



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Menter a Busnes The Enterprise and Business Committee

**Dydd Iau, 22 Medi 2011
Thursday, 22 September 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee. In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol
Committee members in attendance**

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Tracey Burke	Cyfarwyddwr, Strategaeth a Gweithrediadau Director, Strategy and Operations
Alun Davies	Y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a Rhaglenni Ewropeaidd Deputy Minister for Agriculture, Food, Fisheries and European Programme
Richard Harris	Diprwy Gyfarwyddwr, Adfywio Strategol a Blaenau'r Cymoedd Deputy Director, Strategic Regeneration and Heads of the Valleys
Edwina Hart	Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth Minister for Business, Enterprise, Technology and Science
Huw Lewis	Gweinidog Tai, Adfywio a Threftadaeth Minister for Housing, Regeneration and Heritage
Jane McMillan	Cyfarwyddwr Dros Dro, Is-adran Rheoli Rhaglenni a Chyllid, Swyddfa Cyllid Ewropeaidd Cymru Acting Director, Programme Management and Finance Division, Welsh European Funding Office
Damien O'Brien	Cyfarwyddwr, Swyddfa Cyllid Ewropeaidd Cymru Director, Welsh European Funding Office
James Price	Cyfarwyddwr Cyffredinol, Busnes Menter Technoleg a Gwyddoniaeth Director General, Business Enterprise Technology and Science
Chris Warner	Pennaeth Polisi, Adfywio Head of Policy, Regeneration

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

Siân Phipps	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk
Ben Stokes	Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 9.31 a.m.

The meeting began at 9.31 a.m.

Ymddiheuriadau, Cyflwyniad a Dirprwyon Apologies, Introductions and Substitutions

Nick Ramsay: I welcome Members, witnesses and members of the public to the meeting. I also welcome Eluned Parrott on her first day on this committee. I suppose that I should also welcome myself, as I am chairing the committee for the first time. The meeting is bilingual and 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 proceedings will be published. I remind people to turn off their mobile phones and other electronic equipment. I have just checked mine, and it is off. There is no need to touch the microphones, as they should work automatically. If the fire alarm sounds, people should follow the directions of the ushers. We have no apologies and no substitutions.

9.32 a.m.

Sesiwn i Graffu ar Waith y Gweinidog: Adfywio Ministerial Scrutiny Session: Regeneration

Nick Ramsay: The first witness to give an update on his brief is Huw Lewis. Minister, welcome to the Business and Enterprise Committee. If you do not mind, rather than asking for an opening statement, we will just kick straight into the questions, as time is pressing.

Byron Davies: I have a general question. Can you outline your regeneration priorities for the fourth Assembly?

The Minister for Housing, Regeneration and Heritage (Huw Lewis): That is a pretty general question. In a nutshell, I would use three headings. The first is manifesto commitments, which are very clear. They include an emphasis on town centres, which is why I particularly welcome the emphasis that the committee will be placing on those issues. The fortunes of our seaside towns also have a distinct mention. In addition to that, I have to take on board, as does everyone in Cabinet at the moment, the very real budgetary constraints and the changed environment that we find ourselves in as this Assembly goes forward. Co-ordination and co-working would be the third heading that I would mention as being an absolute priority. I think that the putting together of my portfolio by the First Minister was an indication of the potential that lies within housing, regeneration and heritage for working together closely as we take a look at the fortunes and prospects of Welsh communities. More widely, we need to take a pan-Cabinet look at how we deal with these issues. We also need to look at partners that are outside Government working together as much as possible. This will be an ever more urgent priority as our budgetary constraints begin to bite.

Byron Davies: Can you tell me to what extent you will be following the regeneration policy of the previous Welsh Government unchanged?

Huw Lewis: Unchanged? Well, it cannot remain unchanged, if only for no other reason than the budgetary constraints I mentioned, but I assure Members—I know that there are Members at the table who represent areas within regeneration areas—that existing commitments and projects will be honoured. However, as time goes on during this Assembly session, we will have to face up to the reality of having to look at new ways of rolling out regeneration initiatives. There is going to have to be much more emphasis on working holistically. It would be very difficult, in my mind, for instance, to justify—to take my portfolio—a free-standing initiative that was simply about housing or about an investment in the heritage of a community. I will be looking for a more holistic view of what that would mean in terms of regeneration, how it ties in to our regeneration strategy and how it accesses funds that could multiply the effect of a simple housing investment, for instance, so that no investments, in time, should be seen as being about a single issue, or it would be very difficult to

justify such investments.

Byron Davies: I have one last question. You talked earlier about working with partners. An issue that always confuses is that of high street regeneration in small towns where there is an out-of-town Tesco, for example. The very nature of the geography of Wales means that people have to travel to these towns, and yet we have a strong lobby from Sustrans. How do you manage these two issues?

Huw Lewis: One of the things that makes this such an interesting portfolio is that you quickly begin to realise that no two Welsh communities are exactly alike. Each has its own concerns, its own potential and its own problems.

As I have said, I welcome your emphasis on town centres as you go forward with your work as a committee, because your reflections on this issue will be valuable to me and, I hope, inform much of what we do over the coming years. However, there are some things that apply, in a strategic sense, across the board, one being that we need to engage as an active Government, and I would emphasise that we will remain an active player in regeneration projects. We are not going to stand back. We are going to be engaged at every level with what is going on.

We need to take a couple of things on board, the first of which is that, when it comes to town centres, simple retail as a driving force for their prosperity and purpose is, in almost all cases, a thing of the past. I read an interesting evidence paper to you on this issue yesterday; I think it was by the Royal Institution of Chartered Surveyors. Diversification of the economic purpose of town centres will be necessary pretty much everywhere. There are very few town centres that would thrive and prosper and could look forward to a medium to long-term future based on retail alone.

Regarding solutions for towns, there are some stand-out examples of towns that have done this successfully on their own. Hay-on-Wye and Abergavenny are often mentioned in this context, and Llandeilo is finding interesting solutions to its problems. However, those issues are linked to questions of transport, such as how a community is linked to the outside world, not just physically but through IT and connectivity and so on. It is important that when the Welsh Government is seeking to engage with a regeneration programme in such areas, we are sensitive to the voice of the community and its priorities, which, in many cases, as you say, involve transport links, and it is important that we are committed to taking a holistic view of what is going on.

Nick Ramsay: I will move things on to the next question, as you have answered that one fully, Minister, and we will be looking at town centre regeneration later. We have a quite few questions to get through, so I will now bring Ken Skates in.

Kenneth Skates: Thank you, Minister, for coming today. Could you explain how the Government's regeneration activities are co-ordinated, given the potential involvement of six Ministers and two Deputy Ministers?

Huw Lewis: Many members of the committee will have read Roger Tanner's paper over the summer, in which he was, I am sure, acting as a critical friend in talking about how the co-ordination of regeneration activity works. My simple answer to that observation would be that the place where things are co-ordinated is Cabinet. That is where these things are brought together, where Ministers' understanding of each other's areas of activity is thrashed out, and where priorities are decided. Regeneration by its very nature does and should touch on the portfolio of pretty much every Minister. If you rolled up regeneration into the responsibilities of one person, you would be left with a Cabinet of one. So, Cabinet is where that happens. I can reassure committee members that, from day one of this Assembly, there has been co-working and conversations about the co-ordination of efforts within my portfolio and with economic development, transport, initiatives such as Communities First and so on. All those conversations began immediately. As this Assembly progresses, you will see a commitment to holistic and cross-Cabinet working at a wholly different level to that which we have seen in the past.

Kenneth Skates: So, there is not so much a single strategy for co-ordinating regeneration activities as a holistic approach.

Huw Lewis: We could sit down and attempt to put a document together that answered the needs of every Welsh community and was a regeneration bible, as it were. By the time we would have managed to do that and do it well, the next elections would be upon us, because the needs of Welsh communities vary so greatly. That is not to say that there are not strategic priorities in our manifesto that will be made clear by our co-working with partners, such as the regeneration panel, which will feed into much of the work that we intend to do, and the expert advice that we take and so on. However, to sit down and write a strategy that would apply equally to Holyhead as it would to Abertillery would bog us down in theorising when we should be getting on with the job for each community.

David Rees: Does the regeneration panel feed into other portfolios? Does it feed into your department and then, via that, to other portfolios?

Huw Lewis: We are very good at local co-working, and have a great track record in it, particularly in our regeneration areas. Regional co-working across the Heads of the Valleys area, for example, has been hard won, and it is working better all the time, and similarly in the Môn a Menai area, the north Wales coast programme area, and so on. The purpose and drive of the regeneration panel is to make sure that that kind of co-working and understanding across portfolio areas—across the governmental silos, if you like—happens at the national level. I am pleased that it was set up; it was set up by my predecessor, and it is just beginning to get to grips with the idea of there being a national partnership. The regeneration panel, with a respected chair in Viv Sugar, will be looking as a critical friend at making sure that the Government pulls together.

9.45 a.m.

Nick Ramsay: Leanne Wood has a question on performance monitoring and delivery.

Leanne Wood: You have explained in answers to previous questions that there is no overarching document or strategy. Will you tell us if you have targets?

Huw Lewis: There will be targets and measurability involved in what we are doing here. I am, and I will be, very concerned about this. I see the mechanism of this as feeding back through the First Minister's delivery unit, which is at an early stage and things are just beginning to be set up. Within all portfolios, including mine, we will have to have a clear way of ensuring and measuring delivery. I cannot give you, chapter and verse, how that might look for the Heads of the Valleys regeneration area at the moment, but—

Leanne Wood: Will it be broken down into areas rather than a measurement for the portfolio as a whole?

Huw Lewis: I think that it would be useful to see how important initiatives like our regeneration areas are performing and an all-Wales picture is equally as important. Regeneration is not just about the regeneration areas. There is barely a town or community across the country that would not benefit from regenerative effort. As to the detailed format of that, it is a work in progress at the moment. I hope you will understand that at this early stage it needs to be so. Your work through your inquiries here will feed into that and become a very important part of it.

Leanne Wood: I understand that we are at an early stage, but will you be looking to ensure that you will be able to demonstrate change and improvement in the overall Welsh economy?

Huw Lewis: Yes.

Leanne Wood: Is that going to be part of what you intend to measure?

Huw Lewis: Yes.

Leanne Wood: What about the creation of jobs? Is that going to be part of it?

Huw Lewis: Yes. Of course, these things will be complex. We will be doing this work in a context of stormy economic times. We have to be realistic about the effects that we might have from simply pitting my regeneration budget, which in governmental terms is quite modest, against a global economic downturn. However, I am passionate about the commitment being real and necessary. The thought of leaving some of our fragile communities, which are just showing signs of recovery after enormous efforts since the last economic downturn in the 1980s, to fend for themselves without proactive engagement from the Welsh Government fills me with horror. So, we will be there at their side. There will be difficulties along the way. We do not quite know what the UK Government will throw at us next. We do not quite know what the world economy will throw at us in the next two to three years. However, I hope and believe that we will show measurable impacts on the prospects of those people and communities.

Leanne Wood: Can you tell us how often you think you will be reporting to the delivery unit to show your progress as a department overall?

Huw Lewis: I suppose that will be very much a matter for the First Minister. It has not been discussed with me as yet.

Leanne Wood: Finally, will you confirm that, in terms of your priorities as a department, regeneration can really only occur when people have jobs? Will the creation of jobs be a priority and a central part of the way in which your department's output will be measured?

Huw Lewis: Absolutely. Take for instance the housing part of my portfolio, because of the great work that has been done with the i2i toolkit, for instance, we can already point to the number of jobs created through investment in the Welsh housing stock. I would like to see that sort of work expanded across the piece. I am very interested in taking a look at the heritage of Welsh communities as a driver for economic recovery and making communities much more robust. There are some good examples out there already, such as Blaenavon, which is always pointed to as somewhere that has taken its heritage and run with it; it has used its civic pride in its past to build a more prosperous future. I do not think that there is a Welsh community that does not have a heritage that it can be proud of, therefore that is also something that I will be looking to in terms of measurable outputs.

Nick Ramsay: I call on Alun Ffred on this point, because it ties into the next question on framework regeneration.

