Wales and borders franchise being a particular concern in the long-term. Can you tell me why that is a concern for you and what steps are currently being taken to address that?

[224] **Edwina Hart:** It is the indexation issues on the costs of this, is it not, James?

[225] **Mr Price:** Yes, so—

[226] **Edwina Hart:** It has added a massive amount over the franchise period.

[227] **Mr Price:** About £60 million. So, by the time the franchise comes to an end, the indexation, I think, will have added about £60 million to £70 million to the cost—

[228] **Edwina Hart:** By 2018-19.

[229] **Mr Price:** Yes, that is right. It is currently about £50 million up on what it should have been.

[230] **Eluned Parrott:** What discussions, then, are you having with the Department for Transport, because, clearly, that money is managed by you but, surely, the funding comes through the department?

[231] **Mr Price:** Well, the original block settlement was not negotiated by anyone here. What goes in the block, as you will be aware, is then uprated in line with whatever the UK Government expenditure is in line with the Barnett formula. This is why we have an issue with the gap between what we get for rail and what we spend on rail. So, what we are involved in now is a whole series of discussions that we will not go into—and we have talked about this before—about future powers and the future franchise. All of those things need to be dealt with as part of that, really.

[232] **Edwina Hart:** It needs to be addressed, because these costs—. We could not survive these increases in costs all the time.

[233] **Eluned Parrott:** Okay. Obviously, in terms of rail, we have seen big increases in passenger numbers.

[234] **Edwina Hart:** Yes, it is excellent.

[235] **Eluned Parrott:** In terms of bus services in Wales, however, which serve a much greater proportion of our communities, we have seen some big falls, not only in passenger numbers, from 125 million journeys to 107 million journeys over a period of four years, but there has also been a very concerning 22% fall in the number of registered services. I am wondering how the draft budget and the allocations that you have given to supporting bus services are going to help you address that decline.

[236] **Edwina Hart:** I think there are issues around this, and the bus policy advisory group that I have set up has been commissioned to undertake all the work in this area about maximising the commercial bus provision and value for money of the subsidised provision, which is the key for this and which has not been historically very well dealt with in any way. In the draft budget, the funding for local authorities is still in there for the routes that we think that they need to keep open, because they need to be socially responsible in what they look at in terms of their routes. Despite severe financial pressures, we have kept up the money in that particular budget. What is that, Rob?

[237] **Mr Hunter:** It is around £25 million, Minister, but, of course, they bid into that pot.

[238] **Edwina Hart:** We are also looking at what they are doing in terms of services, so we are having a fresh look at how we deal with some of the issues on bus services. Do you want to speak about some of the key areas that will impact, hopefully, and help, James?

[239] **Mr Price:** In essence, the plan is to maximise the commercial routes that are available, because we do not have to pay anything towards that. Actually, I think that the numbers are going up slightly; they certainly went up in the year before last by about 1 million passengers, I think. I will have to give you a note on that. Beyond that, it is about making the most efficient use of the public subsidy, and the big thing that the Minister has asked us to look at, based on things that have been done elsewhere in the world, is to combine subsidy for the bus service to school and subsidy for the bus service to NHS institutions and various other things, so that we try to combine them all and get best value for money, rather than one bus turning up at 8 a.m. and another bus turning up at 8.05 a.m., which is still happening. At the end of my road, I witness that every morning. My daughter gets on a bus, then a bus turns up to take people into Cardiff, then another bus turns up to take people to another school, and they all go the same route past the same things and they are all a third full. The plan is to try to stop that so that we make the best use of the funding available. We have two pilot schemes ongoing.

[240] **Edwina Hart:** Yes, the Vale of Glamorgan and Ceredigion are looking positively at this and how it can be mirrored across Wales. It is the fall in passenger numbers that is worrying, because Wales has seen the highest fall in passenger numbers across the UK.