Alun Ffred Jones: Mae gennyf ddau gwestiwn. Mae'r cyntaf yn ymwneud ag ardaloedd adfywio, ac mae gennym saith o'r rheini. A ydych yn bwriadu ychwanegu at y saith, neu gael llai ohonynt? Mae'r ail gwestiwn yn ymwneud â'r ddogfen 'Fframwaith ar gyfer Ardaloedd Adfywio', sy'n datgan ymrwymiad Llywodraeth Cymru i gomisiynu gwerthusiad o'r dull o weithredu. A ydych wedi gwneud hynny? Os ydych chi wedi gwneud hynny, a oes unrhyw gasgliadau cynnar gennych?

Alun Ffred Jones: I have two questions. The first relates to regeneration areas, of which there are seven. Do you intend to add to the seven, or reduce the number of them? The second question relates to the 'Framework for Regeneration Areas' document that states the Welsh Government's commitment to commissioning an evaluation of that approach. Have you done that? If you have done that, do you have any early findings to report?

Huw Lewis: On the number and reach of regeneration areas, as I mentioned at the start, commitments will be honoured. There will be no winding up of regeneration areas or walking away from

commitments. However, there needs to be a conversation, including those regeneration areas and the partnerships that they forged, about how we can continue to have measurable effects on the prospects of communities, as Leanne was saying, while avoiding the jam being spread so thinly that it prevents traction with regard to the economic and social prospects of a place. So, a conversation needs to be opened up on that.

However, the reality is that we will face a time, possibly midway through the term of this Assembly, when, although regeneration areas will continue to have a major role to play, we may need to look at doing better or more intensive and holistic regeneration, but in fewer places at any one time. So, the reach across a regeneration area will become intensified within a smaller number of communities at any one time. That is not to say that all the communities within that area will not receive attention or be part of the planning, but, in a given funding round, we will have to be honest with people about what can be done.

Sorry, I have forgotten the second part of your question.

Alun Ffred Jones: It was about the framework for regeneration areas and the fact that you are going to try to evaluate the success, or otherwise, of that approach. I was wondering whether that work had been done and whether there are any early results.

Huw Lewis: I will turn to my officials to answer that one.

Mr Warner: We have not commissioned a full evaluation of the programme yet, although we have quite good data about some of the individual projects. We have been waiting for programmes, particularly the Heads of the Valleys programme, to mature, and given that that programme has now been in operation for five or six years, it is now about the right time to commission that evaluation. We are trying to work out the methodology currently because it is such a complex and wide-ranging programme and we want to ensure that we capture the collective benefit of all of the individual projects within it. So, it is still part of the plan, but we are just trying to work out the method for doing it.

Huw Lewis: I am sure that Alun Ffred is more than aware that each area is at a different stage of development—a different stage of maturity, if you like. Some programmes have been bedded in for some years and others, such as those in the western Valleys, are just starting to get up and running. So, there is variation across Wales.

Nick Ramsay: We have two supplementary questions, one from David Rees and one from Eluned Parrott.

David Rees: We have asked about a possible increase in the number of areas, but what about an extension of the areas in boundary terms, based on the recent publication of the multiple indices of deprivation? Will those influence whether the boundaries of these areas will change?

Huw Lewis: I would be very willing to engage in a dialogue on that. I suppose that it boils down to the fact that there are two competing tensions. The questions I would be asking myself continually are: are the boundaries good for something, are they making a positive difference, and, are they focusing our efforts on a particular community so that we have our prioritisation right or are they causing a problem? For example, you may have an area that could lift nearby communities economically and socially, but it may lie just outside the boundary. So, my mind will stay open on this. I certainly do not envisage a future in which we will continually expand regeneration area boundaries in order to try to please everybody, because, in the end, no-one would be pleased by that and our energy would become completely unfocused. Therefore, I would be very reluctant to start increasing the surface area of regeneration areas, but, if there are conversations that need to be had about instances in which a boundary is a barrier to good regenerative effort, fine, let us have a conversation about that.

Eluned Parrott: My supplementary question relates to something Chris mentioned about the methodology being designed at the moment. Presumably, you have been monitoring the success of these projects over the past six years. Is it not normal practice to set targets and to work out how you are going to measure progress against those at the beginning of the programme so that you have a consistent approach and so that, at the end of the programme, you know that the evaluation that you will undertake relates to the targets you set at the outset?

Huw Lewis: You might say that—

Eluned Parrott: I might say that.

Huw Lewis: I think that that would have been a question for the previous One Wales Government that no longer exists. I have come into this portfolio now; I start from where I am. I hope that measurability and evidencing the effect that we are having will be integral to what we do. I hope to take that forward arm in arm with the efforts of investment—putting good plans together, drawing partnerships together and all the rest of it. I really cannot answer for previous administrations.

Eluned Parrott: No, but you can answer for the approach that you are taking now. The thing that concerns me about changing the methodology at this point in time is that by having different sets of measures, you will have an inaccurate monitoring process because you will have changed the direction and the method of measuring the programme's effectiveness halfway through. From a research point of view, I think that that would be a mistake because it could give a misleading answer.

Huw Lewis: Let us have that debate. With regard to exactly what we measure and how we measure it—how the monitoring of effort is undertaken—one of the reasons we have set up the Centre for Regeneration Excellence Wales is to have expert input into how we understand the impact of what we are doing. The input of this committee will be important in that as well. I do not come to you today pretending to know exactly what measures and targets will do it for Abertillery. It is not a case of saying that if we get that employment level, that level of empty properties and that improvement in the public transport system for Abertillery, Abertillery will be fixed. I do not know whether there is anyone who could come to the committee and peddle such certainties.

Nick Ramsay: Leanne Wood, I think that you have a very short supplementary question on this, do you not?

10.00 a.m.

Leanne Wood: Yes. Following on from your answer to Alun Ffred, when you mentioned spreading the jam too thinly, I was wondering whether you had a conversation with the Minister for business and enterprise prior to the announcement of the location of the enterprise zones.

Huw Lewis: Yes, of course. There is a constant conversation going on between Ministers; we do talk. Within the portfolio of the Minister for business, there are complications with commercial confidentiality and so on. There are also ongoing conversations stretching out announcements that may be yet to come. I cannot say that the dots and commas of every detail will be revealed much prior to the public announcements. However, we need to ensure that the conversation about how these zones may integrate is progressed as quickly as possible. I am thinking, particularly in the first instance, about how the Holyhead and Ebbw Vale zones are best linked into the regeneration area activities in those communities.

Members will be aware that, when you are having discussions with the private sector, there are certain things that can be announced and aired publicly and certain things that should not be, until we have got—

Leanne Wood: Did you push the case for enterprise zones to match the regeneration areas?

Huw Lewis: I do not know whether that would have been a sensible thing to do. Enterprise zones are about economic development, which is not always the same thing as regeneration. Enterprise zones are about the economic potential of an area and persuading the private sector that it is a good place to invest in. That usually means that a conversation between the public and private sectors about potential investment in those areas has been ongoing for a while and that there are irons in the fire about what could transpire in those areas. Regeneration is a much more fundamental issue; it looks primarily at areas where we have suffered market failure in multiple sectors. So, there may have been little in the way of constructive conversations with large private sector partners about the prospects of an area because they have already walked away, but we do not walk away. So, to have a complete matching-up of regeneration areas with enterprise zones would be to misunderstand the difference between economic development and regeneration. Regeneration can be a much more fundamental look at a place whose economy is broken and has very little, at the moment, in terms of prospects and turning that around.

Nick Ramsay: That is an interesting point, Minister. We have drifted slightly from the original question on the regeneration investment fund. Do you want to finish that line of questioning, Eluned?

Eluned Parrott: Yes, of course. How is the fund progressing against the target of levering in £55 million of private sector investment by 2015? We need to understand that the reliance that we have on sources of funding is perhaps not definite. Another thing that you mentioned in your evidence paper was levering in investment such as Heritage Lottery Fund moneys, which are also a competitive source of funding. So, to what extent are the targets you are setting reliant upon money that we do not yet have in the bank?

Huw Lewis: On the point of levering in money, we are going to have to fight for it every step of the way. I hope that I am a nice guy, but I did not expect that, when I was appointed, the Heritage Lottery Fund and the private industry and so on would just push a large wedge of cash across the table and say, 'You are the guy for the job, on you go—have fun'.

Nick Ramsay: You are more than a nice guy if you can achieve that. [*Laughter.*]

Huw Lewis: Yes, it would be a first, would it not? [*Laughter.*] As each of these funds that are intended to lever in additional funds from partners develop, we will have to fight for every farthing as we go along. The regeneration investment fund for Wales is a £55 million fund. We have £25 million ERDF, and £30 million from the Welsh Government committed, so it is a £55 million fund. So there is not really a target to lever in £55 million; it is committed over the lifetime of the fund. I am correct in saying that, am I not?

Mr Harris: Yes.

Huw Lewis: We go from there in terms of what we can lever in from partner organisations, wherever they may be, including, crucially, the private sector. I understand that it is a young fund and no investment from it has been committed as yet, although I gather that there are as many as 25 potential projects in the pipeline and half a dozen of those have got to quite a detailed stage in terms of expressions of interest. So, things are developing there, and I would anticipate that we can look forward to some good news announcements before too long. However, we begin with the £55 million, and we lever in from there.

Nick Ramsay: At that point, Minister, I bring in Joyce Watson.

Joyce Watson: Good morning, Minister. You have already talked about the Centre for Regeneration Excellence in Wales, or CREW—I will call it that to make life easier for me. What we want to explore as a committee is the nature of the relationship between the Welsh Government and CREW, and what you, as Minister, think are or could be the main benefits to the Welsh Government of that centre's

activities.

Huw Lewis: First, I think that it is worth saying that we need a CREW. There has to be something like that. As for the functions that we can look forward to it fulfilling, first, it should help us to really understand best practice, something that Leanne has continually underlined this morning; it should make sure that we know what works, and what is measurably good in terms of regenerative intervention. It would also support the national regeneration panel in making sure that it is well informed about what is going on, and what works. The centre is also an example of good cross-portfolio working, with me and Leighton Andrews contributing to it.

However, the world has changed even since CREW was established, and what I intend to do is take a window of opportunity here to look again at CREW's job description. Apart from anything else, one thing that I was looking forward to very much was the way in which CREW would have worked across the UK with partner organisations, sharing expertise in regeneration. That landscape has suddenly changed, particularly in England, where organisations that were doing a CREW-type job have simply disappeared. The landscape in Scotland is more positive, I think, but it has also changed. I would therefore like to take the opportunity to take a few months with CREW to stand back and think about exactly what its job description is. I am aware that I may not have answered your question directly, Joyce.

Nick Ramsay: That was good enough for me, Minister. Are you happy with that, Joyce?

Joyce Watson: Yes.

Huw Lewis: If Joyce is content, then so am I.

Nick Ramsay: We move on to investment and procurement, and I would like to ask you a brief question about the Welsh housing quality standard. How are you building on the wider regeneration benefits of that standard? How is its impact on communities in Wales being evaluated? Finally, could you tell us about the strategic co-ordination that is taking place to align it with regeneration priorities?

Huw Lewis: There is a lot of work to do here. First of all, we are still engaged with the balloting process in some parts of Wales, which has implications for the speed at which we can approach the Welsh housing quality standard. I am committed, as far as is humanly possible, to ensuring that we do not simply regard investment in housing, from whichever direction, as just investment in housing. Where we can link up investments in the prospects of a community with other initiatives, then we should do so.

The most obvious example is the jobs and skills agenda when it comes to the Welsh housing quality standard, linking that with the i2i toolkit, thinking about procurement and about the economic boost to an area that work towards the Welsh housing quality standard can release. In many communities across the country, I think that I would be pretty safe in assuming that this investment would be the largest capital investment of any kind on the landscape. In some communities, it may be the only sizable chunk of capital being invested. We must take best advantage of it.

I have been talking to colleagues, and to Carl Sargeant, for example, about how we can tie into the changes that he is promoting through Communities First to ensure that the investment in housing provides spin-off opportunities at a very local level for communities, particularly in terms of jobs and skills. We must make sure that the overall economic boost is as tied into a community as it can possibly be.

David Rees: As a supplement to that, Minister, the transfer of stock in many local authorities has a consequence for the WHQS and the investment in those regions. Some stock has now been transferred and is now under the control of bodies that are able to borrow. Is there a plan for any authority where stock has not been transferred and which therefore may find difficulty in raising the funds for the

development of those houses?

Huw Lewis: Yes, the famous plan B. [*Laughter.*]

David Rees: Have we got one?

Huw Lewis: It is a profoundly serious business. The decision that tenants make in terms of stock transfer has deep implications for the prospects of the quality of the housing stock within a particular area. That is why, where there are ballots ongoing, I hope that people will vote 'yes' for that much more rapid investment in the quality of their homes, not just for the sake of those householders but also for the sake of the wider community, which benefits from the economic investment as a whole.

Any of my predecessors would probably have left the conversation at that, by saying 'There is no plan B', and that is right—there is no plan B. However, with any luck and a following wind, I could have custodianship of this portfolio for four or five years. I would not like to see a perpetual future in Wales where those communities that have made a democratic choice to vote 'no' find themselves in eternal punishment for having voted 'no'. The primary responsibility rests upon the local authorities that retain that stock to get their act together and get those people's homes up to the housing quality standard. Local authorities such as Swansea and Wrexham must look at their responsibilities in terms of ensuring that. The housing quality standard is not luxurious—we are talking about basic standards in terms of civilised living.

I have already started some tentative conversations about looking at how the Welsh Government might be able to be a good partner with those local authorities in terms of how we can speed up investment. One priority, and perhaps the one that is at the forefront, is to ensure that we get out from under the housing revenue account system. I have held a meeting with the Secretary of State for Wales, who was very positive about co-working in terms of our negotiations with the Treasury to try to find a mutually agreeable way in which we can prevent the bleeding of, I think, £77 million a year, primarily from those local authorities that retain their stock, so that we can free up that local authority money for investment in people's homes. There are considerable hurdles to overcome before we can offer a plan B, therefore I underline that there is no plan B at the moment. Those council tenants who are contemplating voting 'no' to a stock transfer in their areas should know that their vote is not meaningless. It will matter, and it will have an effect on the speed of progress.

10.15 a.m.

Keith Davies: Mae gennyf ddau bwynt. Yn sir Gâr, mae'r cyngor wedi cadw'r tai ac mae'r cyngor yn gwneud yn arbennig o dda. Felly, mae enghreifftiau da lle mae pobl wedi dweud 'na' ac wedi dewis aros gyda'r awdurdod lleol. Yn ogystal, yn ddiweddar darllenais erthygl a ysgrifennwyd gennych am gael cronfa gydweithredol arbennig, er mwyn creu buddsoddiad i gael mwy o dai fforddiadwy. A fyddwch yn dod â'r cynllun hwnnw gerbron y Cynulliad?

Keith Davies: I have two points. In Carmarthenshire, the council has retained the housing stock and is doing extremely well. So, there are good examples of situations where people have said 'no' and chosen to stay with the local authority. In addition, I recently read an article that you had written about a co-operative fund to generate investment for more affordable housing. Will you bring that scheme before the Assembly?

Huw Lewis: Please do not take it that I am here to knock Carmarthenshire, Keith. Yes, I very much hope to bring the scheme before the Assembly. One of the changes in policy development that we will see over the next four to five years will involve a continued emphasis on the building and supply of affordable homes. We recognise that, over the next few years, families and households in any form of tenure will face serious problems in accessing decent housing and then being able to afford it. Owner-occupiers will be affected as much as council tenants, part owners and those in the private rented sector. Everyone will be up against it. So, we have to broaden our efforts as Government into all those

areas.

The co-operative housing that you mentioned is not tenanted housing—it is a homeownership option. There is a section of the Welsh population that would be assisted, and are attracted, by the idea of this form of affordable homeownership. We should be alive to the aspirations that many people have to own, as well as those options that we have been working hard on in terms of social housing. We need to broaden our palate to ensure that ownership is something that we are concerned about.

There are some exciting possibilities with the co-operative option. It relies on tapping into funds, which we have not traditionally been managing to do in a Welsh context. So, that is something very real that has to be overcome. There are legal barriers that have to be overcome in terms of defining what co-operative housing is in law and enabling it to develop and prosper. There are also the questions around the release and the identification of land or empty properties in order to be able to do that. So, I am hoping that we will be able to come forward reasonably soon with the bare bones of pilot schemes for co-operative housing.

Nick Ramsay: We have a final question from Julie James on structural funds.

Julie James: Good morning, Minister. In your opinion, how effectively have the structural funds been used to finance projects in Wales? What we are looking for, Minister, is your view on how the structural funds programme is working, how it is co-ordinated and whether you think that projects led by local authorities or third-sector organisations are effectively co-ordinated with projects led by the Government. Do you think that any improvements could be made in that regard?

Huw Lewis: I would not like to run a detailed commentary on my predecessors' efforts in making this stuff work. However, I represent an area that has benefitted greatly—the whole of the Heads of the Valleys region has benefitted greatly. I think that we are hitting something near to £300 million of investment that would not have happened without the structural funds. There have been recent developments in Abertillery, Bargoed and Merthyr and work is ongoing in Pontypool. This is important stuff. We have a good track record and it is something to be proud of.

However, during the next round of European funding, we have to demonstrate an even more determined effort to integrate and make best use of the multiplier effect that we can get from European funding. It is critical that we make best use of it. I come back to my first point this morning: I would like it if no projects in glorious isolation came to my desk. All projects should answer multiple questions linked to aspects of my portfolio. That includes heritage, regeneration, housing and, more widely, the economic prospects of the community, connectivity, transport and jobs—another crucial aspect, as Leanne has mentioned. Things will become more exacting during this round of the European regional development fund.

Julie James: I have one supplementary question, from my own long experience of working on projects funded by structural funding—I am a huge fan of them, as everyone in Wales should be. However, quite a lot of the advice given by various parts of the Welsh civil service is, I am sorry to say, very risk averse. I can supply you with details of a case, although it is a little historic, when it was said that there was a 5 per cent chance that a programme might be non-compliant with state aid, so the programme could not go ahead. So, a 95 per cent chance of it not being caught by state aid provisions was not enough for that programme to go ahead. My own professional view at the time was that there was a 0 per cent chance of it being caught by state aid provisions. One of my worries about Wales and the structural funding programme is that we do not push some projects forward because we have very risk averse ideas of how we can interpret the rules around structural funding, particularly the interaction with state aid rules—for some reason, we seem to have a bee in our bonnet regarding this.

Huw Lewis: All Assembly Members, as local representatives, have at one time or another faced that kind of frustration. I agree with you on that, Julie. The custodianship of public money for public life in Wales is conscientious and exacting. There is one point that I will continually raise with my Cabinet

colleagues and with the First Minister: if a project washes its face—if it is something that is self-evidently going to make a step change difference to the prospects of the people that it touches—there should be evidence of political will to drive it through the machinery. In this respect, that is what politicians are for. It is the justification for our presence in the process with regard to these issues. I am determined that, where possible, Welsh communities will not lose out because of an overly risk averse culture, simply because that is the way in which we have always done things.

Kenneth Skates: With regard to empty homes, do you have further details about bringing forward the empty homes strategy?

Huw Lewis: I cannot give you a huge amount of detail yet. It is a manifesto commitment—the empty properties initiative in the Welsh Labour manifesto in May. It is central to our efforts as we go forward. Shelter estimates that there are 26,000 empty properties across Wales. On a per capita basis, that is almost twice as many as Scotland. This is a major issue. We need a national drive on empty homes, as they provide a quicker and cheaper option than new-builds. There is also huge potential for regenerative, spin-off benefits. Your inquiry into town centres touched on empty properties. I am concerned about empty properties as well as empty homes.

I would be interested in all carrots and all sticks that we can bring to bear on this. It will not be a question of my pulling £150 million from under a desk and saying, ‘Go off and do up empty properties’. We are going to have to have a new regime with regard to incentives and, frankly, penalties, which may impinge upon owners of empty properties. We must incentivise people to come to the table and join the conversation about how these things can be sorted out. Local authorities are going to have to do much more heavy lifting here. I can point to only one local authority in Wales that, to my mind, is really doing the job on empty properties properly. This is despite the fact that a great number of them have empty homes officers.

Nick Ramsay: Do you want to share with us which authority that is?

Huw Lewis: I am happy to share the good one. It is Wrexham. It is far and away outperforming all other local authorities on bringing empty properties back into use.

Nick Ramsay: I see why the question was asked now. [*Laughter.*]

Huw Lewis: Denbighshire has some quite good numbers, but you could offset what it is doing with the efforts that have gone into the regeneration area involvement in Rhyl, so I am a little bit dubious about Denbighshire’s good press in terms of statistics. In every other local authority in Wales, there is very little measurable activity, and that is not good enough.

Nick Ramsay: I am going to bring this session to a close now because we have two other witnesses to see. Thank you for answering our questions very fully. It was remiss of me at the start not to mention Richard Harris and Chris Warner from the Minister’s department. Thank you for being here as well. Thank you for feeding into the committee today and for updating us on where we are.

Huw Lewis: It was no problem. Thank you.

Nick Ramsay: After we take evidence from Alun Davies we will have a very short break so that Members can recharge and then we will be all set for Edwina. The Deputy Minister is taking a few minutes, so we could move on to item 4 to save time later.

10.28 a.m.

Papurau i'w Nodi
Papers to Note

Nick Ramsay: We have correspondence from Leighton Andrews, the Minister for Education and Skills, following the Enterprise and Business Committee meeting on 13 July 2011. We also have correspondence from Carl Sargeant, the Minister for Local Government and Communities, following the same meeting. Is everyone happy to note those? I see that you are.
10.30 a.m.

Sesiwn i Graffu ar Waith y Dirprwy Weinidog: Rhaglenni Ewropeaidd
Ministerial Scrutiny Session: European Programmes

Nick Ramsay: I welcome Alun Davies, the Deputy Minister for Agriculture, Food, Fisheries and European Programmes; Damien O'Brien, the director of the Welsh European Funding Office; and Jane McMillan, who is the acting director of the programme management and finance division at WEFO. Thank you for attending today. I apologise for the delay in starting this evidence session, but we had some very full answers from the Minister in the previous session.

As we have a fair number of questions to ask, rather than asking you to make an opening statement, Deputy Minister, we will launch into the questions, if that is okay. Alun Ffred Jones will ask the first question.

Alun Ffred Jones: Bore da. Yr ydych yn dweud yn eich papur fod rhaglenni'r Undeb Ewropeaidd wedi gwneud cyfraniad pwysig i helpu Cymru drwy gyfnodau economaidd anodd iawn. A oes gennych enghreifftiau o sut y mae'r rhaglenni hyn wedi bod fwyaf effeithiol yn y cyswllt hwnnw?

Alun Ffred Jones: Good morning. You state in your paper that the European Union's programmes have made an important contribution to help Wales through some very difficult economic times. Do you have examples of where the programmes have been most effective in that regard?

Y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a Rhaglenni Ewropeaidd (Alun Davies): Diolch i'r pwyllgor am y gwahoddiad i roi tystiolaeth; gwerthfawrogaf hynny'n fawr. Yr wyf yn hapus i roi tystiolaeth unrhyw bryd, oherwydd mae cyllidebau Ewropeaidd yn hynod bwysig ar hyn o bryd, a byddant yn bwysicach byth yn ein trafodaethau yma dros y flwyddyn i ddod. Felly, gwerthfawrogaf y cyfle i drafod y materion hyn â chi y bore yma.

The Deputy Minister for Agriculture, Food, Fisheries and European Programmes (Alun Davies): I thank the committee for the invitation to give evidence; I greatly appreciate it. I am happy to give evidence at any time, because European budgets are extremely important at the moment, and they will become even more important in our discussions during the coming year. Therefore, I appreciate the opportunity to discuss these matters with you this morning.

G ran ein defnydd o gronfeydd Ewropeaidd, daeth rhai o'r prosiectau yr ydym yn eu trafod yn y Cynulliad i ben yn y gwanwyn. Yr ydych yn gwybod am effaith ProAct a ReAct; yr ydym wedi trafod y rheini ddigon. Hefyd, mae cynlluniau cwbl newydd fel JEREMIE a JESSICA wedi gwneud cyfraniad pwysig i fusnesau yng Nghymru, gan helpu i greu a diogelu swyddi. Yr ydych newydd gael sesiwn dystiolaeth gyda Huw Lewis, a chredaf fod tua 30 o drefi a

With regard to how we have used European funds, some of the projects that we discuss in the Assembly ended in the spring. You are aware of the impact of ProAct and ReAct; we have discussed those often enough. In addition, entirely new schemes such as JEREMIE and JESSICA have made an important contribution to businesses in Wales and have helped to create and safeguard jobs. You have just had an evidence session with Huw Lewis, and I believe that around 30 towns and communities are receiving European funding for regeneration schemes, including

chymunedau'n cael arian Ewropeaidd ar gyfer cynlluniau adfywio, gan gynnwys Bae Colwyn, Merthyr Tudful, Llanelli, Llanidloes ac Abertyleri ym Mlaenau Gwent, ac yr ydym yn ymwybodol o'r effaith y mae hynny'n ei chael ar y cymunedau hynny.