[241] **Eluned Parrott:** Indeed, and partially no doubt due to the fact that there has been a 22% fall in the availability of registered services.

[242] **Edwina Hart:** Yes. I think that is a big issue.

[243] **Mr Price:** Sorry, it was vehicle kilometres that had gone up by 1 million in commercial services.

[244] **Eluned Parrott:** Okay. I wanted to ask this, in terms of that holistic approach. When you are looking at bus funding, clearly you do an impact assessment and an affordability assessment on the basis of the funding that you are giving. Have you done that looking at the broader picture, including the streams of funding that are coming from other places as to how these services are going to operate financially? Not only, clearly, is there a pinch coming from you, but there is a pinch coming from the local authorities and there is a pinch coming from the health services for non-emergency patient transfers.

[245] **Edwina Hart:** That is the work that we are currently doing; the group is looking at all those pinch points, and we will, hopefully, have a report from the group fairly shortly, which will impact on how we administer bus services in the future, and possibly on our relationship with local authorities and the money that we give to them.

[246] **Eluned Parrott:** Okay, thank you. I also wanted to ask about concessionary fare schemes. Obviously, you have a revenue budget cut of £30 million from £51.3 million to £21.7 million, but then you have a capital allowance of just under £30 million. So, it has moved—it has fallen a little and moved. Why has it moved to capital instead of revenue?

[247] **Edwina Hart:** I will let the accountant explain.

[248] **Mr Hunter:** Okay. In terms of the actual full amounts, there are two amounts that make this up. Revenue support grant is about £9.5 million or £9 million, around that figure, and the provision of £60.5 million has been made for 2015-16 overall when you add it up, so it comes to about £69 million. The reason for the move was that, I think about 18 months or two years ago, we commissioned a report to look at the way that the services were funding, so it was really to do with the formula. As part of that report, the feedback to us was, 'Did you realise that a large proportion of this funding is being used for capital purchases?'—basically, buying buses and other capital items under the contract. So, we commissioned a second report to look at that specific element, and I think that around 40% to 46% of the total cost of the funding that we put into concessionary fares is spent on those things. So, we have kept the funding the same, but we have recognised the revenue and capital nature of that funding more accurately and it is an accounting change rather than anything else.

14:30

[249] **Eluned Parrott:** Okay. One of the things that I did want to ask was, in terms of when you are moving things to capital, do you anticipate that the capital needs are fairly constant and stable, or do you anticipate that there is a point in time when the capital expenditure is done—the fleet of new buses and the equipment to do the electronic ticketing are in place and, therefore, you do not need so much of the capital investment?

[250] **Mr Hunter:** When we did the review, it did work out that there was a percentage of churn in the fleet all the time. So, that is fairly static, but you are absolutely right that there are peaks where, in one year, they will spend more than others. The way that we have defined the system, just to make it easier to administer, is that we are going to review it at every three-year point and then fix it for the following three years to catch up on the variants that are happening. Once again, that is just to make it administratively simple, but it also means that we can base it on evidence going forward to make sure that we have exactly the right splits.

[251] **Mr Price:** All operators have fleet replacement policies and they stagger them, and if you look, they run from between about four years up until about 10 years. There are not many operators operating fleets that are older than 10 years old. There are a few in west Wales, but not many.

[252] **Eluned Parrott:** Okay. Clearly, the number of passes is increasing. The population is ageing; in fact, the number of pass holders has gone up nearly 50% over the last four years. What assessment have you made of the long-term affordability of this scheme and what potential ways could you make it more affordable in the future?

[253] **Edwina Hart:** We have concluded an agreement with the operators on the scheme until 31 March 2016. The agreement is based on a lot of independent research that we had done on it, James, and we are satisfied that bus operators can be reimbursed properly for the scheme. In terms of the long-term demographics that you allude to, which are exponentially going upwards, we are going to have to look at all of these issues in terms of concessionary fares, but we are fairly confident that we will be able to manage it. We are particularly pleased, in budgetary terms, that as a result of an agreement elsewhere we can look at the younger people stuff as well.