Yr ydym yn ymwybodol hefyd o'r gwaith ymchwil a datblygu sy'n mynd rhagddo yn ein prifysgolion. Yr ydym wedi trafod y Sefydliad Ymchwil Carbon Isel yng Nghaerdydd, y Sefydliad Gwyddor Bywyd yn Abertawe—

Alun Ffred Jones: Y cwestiwn gennyf oedd: pa rai sydd wedi rhoi'r budd mwyaf? Yr ydych wedi sôn am JEREMIE a JESSICA. A allwch roi tystiolaeth, un ai i'r pwyllgor y bore yma neu yn ysgrifenedig, ynglŷn â llwyddiant y cynlluniau hynny?

Alun Davies: O ran JEREMIE, yr ydym wedi buddsoddi £62 miliwn yn 318 o fusnesau bach a chanolig. Felly, mae dros 300 o fusnesau wedi elwa ar hynny. Mae honno'n enghraifft berffaith o'r hyn yr ydych yn chwilio amdano. Mae JESSICA yn gronfa sy'n werth £40 miliwn, gyda £25 miliwn o'r gronfa datblygu rhanbarthol Ewropeaidd. Ar hyn o bryd, mae gennym fuddsoddiadau potensial sy'n werth dros £44 miliwn ar y ffordd, a disgwyliwn y bydd y buddsoddiad cyntaf yn cael ei wneud cyn y Nadolig. Felly, dyna ddwy enghraifft o sut y mae'r arian hwn yn cael ei ddefnyddio mewn busnesau i ddiogelu a chreu swyddi.

Alun Ffred Jones: Yr ydych yn sôn yn eich papur hefyd fod dros £1.5 biliwn, sef tua 80 y cant o gyllideb y rhaglen cronfeydd strwythurol, wedi'i ymrwymo erbyn hyn. Yr union wariant yw £469 miliwn, sy'n cyfateb i ganran gymharol fach o'r cyfanswm hwnnw. A ydych yn hapus bod y prosiectau'n gwneud digon o gynydd wrth hawlio a gwario o gronfeydd yr Undeb Ewropeaidd?

Alun Davies: Ydwyf. Fel y gwyrddoch, efallai, yr ydym yn gwario arian Cymru; yr ydym wedi bod yn blaenlwytho'r proffil cyllidebu oherwydd y problemau ariannol, fel yr ydym i gyd yn deall. Felly, yr ydym yn gwario ein harian ni fel arian cyfatebol cyn ein bod yn gwneud defnydd o'r arian Ewropeaidd. Yr wythnos diwethaf, yr

Colwyn Bay, Merthyr Tydfil, Llanelli, Llanidloes and Abertillery in Blaenau Gwent, and we are aware of the effect that that is having on those communities.

We are also aware of the research and development work that is going on in our universities. We have discussed the Low Carbon Research Institute at Cardiff, the Institute of Life Science at Swansea—

Alun Ffred Jones: My question was: which ones have been most beneficial? You mentioned JEREMIE and JESSICA. Can you give evidence, either to the committee this morning or in writing, regarding the success of those schemes?

Alun Davies: With regard to JEREMIE, we have invested £62 million in 318 small and medium-sized enterprises. Therefore, over 300 businesses have benefited from it. That is a perfect example of what you are looking for. JESSICA is a fund that is worth £40 million, with £25 million from the European regional development fund. Currently there are potential investments totalling over £44 million in the pipeline, and we expect the first investment to be made before Christmas. Those are two examples of how this money is being used in businesses to safeguard and create jobs.

Alun Ffred Jones: You also state in your paper that over £1.5 billion, or 80 per cent of the structural funds programme, has been allocated. The exact expenditure is £469 million, which is a relatively small percentage of that total. Are you satisfied that the projects are making sufficient progress in claiming and spending European Union funds?

Alun Davies: Yes. As you are perhaps aware, we are spending Welsh money; we have been frontloading the budgetary profile because of the financial problems, which we all understand. So, we are spending our own money as match funding before we make use of the European funding. Last week, we had invested £1.55 billion, which is 81 per cent of the funding available to us, in something like 234 projects. If you compare that

oeddem wedi buddsoddi £1.55 biliwn, sef 81 y cant o'r arian sydd ar gael i ni, yn rhywbeth fel 234 o brosiectau. O gymharu hynny â rhaglenni blaenorol, fe welwch mai 65 y cant yn unig yr oeddem wedi'i neilltuo hanner ffordd drwy'r cyfnod. Rhaid cofio ein bod hanner ffordd drwy'r cyfnod hwn, oherwydd er bod y rhaglenni'n dod i ben yn 2013, yr ydym yn gallu gwario hyd at 2015.

Felly, yr ydym hanner ffordd drwy'r cynllun, ac yr ydym lle'r oeddem yn gobeithio bod ar hyn o bryd. Wrth edrych ar effaith rhai o'r prosiectau hyn, mae'n bwysig ein bod yn cydnabod, ar ochr cronfa gymdeithasol Ewrop, nid yn unig y byddwn yn debygol o gyrraedd y targedau ond y gallwn ragori ar rai ohonynt. Mae'r ERDF efallai'n anos i ni ar hyn o bryd, oherwydd i'r targedau gael eu gosod cyn y dirwasgiad, ond yr ydym yn hyderus y gallwn eu cyrraedd hefyd.

Nick Ramsay: I will bring in Byron Davies at that point, who is going to ask about the outputs on structural funds.

Byron Davies: In your paper, you list a number of outputs achieved by the structural funds to date. Can you clarify whether each of these outputs is above or below the level forecasted for this stage of the programme?

Alun Davies: If you look at the current outputs, you will see 232,500 participants, 69,000 supported to gain qualifications, 28,500 helped into work, 8,000 jobs created and 1,760 enterprises created. Those are significant impacts in the community and the economy of Wales. I think that we will probably exceed our targets on the ESF side. Indeed, we anticipate that we are ahead of the curve on most, if not all, of our targets on the ESF front.

It is a bit more complicated with the ERDF. If an ERDF project involves expenditure on capital—for example, if you are investing in a business centre, then you have to build it before people can work in it—you will be a bit behind the curve sometimes, if you look at a straight analysis of spend over the whole programme period. However, we are confident on the ERDF front that we will achieve the targets that have been set for us, and the committee should note the importance of that statement. These targets were set prior to 2008—prior to the biggest economic storm in our lifetimes, prior to the recession and to everything that has happened over the past few years. We are aware of all of that and the impact that that has had on the Welsh economy. So, the ability to achieve the targets that were set in that context is highly significant.

Byron Davies: Following on from that, a report on the implementation of the ERDF convergence programme notes that the issue of underachievement of outputs against forecasts is a clear key concern for the Welsh European Funding Office. Has the cause of this underachievement been identified, and what is WEFO doing to rectify the situation?

Alun Davies: As I said, I think that we are broadly where we want to be and where we expected to be. With regard to monitoring, the programme monitoring committee structures that we have in Wales have been notably successful over the period of European programme funding in providing accountability and a real expression of a partnership to deliver these projects while, at the same time, providing the ability for public scrutiny to take place. We clearly have scrutiny at the National

Assembly, and that is important, but we also have scrutiny of the work on these programmes through the PMC, which happens outside of Government and outside of this place. It is scrutiny by partnerships of people who are involved in the delivery of those programmes. As a Deputy Minister, I am as confident as I feel I could be that the expenditure is done well, it meets all the rules and regulations that we have to meet under European law—I think that we have a fantastic story to tell on that front. Some of the conversations that I have had in Brussels with the Commission and others have been extraordinarily positive about what we do in Wales and the way that we do it. I do not think that you can overemphasise the importance of that. So, I think that we have sufficient levers of scrutiny. As I tried to say in my opening answer to your questions, where you believe there are issues, I am more than happy to come back to this committee to answer any questions and to undergo more detailed scrutiny on those matters that you feel are important or relevant.

Byron Davies: Are you confident that, over the course of the programme, all targets for structural funds will be met?

Alun Davies: Yes.

Byron Davies: I thought that that might be the answer.

Nick Ramsay: I appreciate the brevity of your answer, as we have lots of questions, and I welcome your commitment to come to the committee.

Keith Davies: Bore da, Alun, a chroeso. Hyd yma, mae 83 y cant o'r prosiectau sydd wedi cael eu derbyn wedi dod o'r sector cyhoeddus. A ydych yn hapus gyda hynny?

Keith Davies: Good morning, Alun, and welcome. Thus far, 83 per cent of the projects which have been accepted have come from the public sector. Are you pleased with that?

Alun Davies: O ran perthynas y rhaglenni hyn â'r sector preifat, bu rhywfaint o gamddealltwriaeth yn y Cynulliad ac ymysg eraill ynglŷn â hyn. Wrth edrych ar y lle yr ydym yng Nghymru o ran perthynas y sector preifat â'r rhaglenni Ewropeaidd hyn, ni yw'r ail orau o wledydd Ewrop o ran cydweithio â'r sector preifat. Dim ond yr Iseldiroedd sydd â record well na ni. Nid oes unman ym Mhrydain â record well na Llywodraeth Cymru o ran cydweithio â'r sector preifat. Edrychwch ar yr Alban—er ein bod yn gwneud hynny rhywfaint yn ormodol. Nid yw Llywodraeth yr Alban yn caniatáu i unrhyw gwmni sector preifat fod yn noddwr prosiect rhaglen Ewropeaidd. Yn Lloegr, nid yw prosiectau arian strwythurol yn cael eu noddî gan y sector preifat. Yng Nghymru, yr ydym yn cydweithio â'r sector preifat ar y ddwy ochr gyllido, ac mae gennym record dda yn Ewrop sy'n dala o'i harchwilio.

Alun Davies: With regard to the relationship of these programmes with the private sector, there has been some misunderstanding in the Assembly and among others about this. When we look at where we are in Wales when it comes to the private sector's relationship with these European programmes, we are second from top of the European countries in working with the private sector. Only the Netherlands has a better record than us. Nowhere in Britain has a better record than the Welsh Government for working with the private sector. Look at Scotland—even though we tend to do that a bit too often. The Scottish Government does not allow any private sector company to sponsor a European project programme. In England, structural funds projects are not sponsored by the private sector. In Wales, we are working with the private sector on two funding fronts, and we have a good record in Europe that bears scrutiny.

Drwy'r polisi caffael, yr ydym yn sicrhau bod y sector preifat yn chwarae rhan bwysig yn y ffordd yr ydym yn gweithredu'r rhaglenni hyn. Un o'n cynlluniau pwysicaf yw prentisiaethau modern, ac mae eu hanner yn cael eu darparu gan y sector preifat. Mae

Through procurement policy, we are ensuring that the private sector plays an important part in our delivery of these programmes. One of our most important schemes is modern apprenticeships, and over half of those are delivered by the private sector. That is an important matter to note. I believe that we must go

hynny'n fater pwysig i'w nodi. Yr wyf yn credu bod yn rhaid inni fynd ymhellach.

Byddaf yn gwneud datganiad i'r Cynulliad yn yr wythnosau nesaf am sut y byddwn yn paratoi ar gyfer y rownd nesaf o gyllid, os bydd un. Er hynny, gallaf ddweud wrthyfch y bore yma y byddaf yn sicrhau y bydd cynnydd yn llais a chynrychiolaeth y sector preifat mewn unrhyw grŵp neu fforwm partneriaeth a gaiff ei sefydlu cyn y rownd nesaf. Yr wyf hefyd wedi dechrau trafod gyda'r Comisiwn y modd y gallwn symleiddio'r ffordd yr ydym yn rhedeg a rheoli'r projectau hyn. Pan oeddwn yn rhedeg fy musnes fy hun, nid rhedeg neu weithredu prosiectau Ewropeaidd oedd ei bwrpas. Pan siaradwch â phobl busnes o unrhyw fath, cewch mai pwrpas y busnes yw creu elw yn yr ardal maent yn weithgar, nid rhedeg cynlluniau Ewropeaidd. Felly, mae'n rhaid bod elw i'r busnesau os ydym am gydweithio gyda'r sector preifat. Dyna pam mae cydweithio â'r sector preifat ar yr ochr gaffael mor bwysig. Yr ydym hefyd wedi dechrau trafodaeth gyda'r Comisiwn ynglŷn â symleiddio prosiectau fel y gallwn gynyddu'r cydweithio â'r sector preifat yn y dyfodol.