[254] **Eluned Parrott:** Indeed. I was going to come on to that to ask you what assessment you have made in terms of the long-term affordability of that.

[255] **Edwina Hart:** James, we think that we can do it.

[256] **Mr Price:** Yes. Our plan is to try and wrap it into one commercial deal with operators, such that the same operators, as part of the commercial deal for older people, also do it for younger people to try to maximise the value.

[257] **Edwina Hart:** We think that that will be enormously beneficial to these young people for work, training and everything. When you look at their wage rates, they are incredibly vulnerable in terms of what percentage they have to spend if they want to travel to do anything.

[258] **Eluned Parrott:** Okay. Thank you, Chair.

[259] **Keith Davies:** I have couple of points, Minister. The first one is when James talks about buses to school and stuff; I do know of arrangements within some authorities where they changed the time of the school timetable so that they could use the same bus to take children to one school and then take children to the other school.

[260] **Edwina Hart:** That is exactly what we want them to look at.

[261] **Keith Davies:** My question really goes back to the franchise. I know that First Great Western has had its franchise extended to west Wales, and I am told that First Great Western is changing its trains and buying Hitachi trains. It looks as if the Landore works are going to close and that it is going to build some new facilities at Maliphant sidings, I am told. I do not know how true that is. However, my concern is about what you were saying earlier about whether the Heart of Wales line franchise and the Wales and borders franchise will be extended and whether that will cost the Welsh Government more money because it has been very expensive so far. So, if the Department for Transport in London goes along the same way as it has done with First Great Western, we could be landed with huge bills if Arriva Trains' franchise is extended.

[262] **Mr Price:** Again, I would say that that is part of the conversation that we are having with DfT. Using all of the powers that we have, we will not allow that to happen.

We are well aware of risks, but there are some potential upsides as well and what we are trying to do is get the best possible deal for Wales.

[263] **Edwina Hart:** We have heard the same as you.

[264] **Keith Davies:** Okay. Thank you, Chair.

[265] **William Graham:** I am going to make use of my position as Chairman just to ask you, if I may, about the Ebbw Vale line, just in terms of the route into Newport. What is it looking like and what is the timescale for that?

[266] **Edwina Hart:** What are the timescales, James?

[267] **Mr Price:** We will get you a note on that. It is not that far out.

[268] **Edwina Hart:** It is not far out, but I would not want to give you a definitive answer.

[269] **Mr Price:** I would not like to get it wrong.

[270] **William Graham:** I have been patient, as everybody has been, for the last 15 years, so a little longer will not make much difference.

[271] **Mr Price:** I want you to tell them that it has already happened. [*Laughter.*]

[272] **William Graham:** Mick is next on metro delivery.

[273] **Mick Antoniw:** I have a short question, Minister. We have had the further report on the metro and there is the statement in the report about the various works that are ongoing. What can we expect to see over the next 12 to 18 months? We are beginning to look ahead now in terms of seeing the broader, global plan and strategy for the next decade or so.

[274] **Edwina Hart:** We are discussing how we are going to deal with this internally. We are moving towards looking at a not-for-profit model and the establishment of a company to deliver it with directors on board so that they can drive the project forwards, looking at public sector money, in terms of European structural funds, and whether there is any cash from us, whether there is any cash from local authorities and what can come in from the private sector. I would have thought that I would probably be in a position to make announcements about the direction of travel on this fairly shortly.

[275] In terms of the budget, we have got money in the budget. We have got £28 million for interventions in terms of infrastructure, which I think is quite important in terms of priorities and station improvements. We have also got to look at multimodal and ticketing issues, which needs to be done as a priority within the metro area. We have also got to look at branding issues and the development and regeneration of strategic sites. That is the work that the city region board should be taking forward in conjunction with the local authorities, because they are best placed to do it because they have been doing their local development plans to indicate where they want to be. So, the issue for us is that it was with the city region; we think that we might look at this type of company—. We have not made a final decision on this, but we think that that might give it more teeth to go ahead.

[276] I am also very conscious that underlying all of my discussions with city regions is the discussion on local government reorganisation and I do not want the metro, in any way, to stop proceeding because of any other discussions that may be going on. So, we might

want to look at this other type of model. It is a model that has been utilised elsewhere, so we are fairly confident about it and I think that it would give it those types of teeth. Of course, if we have that model in relation to that, we can then look at a different model, if rail is devolved to us, which is not-for-profit, and at how all of those also link in. We need the decisions on rail because we need to make decisions on the metro. If the Valleys lines are electrified, that is one decision, but if something were to happen and they were not electrified, that is another decision—all of this is around that. However, we are having further discussions at the end of the week with the UK Government about the issues on this. As I indicated last time, Chair, as soon as I have clarity, you will have clarity.

[277] **Mick Antoniw:** That is fine, Chair.

[278] **William Graham:** Moving on, Keith has a question on Cardiff Airport.

[279] **Keith Davies:** Your paper says that a further £3 million has been given to the airport for route development, but I suppose that it is for the board of Cardiff Airport to make decisions on that. How can we ensure that we are satisfied with what it is doing? In the same way, the second part of my question is: how do we check that it achieves its targets if it makes all of the decisions?

[280] **Edwina Hart:** The investment objectives were quite clear in terms of the repayable loan because, as you know, there are massive state-aid issues around what support we may or may not be able to give, which are quite interesting. The investment objectives were: to get a low-cost volume carrier in, which is quite essential because of the number of people who go to Bristol; to attract worldwide scheduled services; to increase passenger numbers, which we also saw as the key; and to generate revenue in the long term because it should not be a burden on Government. It is not a burden on Government as it is currently. Obviously, investment is very important and we have got a whole range of international events, so what are they doing to attract flights into the airport? For instance, if Swansea is playing somewhere and supporters from Manchester United want to come here, are we flying them in on a charter? So, these are all of the issues that we must address.

[281] Rob sits on the board of Holdco—

[282] **Mr Hunter:** I am the chair.

[283] **Edwina Hart:** Rob chairs Holdco to manage what it does. We make a very interesting point on route development. I am reviewing its role currently on route development because I wonder whether there should be more central engagement from the Government on route development, rather than having this arm's-length engagement. That discussion has not yet finished in very real terms. Of course, if there are any changes in the airport in the arrangements, I will let you know. Rob sits on the board that looks at what the airport does, and I have to say, in terms of the airport, if you look at it physically, it has improved. It has done some good stuff in the airport. People feel more comfortable, and we have had very positive responses from partners. However, when you lose a route to Glasgow, it almost sets you back again in terms of the public perception of the airport. I think that we all need to recognise that airlines like to have money sometimes for flying out of places, and this is the reality of the world that we live in, I am afraid, so we think that it still needs to concentrate on a low-cost carrier and see what it can actually get in, because if people think they can go on holiday hither, here and onwards, they are fine. Internationally, of course, you have Dublin to the States, you have Amsterdam and we fly into France, so you can move on. We also go to Barcelona, and that has been a very successful route. Rob can tell you about the current arrangements that we have with the airport board, if it is helpful.

[284] **Mr Hunter:** It is important to remember that the airport is a commercial entity, and the operations of the airport are absolutely down to the airport executive team, which hold the appropriate licences, et cetera. But, what we have done is that we have set up a holding company, and its core task really is to look after the shareholding on behalf of Welsh Ministers. As part of the management arrangement between the holding company and the airport, we review, and then if we are happy, we approve its business plan on an annual basis. It is a rolling two-year plan, but we approve it annually, and then we monitor very closely its performance against that plan on its key targets. For example, on the progress it is making towards route development, we have briefings on a monthly basis, and then detailed meetings with the board on a quarterly basis, where it will talk us through all of the opportunities, exactly what resources it is putting into that, what its strategy is, and of course all of that is fed back to the Minister and the Minister's advisory board, and we can control it in that sense.