Keith Davies: Yr hyn yr ydym yn ei glywed o'r byd busnes, er nad yw efallai'n wir, yw bod yr holl fiwrocratiaeth a'r ffurflenni maent yn gorfod eu llenwi, ac yn y blaen. Oherwydd hyn, nid yw pobl am wneud cais oherwydd ei fod yn llawer rhy gymhleth.

10.45 a.m.

Yn ogystal, gofynnodd Julie i Huw Lewis yn gynharach a oes problem yn ganolog o ganlyniad i agwedd *risk-averse*. Er enghraifft, os bydd perygl bach y bydd prosiect yn methu, yr ydych yn dweud, 'Nid ydym yn mynd i'w ariannu'. Ai dyna'r agwedd sydd gan bobl busnes a masnach, a sut fyddwch yn goresgyn hynny?

Alun Davies: Mae risg bob tro yr ydych yn cyllido prosiect oherwydd nid ydych yn gwybod beth fydd y canlyniadau. Yr ydym yn ceisio rheoli'r risg hwnnw a rheoli risg yw prif dasg Swyddfa Cyllid Ewropeaidd Cymru. Yr ydym yn gweithio o fewn i'r gyfraith ac o dan reoliadau Ewropeaidd. Mae'n rhaid inni sicrhau bod popeth yr ydym

further.

I shall be making a statement to the Assembly in the next few weeks on our preparations for the next funding round, if there is to be one. Nonetheless, I can tell you this morning that I will ensure an increase in the voice and representation of the private sector on any partnership or group forum that is established before the next round. I have also begun discussions with the Commission on how we can simplify our running and management of these projects. When I ran my own business, it was not the business's purpose to run or deliver European projects. When you speak to any kind of business person, you will be told that the purpose of the business is to create a profit in their area of activity, not to run European schemes. Therefore, there must be a profit for businesses if we are to work with the private sector. That is why collaboration with the private sector on procurement is so important. We have also begun discussions with the Commission on simplifying projects so that we can increase collaboration with the private sector in future.

Keith Davies: What we hear from the business world, though it may not be true, is that all the bureaucracy and form-filling that they must do and so on. Therefore, they decide not to make an application because of the complexity.

In addition, Julie asked Huw Lewis earlier whether there is a central problem due to a risk-averse attitude. For example, if there is a small risk that a project could fail, you say, 'We're not going to fund it'. Is that the attitude of people in business and commerce, and how do you overcome that?

Alun Davies: There is always a risk when you are financing any project, because you do not know how it will turn out. We are trying to manage that risk and risk management is the main task of the Welsh European Funding Office. We work within the law and under European regulations. We must ensure that everything we do is legal, and we have a particularly good record in that respect. During the first weeks

yn ei wneud yn gyfreithiol, ac mae gennym record arbennig o dda yn hynny o beth. Yn ystod yr wythnosau cyntaf ar ôl fy mhenodi, bu inni gysylltu â'r Comisiwn Ewropeaidd i drefnu cyfarfod gyda'r comisiynydd polisi rhanbarthol. Aethom i weld Johannes Hahn ac yr oedd yn hynod o gadarnhaol ynglŷn â'r modd yr ydym yn rhedeg prosiectau Ewropeaidd. Mae'n bwysig cofio hynny. Yr oedd y Gyfarwyddiaeth Gyffredinol ar Gyflogaeth, Materion Cymdeithasol a Chynhwysiant yr un mor bositif ynglŷn â sut yr ydym yn gweithio yng Nghymru, ac mae hynny'n bwysig. Efallai dyna un ochr y stori ac mai'r ochr arall yw bod pobl yn teimlo'n rhwystredig—fel rhywun nad yw'n hoff iawn o lenwi ffurflenni, gallaf gyd-fynd â hynny. Yr wyf am bwysleisio bod gennym record dda iawn o wario. Mae gennym record dda iawn o reoli'r prosiectau hyn a chael arian allan o'r Llywodraeth i le bynnag y mae ei angen. Yr ydym yn bell o flaen lle'r oeddem bedair neu bum mlynedd yn ôl. Yr wyf yn poeni mwy am 'overcommitment' na thanwario. Felly, pan yr wyf yn edrych ar sut yr ydym yn gwneud o ran rheoli'r prosiectau hyn, yr wyf yn teimlo'n gyfforddus iawn.

Keith Davies: A ydych wedi dadansoddi'r data i weld faint o unigolion neu gwmnïau yn y sectorau cyhoeddus neu breifat sydd wedi elwa o'r arian? Yr oeddech yn sôn yn gynharach am brentisiaethau a chredaf fod hynny'n newyddion arbennig o dda. Byddai'r pwyllgor yn falch o weld y data sy'n dangos pwy sydd wedi elwa.

Alun Davies: Gallaf ysgrifennu at y pwyllgor gyda'r manylion hynny os bydd hynny o gymorth, gan nad wyf am gadw'r pwyllgor y bore yma. Ar ôl y cyfarfod hwn, bydd Damian a minnau yn mynd i gyfarfod i drafod sut y gallwn gyhoeddi mwy o ddata, achos pan yr ydych yn craffu, mae gwybodaeth yn hollbwysig. Byddwn yn ystyried ymhellach sut y gallwn gyhoeddi mwy o ddata a rhywfaint o'r cronfeydd data sydd gennym i sicrhau y gall pobl archwilio'r math o wybodaeth sydd ar gael. Mae hynny'n hynod o bwysig oherwydd bydd yn caniatáu i bobl eraill edrych ar y data, cael y data y maent eu heisiau, ac wedyn dod atom gyda chwestiynau gwahanol. Felly, o ran ein democratiaeth, credaf fod rhyddhau data yn hynod o bwysig. Fel Dirprwy Weinidog, yr

after my appointment, we contacted the European Commission to arrange a meeting with the commissioner for regional policy. We went to see Johannes Hahn and he was very positive about the way in which we run European projects. It is important to remember that. The Directorate-General for Employment, Social Affairs and Inclusion was equally positive about how we work in Wales and that is important. Maybe that is one side of the story and the other side may be that people are frustrated—as someone who is not overly fond of form filling, I can sympathise with that. I wish to emphasise that we have a good record of spending. We have a very good record of managing these projects and getting money out from the Government to wherever it is needed. We are far ahead of where we were four or five years ago. I am more worried about overcommitment than underspending. So, when I look at how we are doing in managing these projects, I feel very comfortable.

Keith Davies: Have you analysed the data to see how many individuals or companies in the public or private sectors have benefited from the money? You were talking earlier about apprenticeships, and I think that that is excellent news. The committee would be pleased to see the data on who has benefited.

Alun Davies: I can write to the committee with those details if that helps, as I do not want to detain the committee for too long this morning. After this meeting, Damian and I are going to a meeting to discuss how we can publish more data, because when it comes to scrutiny, information is paramount. We will consider further how we can publish more data and some of our databases to ensure that people can examine the type of information available. That is extremely important because it will allow others to look at the data, get the data they want and then come to us with different questions. So, in terms of our democracy, I believe that the release of data is extremely important. As Deputy Minister, I want to publish as much information as possible.

wyf am gyhoeddi cymaint o wybodaeth â phosibl.

Keith Davies: Mae'n arf marchnata hefyd, onid yw? Fel y gwyddoch, yn ein maniffesto yr ydym yn sôn am greu 4,000 o swyddi bob blwyddyn i bobl ifanc rhwng 18 a 24 oed. Os gallwch gael cwmnïau preifat i mewn i'n helpu, gorau i gyd fydd hynny i'r bobl ifanc.

Keith Davies: It is also a marketing tool, is it not? As you know, in our manifesto we mention the creation of 4,000 jobs each year for young people aged 18 to 24. If you can get private companies in to help us, then that is all positive for the young people.

Alun Davies: Yr wyf yn hyderus o ran y record sydd gennym ac felly yr wyf yn hapus iawn i gyhoeddi popeth y gallaf.

Alun Davies: I am confident with our record and I am therefore happy to publish everything that I can.

Nick Ramsay: I want to see this manifesto. I would be grateful if you could provide that information, Deputy Minister. In terms of the—

Keith Davies: It is 100 pages mind. [*Laughter.*]

Nick Ramsay: Some light reading.

Alun Davies: You would get through the first 20.

Nick Ramsay: Moving on to my question, I want to ask you about match funding. Are you concerned about the impact of the comprehensive spending review on the availability of match funding, and how is WEFO addressing that? More specifically, the Government's fund for targeted match funding is currently closed for applications; is that a permanent closure, or is it temporary? Do you envisage it reopening at some point?

Alun Davies: Targeted match funding is a fund held by the Minister for Finance. In terms of where we are, I will not rehearse wider political arguments this morning, but the committee will be aware that the Welsh Government's view of the financial strategy being followed by the United Kingdom Government is that it is not a strategy that we would have chosen and it is not one that we would necessarily support. We are seriously concerned about the impact of UK Government policies on the Welsh economy; that is very clear. We feel that the UK Government is making fundamental errors in its overall financial strategy. We believe that the spending cuts that we are seeing will damage the Welsh economy and its ability to recover from the recession. I make no excuses for saying that. The strategy will clearly have an impact on the way in which we can operate these funds. That is self-evident. I remind committee of the comments that I made earlier in reply to Keith Davies's question on private involvement—we are probably leading the way in the United Kingdom on involving the private sector, so we are trying to access other forms of funding that are not reliant on the public purse. We are doing what we can, but we operate within the overall financial structures of the United Kingdom. We have concerns about those, and those concerns are evident and well-understood by the committee.

Joyce Watson: Good morning, Deputy Minister. I want to ask you about the sustainability of projects beyond 2013. How confident are you that the future sustainability of projects can be accurately assessed during the application process, particularly in light of DG Regio's opinion that the ex-ante sustainability of projects cannot be guaranteed post-2013, as expressed in evidence to the former Enterprise and Learning Committee in March 2010?

Alun Davies: Sustainability is always an issue with projects that have received funding from this or other sources. However, the term in which we are able to spend extends for two years after the 2013 deadline. Therefore, we have, in effect, another two years in order to spend on these projects. I hope that the projects that we are currently funding will have sustainability built into them. I had a very good meeting in June with the commissioner to discuss the projects that we are now funding, and I thought that the commissioner was extraordinarily positive about how we were structuring these

programme and the impact that they were having. The commissioner had a strong understanding of the Welsh situation in terms of economic impacts and all the rest of it. I felt that our very positive meeting meant that we had a degree of mutual understanding about the impact that these projects would have during the programme period, and subsequent to that.

We are now entering a period of time when we will be discussing where the funding goes and where the European programmes will go post 2013. The Commission will be making proposals on that and we expect the legislation to be published on 5 October. A Council of Ministers on general affairs is to take place in early December and I hope to attend that as part of the United Kingdom delegation in order to ensure that a Welsh voice will shape those programmes. From our perspective as a Government, we are absolutely committed to ensuring that a Welsh voice will be clearly heard in the discussions, both at a European level, in terms of the discussions in Brussels, but also at a UK level. Wales, in many ways, is the lead territory, if you like, in the UK when it comes to the spending of these funds, and I think that we have a good reputation within the United Kingdom for that. My meetings with officials to date have indicated that that is the case. So, we will look to ensure that sustainability is a key part of it. We will also look to ensure that we will be able to build on the programmes that we are funding today for tomorrow.

Eluned Parrott: The most recent figures produced by Eurostat show a further relative decline in the gross domestic product of west Wales and the Valleys, and in that of east Wales, compared with the EU-27 average. In your opinion, what conclusions can be drawn from those figures about the effectiveness of the current structural funds programme in Wales?