[285] As the Minister said, I think that, to date, in terms of the transformation of the airport fabric, it has done a really good job in what is a very short time. What is quite impressive is that it has managed to do the vast majority of that without the call on big Government loans. It has done that, largely, through working capital, which is very good. Every investment that we make in the airport is on a commercial basis, so on the £3 million financial transaction reserve investment in route development, while the holding company approves that as a strategy and a plan, the holding company does not approve the loan. In fact, for that one, because that money is controlled by the centre, a business case had to be produced by the airport to convince the centre that actually this is a genuine repayable opportunity and that it stands on its own two feet as a commercial loan.

[286] **Rhun ap Iorwerth:** On the subject of the intra-Wales link, we know how important the Cardiff to Anglesey flight is for the good governance of Wales, as well as connectivity within Wales.

[287] **Lord Elis-Thomas:** Hear, hear.

[288] **Rhun ap Iorwerth:** Could you talk us through where it sits in the budget? Also, in terms of value for money, it is striking that there has been a decrease in the numbers of passengers, which is only one measure of the success of it, but there is a decrease, and I think that we are missing a trick in terms of marketing and ticketing in a way that fills the plane, which gives you better value for money. Could you address some of those issues, please?

[289] **Edwina Hart:** In terms of fees—[Inaudible]—certain percentage, there is a certain low rate that they can offer. Am I correct?

[290] **Mr Price:** In terms of the fares, yes, the existing tender is quite restrictive.

[291] **Edwina Hart:** We did an independent review during the summer, which has really focused how we are developing the next stage of the contract, I would say, James, has it not?

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

[293] **Edwina Hart:** We have explored a lot of other options, and we have asked bidders now to look at one of the issues that you have raised, which is the marketing strategy, because I think it could be marketed better, and to look at the awareness of the service, which we think could help. On the other hand, I think it is also important for us to realise that it is not just about the value for money in terms of how many passengers are on it, et cetera, but also the value in terms of the fact that it is linking a nation. I think that that is

actually quite important in very real terms on this, but James has been very close to the discussion on the contract.

14:45

[294] **Mr Price:** Relatively close. The tenders have now actually closed. I think they closed on 6 October. You may have seen the copy of the invitation to tender that went out, because it was certainly sent to the Public Accounts Committee. In there, to the full extent that we could within the law—which does not look like very much, I have to say, when you read it cold—we have asked for product innovation, marketing and also additional services. So, the point about could the plane be used in downtime to do something else—

[295] **Edwina Hart:** Also, how it can impact on the development of the Welsh economy and issues like that, which we think are quite important, and the sustainability issues around it as well.

[296] **Mr Price:** I am quite hopeful that we will end up with something better.

[297] **Rhun ap Iorwerth:** The next update on that will be in the new year, after the contract—

[298] **Edwina Hart:** You have to assess the work, have you not, James?

[299] **Mr Price:** Yes, then we would announce, normally allowing for a three or four-week run-up. I do not know—I am not involved in the process—but you would allow a four-week overlap period.

[300] **William Graham:** Minister, one point raised in our brief is the business of active travel.

[301] **Edwina Hart:** Oh, yes.

[302] **William Graham:** Are you actually responsible for the provision of walking and cycling?