Alun Davies: If you look at those figures, you get an incomplete picture of where we are. One of the usual comparisons that is made is made between Wales and Cornwall. For example, it will be said that Cornish GDP has grown, whereas GDP in west Wales and the Valleys has not grown to a similar extent. However, when you look at the number of benefit claimants, you see a different picture, and when you look at household incomes, you see a different picture again. So, we are looking at using a suite of economic indicators that adequately describe the whole economic picture for west Wales and the Valleys. Gross domestic product and gross value added are blunt tools and we have had enough debates about which indicator to use to last a life time.

Eluned Parrott: They are very accurate.

Alun Davies: They are very blunt. If you live in my constituency of Blaenau Gwent, household income will probably be more important than global GDP figures, frankly. So, you need a wider suite of indicators in order to adequately describe the economic picture.

To return to the answer that I gave to Joyce Watson, there is clear recognition in the Commission of what Wales has done and of how it has succeeded in using those funds. I have spent a great deal of time talking to officials, commissioners and others in the short time that I have been in office and I am yet to hear a word of criticism about the way in which the structural funds have been used in Wales.

Eluned Parrott: I take that on board. To return to the idea of using a suite of tools to assess the success of the programmes, can you give us an indication or a list of what those tools are?

Alun Davies: I have given you two in my previous answer. As I said, I will be making an announcement—in Plenary rather than in committee, as I believe that it is the best way to do it—about how we will plan for the next round, if there is one, of European funding programmes. A part of that will be how we measure success and design programmes in order to achieve the targets that we set, and those targets will, of course, be a part of that. If you want to look backwards, you can do so if you wish. We can look at the targets that were set for us before the current round, which started in 2007. If you look at those targets, which use a range of different indicators, you will find that we are either very nearly there or on course to meet them.

Nick Ramsay: Leanne, you wanted to come in on the negotiations on the future of EU funds.

Leanne Wood: On the approach that you take in negotiations, will you have any red lines with regard to the Welsh Government's position on the future of structural funds?

Alun Davies: It is a little early to start talking about red lines; the legislation will not be published for another couple of weeks. Let me describe the approach that the Government will take, as that might be more useful for the committee. We will seek to do two things. First, we will seek to help to shape the United Kingdom's position. In many ways, as I said, Wales is the lead territory in the United Kingdom when it comes to these matters. I attended a European joint ministerial council in June and will attend the next one on 13 October. I will seek to meet ministerial colleagues in Westminster to discuss the overall position of the United Kingdom. We meet officials regularly from the Department for Business, Innovation and Skills and the United Kingdom Permanent Representation to the European Union.

11.00 a.m.

I had an excellent meeting earlier this week in Brussels with the senior United Kingdom permanent representative there and the United Kingdom permanent representative's counsellor on structural funds. We have agreed that we will continue discussions. They will come to Wales, I hope before Christmas, in order to have detailed conversations with officials here. If we are able to second someone from the Welsh Government to work in UKRep during these negotiations, I will certainly seek to do that sort of thing as well, so that we have a very close working relationship among officials. In that way, as we generate the United Kingdom position—it is the UK that is the member state in these matters—we will seek to do it.

At the political level, I am seeking to attend the meeting of the General Affairs Council in December, which is the first opportunity that we will have to discuss these matters. I attended the meeting of the Agriculture and Fisheries Council earlier this week. We have, and are developing, good and strong relationships on a political level as well to ensure that, when there are issues that affect Wales, first, we have the opportunity for officials to have an impact on the UK position and that, afterwards, we have the opportunity at a political level to have the sort of meetings and discussions that we are having to ensure that the Welsh position is well flagged up.

This round of debates and discussions about CAP and structural funds is very different to the previous round, because we now have co-decision between the Commission and the European Parliament. In Brussels this week, I met all four of our MEPs and had some excellent discussions. I will seek to meet them again in Strasbourg in November when the legislation is published in order to discuss with them the emerging Welsh Government line, so that we will be able to have a discussion with our MEPs, the UK Government and the European Commission. In that way, we will deal with all the different stakeholders available so that the Welsh Government's position is very clear to them and within those bodies in the genesis of policy.

One of the weaknesses in the past has been that we have always been a bit late to the feast. I would like to ensure that we have officials working closely together and that, as politicians, we have relationships that allow us to work closely together, recognising the different positions.

Leanne Wood: I just want to come back on one point. I heard a lot from you just now about you seeking to meet, seeking to discuss, seeking to organise meetings and seeking to ensure that the Government's voice is heard. How confident are you that they will listen to the Welsh Government's position?

Alun Davies: I have no reason to believe that they will not. I say 'seeking' a lot because the legislation will be published next month, so negotiations and detailed discussions will start when the legislation is published. We already have very strong relationships at official levels, and those work very well. As I said, I attended the Joint Ministerial Council back in June, so we already have a strong structural place

within the UK discussions. When we were having discussions as the UK delegation on Tuesday morning before the council of ministers, we sat around a table like this and had some good discussions about the position of the United Kingdom. I had no real issues with any of the United Kingdom positions this week—there were no disagreements at all. We had very good private discussions with UK Ministers this week as well. I have no reason to believe that that will not continue.

Nick Ramsay: David Rees, do you want to come in with your question now? I think that Ken Skates's question has broadly been answered by the Deputy Minister.

David Rees: Yes. Good morning, Deputy Minister. You mentioned research and innovation in your earlier remarks. The proposed successor to the current framework programme for research is being discussed. In light of the current Minister for Education and Skills' vision for higher education in Wales and its reconfiguration, what are your priorities for the future of research and development? Do you agree with the view of Welsh higher education that we need to build capacity as well as excellence in research?

Alun Davies: We are being led by the science policy of the Welsh Government. I discussed in an earlier answer the investments that we are making in research and development; whether it is in the Low Carbon Research Institute in Cardiff, High Performance Computing Wales, Advanced Sustainable Manufacturing Technologies, or whether it is in the Centre for NanoHealth or the Institute of Life Science at Swansea University, we are being led by the science policy of the Welsh Government. I hope that we are making investments that will help sustain research and development in the Welsh higher-education sector, but will also help lead it forward. I do not know whether Damien wants to add anything to that.

Mr O'Brien: We are investing in that capacity under these current programmes and the likelihood is that we will need to continue to invest in that capacity under any future programmes. Structural funds have always worked alongside FP7, which funds pure, basic research, and help our institutions and private sector organisations to put themselves in a position where they can make the most of the opportunities that exist through FP7. Looking forward to Horizon 2020, the expectation is that we will continue to do that. We have made some good investments and we now want to see them pay off in the next programme period.

Nick Ramsay: Eluned, did you want to come in with a brief supplementary question?

Eluned Parrott: Yes. We talked about FP7 funding being part of the science policy for Wales, which is something that I will be interested to talk to you about at a later date. However, one thing that concerns me is that somewhere around half of the academies in Wales are in non-science subjects, so what opportunities are there for non-science subjects through these kinds of funds? How will the Government ensure that non-science subjects within Welsh academia are equally supported? Those will include things like history feeding into heritage, which feeds into regeneration in Wales.

Mr O'Brien: The FP7 and Horizon 2020 programmes will set out a framework of priorities, and member states will seek to influence the content of those priorities. We will feed into that debate. As far as the structural funds are concerned, they are about economic development, so the focus will always be on science and technology. That is the purpose of the funds.

Eluned Parrott: Yes, but the point that I was making is that, in terms of tourism development, for example, statistics show that the primary objective of 80 per cent of tourists to Wales is to visit some kind of heritage attraction. Therefore, non-science subjects have an economic development potential that is underutilised. What will the Government do to address that?

Alun Davies: With respect, you may be straying into a subject that is outside of our area of responsibility with some of those questions. However, I will say this to you: we support, through the structural funds, where policy allows, the regeneration of towns and communities—a lot of which can

be heritage led, as in my hometown of Tredegar—and, in other areas, we support the development of skills and opportunities for people to acquire new skills, where possible, according to the overall policies of this Government, whether that is in terms of the science strategy or something else. There is sometimes interface between the responsibilities that we have, which is the management of funds, and the responsibility for the delivery of some of these issues. I think that my colleague Jeff Cuthbert is responsible for some of the areas that you touched on.

David Rees: I would like to come back on that, following on, perhaps, from something that Eluned asked. The reconfiguration of HE in Wales will mean taking a different look at how universities work together, and the funding will be for excellence in research. To take Eluned's point first, will you be looking at greater collaboration between departments within universities, so that the excellence in research is spread wider than science and technology, so that we can look to achieve economic development?

Alun Davies: We are probably going to be one of the leading areas of the UK, and perhaps Europe, when it comes to putting together a partnership that will look at any proposals that come from the Commission for another round of European funding from 2013 or 2014. I will be making an announcement to Plenary on these matters in the coming weeks. In many ways, the debate on the approach that we take post 2013 will be a matter for that forum, about structure, and then a matter for discussions that we have in the future. We are at the beginning of a process on that next round, so it is difficult for me to give you definitive answers on that today. However, as I said to the Chair, when we start publishing documentation on how we will use the next round of European funding—if there is a next round—we will be more than happy to give evidence to the committee on the assumptions that we are making.

We all understand the place of higher education in the Welsh economy. It plays an extraordinarily important role in research and development in Wales, and when you do not have a strong private sector filling that role, as you do in some parts of the United Kingdom and Europe, the burden falls disproportionately onto the higher education sector. We are aware of that, and of its importance in that sense. However, in terms of the post-2013 world, we will be in a better position to understand where we are going when we see what the regulations say on 5 October, when we see what we will be able to spend money on, and when we see what the parameters for those programmes are. At the moment, we do not know that, and that is why I am anxious to meet MEPs in November—to discuss our emergent position. I will be more than happy to come back to this committee at that time to discuss that.

Nick Ramsay: We would welcome that.

David Rees: On many other structural issues you have talked about targets and measurements—for example, with job creation. This is a slightly different outcome, so how can you measure the success of some of these projects?

Mr O'Brien: All the projects have specific targets associated with them. At a macro level, I suppose that what we are trying to do is drive up the overall investment in research and development in Wales. There is a target in Europe by 2020 to achieve an overall investment of 3 per cent of GDP in research and development. We have some way to go to reach that level, as do most regions in Europe. That is the benchmark against which we will be judged by the European Commission.

Nick Ramsay: Julie James, do you have a question on the electrification of the railways?

Julie James: This is a slightly abrupt change of topic, Deputy Minister. What do you think of the call in some quarters for the Welsh Government to include infrastructure projects such as rail electrification between Cardiff and Swansea in its European structural programme?

Alun Davies: Cardiff, of course, is not in the convergence area. Let me be honest: I thought that the UK Government made a terrible error of judgment when the electrification project was not extended

through to Swansea. Electrification of railways is a UK Government responsibility, and I really do not want to use these funds and the additionality that they bring to subsidise what the United Kingdom Government should be providing as part of its overall policy approach. That is not why we have European funding.

On a wider issue of transport infrastructure, David would be aware of the importance of the Harbour Way peripheral distributor road in Port Talbot, and the £56 million that is going into that. Leanne will be aware of the £9 million that is being invested to improve the frequency of services in the south Wales Valleys. We are looking at how we can use structural funds to support infrastructure projects that we believe will have an economic impact in the regions concerned. However, I want to be absolutely clear that that is additionality; it is not about getting the United Kingdom Government out of a hole of its own making.

Nick Ramsay: Thank you for your honesty, Deputy Minister. May you always be so honest with this committee. We take that at face value and we welcome your commitment to return to us at appropriate points to update us on what you are doing. I thank Alun Davies, the Deputy Minister, Damien O'Brien and Jane McMillan for being here today as well.

11.15 a.m.

Sesiwn i Graffu ar Waith y Gweinidog: Busnes, Menter, Technoleg a Gwyddoniaeth Ministerial Scrutiny Session: Business, Enterprise, Technology and Science

Nick Ramsay: Edwina Hart, the Minister for Business, Enterprise, Technology and Science is waiting outside. However, she has to go at 12.00 p.m. I therefore suggest that we roll through rather than have a break at this point. Are Members content with that? I see that you are. If individuals want to leave at appropriate points, I am not going to stop them, but it is probably easier if we just run through.

I welcome the Minister, Edwina Hart. Thank you for being here today and apologies for keeping you waiting; we have had quite full evidence sessions, but I think that Members would agree that they have been helpful. Accompanying the Minister is James Price, director-general of Business, Enterprise, Technology and Science. I congratulate you on your appointment. We also have Tracey Burke, director of strategy and operations.