[303] **Edwina Hart:** Yes; active travel was transferred to me in the last reshuffle. I have been concerned to ensure that we do more active work on that to help with some of the issues around it. I was answering questions yesterday. I have started a substantial piece of work with Sustrans, mapping the routes that it thinks should be across Wales and matching that with local authority priorities. Then, as I indicated, on budgets for the future I will say, ‘How can we do this? Where could the money come from? What is the timescale?’ We need to get that right in terms of active travel. We are doing quite a good job on active travel with Safe Routes to School. We will continue that work and we will deliver guidance to local authorities. However, the essential factor that I have enjoyed is the involvement of young people in the discussion on active travel in their areas, which is very important. The views of engineers and adults are not necessarily the views of children about where they would like to cycle and walk and what they consider to be safe. The work of the Children’s Commissioner for Wales in that aspect has also been very good.

[304] There are also design issues for the future, regarding the planning and development of new housing estates and where they fit in and new industrial estates. I have been discussing, in a side discussion that was not the main purpose of the meeting, the role that private sector and public sector employers can play in terms of active travel and what they can do to help and assist more. I know that some of them have some very good schemes. We need to really use those as exemplars. It is my intention to start publishing some of

these exemplars to encourage other companies, particularly anchor companies and others, to put the same resource in.

[305] Also, in my meeting with the police this week, they want to be more helpful on active travel and want to be more directly involved. Apparently, South Wales Police has a good scheme itself and was anxious to be part of any future discussion in the department as to how it could help. It was particularly concerned about me getting some of the safety aspects right, about what should be best practice in terms of user safety if you are walking or cycling. So, we are certainly taking those strands of work forward proactively.

[306] It might be useful in the long term—when the committee is looking at further work, if I may suggest, Chair—for the committee to take some papers on how we are proceeding with the Active Travel (Wales) Act 2013, the partnerships that we have, how we are promoting it and how we are looking at infrastructure issues around active travel. That would be useful in the spring, when some of this work has been concluded by me.

[307] **Yr Arglwydd Elis-Thomas:** Fel un sydd wedi dilyn taith y Ddeddf hon o'r dechrau, o'r ddeiseb gyntaf a dderbyniwyd yn y Senedd, roeddwn wastad yn meddwl mai un o'r gwendidau oedd nad oedd yn ganolog o ran y cyswllt â pholisi trafniadaeth a gweinyddu trafniadaeth. Roedd yn dilyn y ffordd naif o wneud deddfwriaeth, sydd weithiau'n dod o gyfeiriad Llywodraeth Cymru, sef rhoi cyfrifoldeb ar awdurdod statudol arall—llywodraeth leol yn yr achos hwn—i wneud pethau y dylai'r Llywodraeth fod yn eu gwneud yn uniongyrchol. Rwy'n falch iawn felly o'r agwedd fwy gweithredol mae'r Gweinidog yn ei chymryd. Byddwn yn pwysleisio, i gytuno'n llwyr, mai'r hyn sy'n bwysig am y Ddeddf hon yw codi ymwybyddiaeth o bwysigrwydd hyn fel rhan o'r ddadl ynglŷn â chynaliadwyedd a newid yn yr hinsawdd, oherwydd y siwrneiau byr hyn yw'r peth gwaethaf. Fel taid, neu dad-cu, rwy'n mynd yn bananas o weld yr holl geir drudfawr hyn, gydag allyriadau anferthol, tu fas i ysgolion ym mhob man yn llawn o'r dosbarth canol Cymraeg, dwyieithog neu Saesneg—pwy bynnag ydyn nhw—yn cario plant i'r ysgol yn lle ein bod yn cael cyfundrefn gall. Rwy'n credu fy mod i wedi dweud digon, Weinidog.

Lord Elis-Thomas: As one who has followed this Act's journey from the beginning, from the first petition received in the Senedd, I always thought that one of its weaknesses was that linkages with transport policy and transport management were not central to it. It takes the naive approach of legislating, which we sometimes see from Welsh Government, by passing the responsibility on to some other statutory authority—local government in this case—for doing things that the Government should be doing directly itself. Therefore, I am very pleased to hear the more proactive attitude described by the Minister. I would emphasise that I agree entirely that what is important about this Act is the raising of awareness of the importance of this as part of the debate on sustainability and climate change, because it is the short journeys that are most damaging. As a grandfather, I go bananas when I see all these expensive cars, with huge emissions, outside schools everywhere full of the Welsh, bilingual and English speaking middle-classes—whoever they are—taking children to school, when we should have a sensible regime in place. I think that I have said enough, Minister.