Rather than having opening statements, because time is short, do you mind if we move straight into questions, Minister?

The Minister for Business, Enterprise, Technology and Science (Edwina Hart): I would be grateful, Chair, if I could announce my three new priority sectors to the committee, if that would be appropriate.

Nick Ramsay: Yes, if Members are happy with that.

Edwina Hart: I am delighted to be here with you, because all of our priorities are about jobs, job retention and investment. It is important that I have had a review of my portfolio during the last few months with regard to what is required.

I am very pleased about the sector approach that we took as a Government previously, but I felt that I needed to enhance the sectors in my portfolio. However, that does not mean spreading the jam too thinly—it is about looking at the real world in terms of what the economy of Wales looks like. I am very pleased to announce that I have three new sector panels, the first being food and farming, which I think is an important area across my portfolio. There are links between food and farming and the economy, which lead us on to local procurement and a whole range of other issues. That sector panel will be chaired by Dr Haydn Edwards, who was the chair of the food and drink advisory partnership and who holds a number of other public offices. Members will probably be aware that he was principal

and chief executive of Coleg Menai between 1994 and 2009 and set up the Coleg Menai food technology centre. He is also a trustee of the National Museum for Wales. We are currently considering the panel membership, and I will make an announcement in due course as I want to consult my chairs about the type of composition that they want.

In terms of construction, I felt that construction should have been a panel originally, because the construction industry is essential to development in Wales. I have asked David Joyce, the managing director of VINCI plc, to take on the role of chairing the panel. VINCI plc is the parent company of VINCI Facilities and VINCI Construction UK Limited, and is part of VINCI Worldwide which is a leader in concessions and construction. So, we have a high-profile individual there.

The third panel is tourism. You mentioned ministerial discussions and, earlier this week, I spoke to the UK Minister for tourism about what we needed to do to build on the Olympics, who is coming here, and what we need to do collectively in the future. When some industries are dead and dying, tourism will remain; it has been around for hundreds of years. We have appointed Dan Clayton Jones to chair the tourism sector panel. He is currently chair of the Heritage Lottery Fund. He has extensive experience of the tourism business in the private sector and public sector, and he has also worked for the Ford Motor Company, the Wales Tourist Board and Rank Hotels, so he has a pretty good background, and he will make appointments to the panel.

In the light of time, I assure Members that I will make a full statement on the membership of the boards in the next few weeks.

Nick Ramsay: Thank you for your comments, Minister. On the back of what you have just said, do Members want to ask any particular questions on that before we move on to the bulk of the evidence session?

Alun Ffred Jones: To go back to the point that you made about spreading the jam too thinly, I presume that the thinking behind the original six sectors was that by concentrating your efforts on those areas, you could get better results. You believe, I take it, that expanding the number will not have a detrimental effect on the focus that you will be able to apply.

Edwina Hart: That is right. I have looked at the budgetary considerations of this quite carefully in terms of how we manage the sectors. There was money in the system already with regard to agriculture and food and we have a plethora of arrangements within the tourism and agriculture and food sectors that I would expect the panels to review in the first instance so that we can streamline the work that we do. It sends out totally the wrong message if I do not include these three sectors for any longer, because tourism is big business. It is a very sustainable business and I think that we need to take a bit of leadership in how we develop tourism, because it is an area that is going to grow. Also, with regard to food and agriculture, I do not want everyone to think about agriculture as just being what is happening with the common agricultural policy. It is far wider in socio-economic terms and in terms of what we are looking at for rural enterprises and business. We have to be aware of where people live and so on—we have to really get to grips with some of these issues. With regard to construction, I feel so sorry for the construction trade in terms of what is happening to it and the lack of capital projects and I feel that we really need to get to grips with that. One of the first construction issues that we will be looking at—I am sure that you will be delighted to hear this—will be procurement and framework contracts.

Nick Ramay: I will call Joyce Watson to ask a brief supplementary question on this, and then Eluned.

Joyce Watson: Thank goodness you have created these three sector panels, Minister. I more than welcome them, because, in an area like Mid and West Wales, tourism, food and farming and construction are the backbone of communities—there is no getting away from that. I was also pleased, Minister, to hear you say that you are going to look at the systems that are in place, review them and slim them down. I assume that you will be making an announcement on that fairly soon. That will be

very welcome to those industries. In terms of the construction sector, procurement is a massive issue. How soon are you going to be setting this in motion? Also, following on from the question that I asked you yesterday, how do you intend to get all the players around the table who have said to me—particularly in tourism food and farming—that they often come up against a brick wall because they do not know which way to turn?

Edwina Hart: The beauty of the sector panels, which are led by independent chairs and panel members, is that it is their duty to get the people around the table and advise me on the policy direction that I should be taking. I am very much minded that, when the Deputy First Minister set up the sector panel approach, he was keen to have independent advice on the direction of travel, what we should do in terms of investment and what we should support. These panels will be exactly the same. I anticipate that we will have the membership of the panels finalised within the next few weeks; then it will be up to them to decide how they prioritise work, what they think works best and to advise me accordingly. I am not an expert in these areas, but, hopefully, the panels will consist of experts. As Minister, I have shown that I have been prepared to look at microbusiness as an independent panel. There is a good mix on that panel, which indicates that I am prepared to take advice from those who are out there having the hard knocks in industry who can give me advice about what we should be looking at as a Government.

Eluned Parrott: Thank you for bringing us this announcement to us today. We welcome it as a committee. I also welcome it personally; I think that it is the right decision, so take that as you will. What worries me a bit is that we went from 12 sectors to eight for a while, then six, and we are now back to nine. Stability of policy is a concern for the business sector, so what assurances can you give to the business community that there will now be stability and action on this portfolio?

Edwina Hart: You have to look at stability in two ways. It is nice to have stable, established policies, but you also need to recognise the economic developments going on in the world. We need to be much flecter of foot in terms of how we deal with industry and business. The message that I am getting from businesses is that if you are putting in place various things and you are doing the work—such as the microbusiness strategy—the business community is grateful that it has been done, especially if it is a good report and you accept the recommendations. So, I have to get that balance right and I think that we will be stable with these new sectors. However, you raise a valid point, which comes through sometimes, about narrowness. Companies ask me whether they can have somebody that they can talk to, as they do not have that any more. That is an issue that, with a new director, we are looking at in the department. I appreciate that this announcement has eaten into the committee's time. If the committee wishes, I would be more than prepared to come back for another 30-minute scrutiny session in the next meeting.

Nick Ramsay: We invited you here, Minister, to give us an update on your policies and you cannot get more of an update than a statement to the committee, so we appreciate that. Following on from the earlier question about the new sectors—and I, like other committee members, welcome the addition of tourism, in particular, because I think that is called for—are they going to attract extra funding, or are we looking at the same pot as before, just divvied up among more areas?

Edwina Hart: I will be reviewing my budget in relation to what I will be doing in future years with the resources that I have available. I have asked the director to look keenly at structures in the department to ensure that they are fit for purpose—things have changed within the last six months with regard to the economy—and with regard to where we intend to focus in the future. It is possible that we will be realigning. I am sure that the committee will be interested to hear that a key area that we are looking at is inward investment, what we are going to do about it to ensure that we are seen to be open for business in Wales, and how we are going to suggest what areas we need to go to for trade and where the trade is going to be in the future. We need to take those types of lines and adopt a fresh approach. We did very well over the last four years with the direction of policy under the previous Government. However, we have been shaken up by another economic crisis—if you listen to Vince Cable, we are all going to be in hell for the next 10 years. Therefore, I have to think carefully about

how I will direct my resources to achieve maximum gain for the people of Wales.

Alun Ffred Jones: There was a tourist advisory panel; what has happened to that?

Edwina Hart: These, of course, will be on their way.

Julie James: I welcome your announcement, which is a good step in the right direction. I particularly welcome your emphasis on procurement and framework contracts in the construction industry. I have a lot of personal and professional experience of how they can work against firms in Wales, particularly small and medium-sized enterprises, so I very much welcome that. I want to put to you the point that we put to the other two Ministers about addressing the perceived risk-averse nature of some of the advice that has been going out, under the procurement framework contracts in particular and especially around access to European funding and state aid issues, which I know that you are aware of. Therefore, I welcome that.

Edwina Hart: Coming from your profession, that is one of my problems: there are too many of them advising me that I should not be doing something, which makes me even more risk averse. At the end of the day, you have to be prepared to make your own judgment call. You have to ask who is going to challenge you and why. If you think that you are making the right decision, and it involves jobs and investment and it is common sense, then, as a Minister, you should take that decision. It is up to civil servants to give you the advice: you do not have to accept the advice. I have been a Minister since 1999, and, if you want to do something, you get on and do it and take the risk. As long as it is explained clearly, people will respect you for that.

However, I am worried about procurement and I picked up some of these issues when I had the opportunity to meet the Federation of Small Businesses in mid Wales during the summer. One company had been in the construction business for a long time and was not now having a sniff at any local government contracts, because some quite big companies were coming in to do it because work was short. Of course, they have departments that can fill in all the forms. That individual had about 40 employees and had apprentices, and did not have the time or ability to go through all that. I think that that is not right, because the whole reason why we wanted to tidy things up was to benefit the local Welsh economy. There is a whole range of issues related to who comes into Wales to work: there are environmental and training considerations and issues about what they put back into the local economy. So, I think that the construction industry will be keen for us to look at those issues first.

Nick Ramsay: Eluned, looking at your question, I think that it has been answered. There was one point at the end of it, regarding the communication of changes to businesses, which ties in with Eluned Parrott's question on stability earlier. Have you given much thought to how you will be communicating these new areas of development to businesses in Wales?

11.30 a.m.

Edwina Hart: Yes. We have given a lot of thought to the communication strategy, and there is a new head of communications in post. So, we will be looking at the sectors and at how we communicate. We need to have clear structures for businesses so that they know how to access the Government, and, more importantly, to ensure that when they do so they are given the correct information about loans and grants and are not fobbed off and passed from one department to another. An issue that James is looking at currently is ensuring that if you are given a point of contact, that is your point of contact, and if they are not in you should be given another one. That person should then facilitate any other contacts that might have to be made. If it turns out that the matter relates to the training agenda, it should be moved on swiftly to the appropriate official. I do not think that that has been happening properly, but it has to happen because businesses have to know where to go. These days, things happen so quickly for companies, and they might lose an order, for example, and they have no time to deal with it; sometimes they do not get support from their banks and they need quick action, and they need to know that the Government is there. So, we have to streamline our procedures and James is looking

at that.

Nick Ramsay: David, do you want to come in on timescales and the implementation?

David Rees: Good morning, Minister, and thank you for the announcement. I was also amazed that construction was left out in the first instance. People perhaps thought that it was inherent in other sectors; however, when things are inherent they get lost. So, I am pleased to see that, because I feel that many Welsh industries are losing out to national UK industries, which bring in their own workforces sometimes, and so we do not develop in economic areas here.

To move on to the six sectors that have been established already, when are the strategies expected for those sectors, given that those panels have been in existence for quite a while?

Edwina Hart: They would deny that they have been in existence for a long time. The policy has been in place for 12 months and some of them are finalising their strategies. I have had discussions with some of the chairs of the sector panels about the direction of travel, particularly the chair of the panel on advanced materials and manufacturing. It needs to look clearly at what it needs to do in future, because it is in a terribly fast-changing world. I am fairly confident that we will be able to launch those strategies in the autumn.

I have to be honest: I give them further work over and above their strategies, in that I have been asking for advice about many other things. I have asked them about who goes on a trade delegation, who does what, and whether we should be supporting something. I have been asking them for their professional opinion and whether we should be doing such things. I do not think that that is necessarily the role that was envisaged for them at first, but I have every confidence in the people who have been appointed. I need that type of advice and they are out there in the world, at the sharp end, and can say whether something is a good idea or not. So, I have given them additional workloads, but they are working through them. An enormous amount of work has been done, particularly in advanced manufacturing, in analysing the marketplace before they put any strategies in place.

David Rees: Will you therefore expect the three new sectors to speed up the process of developing strategies?

Edwina Hart: Having spoken to the chairs, I think that the three new sector panels are clear about their direction of travel and about what they will look at initially. I think we will see them getting to grips quickly with the core principles of their strategies.

David Rees: What processes will you put in place to monitor the effectiveness of those strategies?

Edwina Hart: We will have to look at the strategies when they come out and then see which targets we might wish to set in relation to them.