[308] **Edwina Hart:** I concur with some of the issues that you raise, because there is an issue about the wider dimensions on this. There is a wider aspect for me, in terms of encouraging people to walk and to do things, which is about how safe they feel. Sometimes, when I look at some of the footpaths and cyclepaths that there are across Wales, I would not necessarily want to be walking down those on a November evening. If we are expecting people to be active, it is important that we look at all these particular aspects to encourage individuals to be able to do it.

[309] We always have a discussion about lights. On some roads, nobody walks on them,

because of their nature, but in other places, you need better lighting. Surely, the issue is not about taking it away, but about being cost-effective—changing to LED—so that you do not have to look at how you are changing things. So, there are a lot of issues that the active travel Act needs to look at that do not seem to be within its scope at the moment, but if you are to deliver an integrated approach on the sustainability agenda, I will have to pick all these pieces off, one at a time, and strategically go through them. I think that that is quite good.

[310] When we talk about planning and buildings, we should perhaps be asking, when people go for planning permission for factories and offices, ‘What facilities are you putting in for staff if they want to walk and cycle to work? Have you got nice facilities there for them, and not something that you put on the back of a building that you would not want to go into and shower and change in?’ They have to be proper facilities, and I think that there is a lot more that we can do with the integration of these ideas across Government.

[311] **Eluned Parrott:** I agree with what you say about facilities, particularly if we look at the integration of active travel with public transport. I went through Paddington station yesterday, and there were huge parks there for bicycles for commuters. Can you tell me, in the funding that you have allocated for station improvements in Wales, what kind of proportion of that is to provide infrastructure for active travel?

[312] **Edwina Hart:** There will be a lot more provided when I have total control over it. *[Laughter.]*

[313] **Eluned Parrott:** Okay, so do I take it that, currently, active travel is not included in that?

[314] **Edwina Hart:** We will look at it; it is quite limited in some areas, and that is being honest. We will certainly have a look at it now that you have raised the point with us, but, of course, I have only recently had active travel transferred to me. So, I am going through quite a lot of issues on the active travel Act now.

[315] I also think that there are wider issues that have to be addressed. Why can cycles not go on the back of buses? People with prams and who are disabled need to have the space; where will these bikes go? It seems absolutely illogical to me that you go on the train, pick up your bike at the station, go so far on a bus, because you have to cycle the rest of the way—particularly in certain areas because there is no public transport—but where is your bike? Do you know what I mean? You cannot put it on the bus. I have already had casework on this from young individuals in my constituency going to university; it is absurd. That is one of the areas that I have said, James, we have to crack with bus operators. If they can do it in Europe, they can do it here.

[316] **Eluned Parrott:** That is very good, but will you look at doing it at your stations, please?

[317] **Edwina Hart:** Yes, I will; I promise.

[318] **William Graham:** We have just about come to the end of our time. Thank you very much, Minister, for the usual quality and candour of your replies.

[319] **Edwina Hart:** Thank you very much indeed, Chair. We will get the notes that we promised to you as soon as we have the record of proceedings.

[320] **William Graham:** Thank you to you and your officials for your attendance.

14:54

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
Motion under Standing Order 17.42 to Resolve to Exclude the Public

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

under Standing Order 17.42(vi) we resolve to exclude the public from the remainder of the meeting and from the meeting next week on 22 October.

[322] I see that we are agreed. Thank you. That closes the public meeting.

Derbyniwyd y cynnig.
Motion agreed.

Daeth y cyfarfod i ben am 14:54.
The meeting ended at 14:54.