Nick Ramsay: Does anyone have any further questions specifically on this topic? If not, we shall move on to Leanne Wood, who has a question on enterprise zones. This is an appropriate point for us to move on to that area.

Leanne Wood: Before I ask about enterprise zones, Chair, I wonder whether I could ask the Minister about something that the Minister for Housing, Regeneration and Heritage said earlier, if that is possible. The Minister was keen for the committee to understand the difference between regeneration and economic development. I am sorry, but I am still not clear about the difference, despite his explanation. Could you give us the Government's official definition of regeneration and economic development, and tell us how they are different?

Edwina Hart: Would you mind if I checked the Record to see what my ministerial colleague said, Leanne? I am clear about my role and my portfolio. I only have one role: to protect and to invest to

create jobs. I have to make sure that that is structured as part of Government policy, including the science agenda, construction and so on. I have been a Minister with responsibility for regeneration and I think that it is a far wider issue involving the regeneration of communities, capacity building and linking things in. There are also physical issues with regard to regeneration that fall between the Minister's portfolio and mine.

Leanne Wood: It does all come down to jobs as well though, does it not?

Edwina Hart: I think that there is an issue in relation to jobs. Of course there are overlaps between our portfolios. I regard housing as being a regeneration issue in certain areas and we are taking an enormous interest in that area in my department in order to see how we can employ leverage in order to get the housing market going again for economic development purposes and to secure employment in construction. If the Chair does not mind, I will check the Record and, if it would be helpful, I will prepare a note for the committee.

Nick Ramsay: The purpose of this morning's session is not to try to pit you all against each other—

Edwina Hart: Oh no, I know.

Nick Ramsay: However, there are clearly overlaps, so we would appreciate it if you could come back to Leanne Wood with the details on that later.

Edwina Hart: Yes.

Nick Ramsay: Leanne, do you want to move on?

Leanne Wood: Yes, I will move on to enterprise zones. Following the announcement, do you intend to create new enterprise zones to cover the new sectors?

Edwina Hart: No, not necessarily. I think that I have had better give a bit of background on the enterprise zones that I have announced to give you some clarity on where we went. I have to be honest with you that there is no politics involved in this; the only thing I am interested in is how I can get jobs in and how I can get things sorted out. However, when the announcement was made across the border on enterprise zones, I have to say that I was very conscious that the jury was out on such zones. I can tell you one thing: the responses that came in from various sectors and businesses were very mixed. Of course, the economists were all over the place discussing the benefits or otherwise of enterprise zones. I did not want to go down the line that had been taken previously of displacement.

To consider the current zones, people ask why they were chosen and I think that the most obvious one is St Athan. It is an absolutely fabulous site. There are a lot of people in that area, as we know from doing a skills analysis, who have the skills for aerospace. The area lends itself to having that type of industry based there. So, I think that that was a foregone conclusion. The Vale of Glamorgan Council was particularly interested in how this could be developed. We overcame our difficulties with the Ministry of Defence. I cannot say that there have not been difficulties with the MOD, although I appreciate that it is in a very difficult position and that it has wars to run as well as worrying what is happening with its land holdings. Following our correspondence with the Minister, we now have engagement at a high level. So, that is the situation with regard to aerospace. Interest had already been expressed because of the facilities there.

Moving on to the situation with Blaenau Gwent, there are issues there with regard to what the manufacturing industries and other companies are saying to me. I have indicated the automobile industry for Blaenau Gwent, but that can be extended to aerospace. We have to have discussions on this with the local authority. There might well be interest in that site because it is very close to our borders, it is very strategically placed and we have good training opportunities there. We have land banks there, so we can deal with that. It is common sense to do that.

Moving on to Ynys Môn, the closure of Wylfa is absolutely devastating to the local population. Nuclear energy might be the subject of debate here, but when it comes to the workforce up there, people just want to ensure that there are employment opportunities. We have had a lot of interest in it as an energy island. So that seemed to be a sensible discussion to have, which I did with the commissioners up there.

On Cardiff, we have had strong representations from financial and professional services. In fact, last year, the former Deputy First Minister gave £17 million to help with the establishment of an area within Cardiff to attract companies in. We know that we have a good quality workforce all the way down the M4 corridor and in the Valleys. There is interest from financial institutions in the standards that we can provide in terms of trained staff and the location. Sometimes, in the case of call centres, our accents do us proud in terms of how it is perceived that we deal with people. I thought that that was important as well. I think that you can see that there is a degree of logic with this.

On Flintshire, I have been lobbied heavily. There is no doubt that the business community and the local authority in Flintshire have really got their act together. They were making a valid case that we do not want anyone thinking that they need to slip across the border. We have land assets in Flintshire that can be utilised and I think that the business community made a good case.

With regard to the rest of the enterprise zones, as I indicated yesterday, we are having discussions with Gwynedd because this is not just an urban issue. There are other discussions going on in the west towards Pembrokeshire and other areas where people have expressed an interest, so that has been the focus of it.

Construction, tourism and agriculture cover all of Wales. If specialist issues arise in future, perhaps with agri-foods and so on, we can look at those. We have to be flexible and discuss things properly with our partners across the piece. That is why I have been anxious to pin down the Treasury bits—not because I am being difficult, but because you need clarity to organise the full package you can give in each enterprise zone. I know that that is probably not satisfactory to the committee, but I will be making fuller announcements in due course. The door is open for anyone to raise any points with me about further enterprise zones.

Nick Ramsay: Alun Ffred, do you have a supplementary question that you want to ask?

Alun Ffred Jones: Yes, on enterprise zones. What discussions have you had with the Government in London about the issue of capital allowances and when do you expect to make an announcement on those matters?

Edwina Hart: Let us be frank, Ministers only have upfront discussions on certain key issues, and the issue of the green investment bank was one on which I felt I should have face-to-face discussions to explain my case for Wales. We have written to the Government and officials have also been liaising with their counterparts. We have had an indication, have we not, Tracey, as to when the Government is going to tell us? Is it the end of the month?

Ms Burke: I think it will be the beginning of next month, Minister.

Edwina Hart: I appreciate that we are in a situation of having a movable feast everywhere—not just this Government, but other Governments—and so I will give the UK Government the benefit of the doubt on why we have not been able to pin it down on capital allowances. There is no point in us squabbling; I just want to get the answer so that I can get on with what I need to do.

Eluned Parrott: I want to refer to something that you mentioned about St Athan, which is close to my home, and the suitability of the local site. I cannot argue with that at all, although I would hope that that would encompass the international airport, which is just 3 miles down the road at Rhoose. At that

site in St Athan, the Red Dragon project—which you obviously know the history of—and the investment that was put in about 10 years ago, aimed to have the same kind of benefits as an enterprise zone might, but has failed. What lessons have you learned from that experience?

Edwina Hart: We have looked carefully at the history of the site and at what has happened before. We have learned many lessons from it, but the biggest is that there are lots of really established companies, with very good backgrounds, out there that are interested in talking to us. So, that is the lesson that we have learned. We get accused in Government of not being nice enough to people who want to come into a market to spend their money, but, at the end of the day, you must be sure in your own mind that, in the expenditure of public money, everyone involved in a project is absolutely financially sound, has a viable business case and so on. That is what we are trying to ensure. I do not know whether James wants to say anything further about the Red Dragon project.

Mr Price: Yes, I will say just a couple of things. The original Red Dragon project failed for all sorts of reasons, other than simply the commercial ones, and UK-level decisions were involved in that. Subsequently, we were pursuing the defence training rationalisation project, which would have been very good for Wales if it had come off. The unfortunate side-effect of that was that large parts of land were, in effect, sterilised for quite a long period of time and were not open to the private sector. We are now moving quickly to ensure the maximum amount of land and that, importantly, hangar space is available to the private sector. There is massive interest in that.

Eluned Parrott: On the sectoral approach, following on from what Leanne was saying, the creative industries is one of the sectors that has not been addressed with an enterprise zone at present. There is an existing baseline of expertise in these industries across Newport and Cardiff and I am sure that the people of Newport are hopeful that you could consider that for the future.

Edwina Hart: I did consult with the sectors about what they required and, of course, we have the large development here in the Roath basin and other developments coming in as well. So, that has not been written off, but it is interesting to see, when talking about these issues, that we do not always have the level of support that we assumed we would have.

Nick Ramsay: Ken Skates, I think you have a supplementary question on this issue.

Kenneth Skates: I want to welcome the announcement of the creation of these zones, particularly the advanced manufacturing one in north-east Wales, which is very exciting. Are you able to say whether there will be any checks on how the various zones are settling in?

Edwina Hart: Yes, we will have to have those checks, because we are talking about considerable investment. Even though this is consequential funding that is yet to be allocated, there will be all sorts of issues with regard to what they do, particularly if we put in additional infrastructure. We must ensure that we are getting value for our money when we are looking at these issues, so we will have to have all sorts of checks and balances in place. We must also ensure in Wales that we sell them properly to the appropriate people, and there is a tremendous job that we have not got right about how we sell Wales—what we have here and why people should come to us. We must have a more integrated team Wales approach that will involve Government, but will also use the key anchor companies out there that are nicely settled in parts of Wales. They have already indicated to me in my discussions with them that they are happy to help with issues and to sell the fact that they might be in Flintshire or Pembrokeshire, and that it is good there. If they want to become part of this, it is the type of process that I want to start to develop, in which we are all involved in battling hard to bring in jobs.

11.45 a.m.

Nick Ramsay: Joyce Watson, do you want to come in on this?

Joyce Watson: Yes, especially on Pembrokeshire, although I cover a much bigger area. I was pleased,

Minister, that you said from the outset that you have the enterprise zones that you now have because the conditions are right, but, at the same time, that the door is not closed to anything else that might come behind that. That is an important element of the statement: people should understand that this is not it for ever, and that everything outside the immediately announced enterprise zones is not excluded forever. That is a message that people want to hear, and I am pleased to hear it myself.

Moving on from that, we know that, for every policy and strategy that goes in place, we must measure success. The First Minister's new delivery unit is up and running. Against which specific, measurable and transparent targets will the activities of your department be measured?

Edwina Hart: You will get a clearer idea of that when you see our proposals next week, when the First Minister announces how things will fit in.

Byron Davies: I have a quick question. I was disappointed that the Swansea area was not included. You just teased me with your comments about moving west towards Pembrokeshire. Can you expand on that?

Edwina Hart: It is incumbent upon me to look at all the opportunities that exist across Wales. It would be easy to say 'Let me put everything on the English border', and to look at Newport and Cardiff and the border, because that would be nice and convenient. However, we have a duty to try to enhance prosperity across Wales and to get to some of the remoter areas. Sometimes, sites are not ideal for some industries, but are ideal for others. Going back to Trawsfynydd, the site there has a nuclear licence, and there are industries other than nuclear power production that require sites with a nuclear licence. So, should we explore what type of companies would want to come to that area?

There are also global companies that like to be in secret, quiet locations for the work that they undertake. Should we be marketing on that basis? We have patches, particularly in Alun Ffred's constituency, where land is available and where things are going on. We need to market Wales carefully. However, we must be strategic about where we ask people to go and the product that they are buying. It is not a case of one size fits all. If we get a sniff of something that will bring in 1,000 jobs, let us not be naive about where that will go. We should not pretend that it could go anywhere—we have large sites, which are more than likely to be close to our border with England. I am not teasing anyone about this, but we have to look at horses for courses. I understand the disappointment over Swansea, but as I indicated yesterday, I will not have 60 happy Assembly Members by the time that I have finished making these decisions.

Nick Ramsay: Julie James, you were down to ask a question on broadband initially. In the last few minutes that we have with the Minister, I wonder whether we can try to touch on a couple of the other issues. Do you want to ask question 6?

Julie James: Yes, broadband fits nicely into the issue of enterprise zones, their readiness for business and so on. What update can you give—we know that you are in the contractual phase—about where we are with broadband? Can you say something to the committee about your ambitions for that? You commented on it in Plenary yesterday.

Edwina Hart: I am in a difficult position in discussing this. I have sent a note out to Members, containing as much as the lawyers allowed me to say publicly on anything to do with broadband. However, speaking in general terms, broadband is absolutely essential to the development of the zones. We offer a good broadband product in certain parts of Wales. That will have to be enhanced. We have to recognise that broadband access is one of the key factors in the decision for some businesses. I will be more than happy, when everything is concluded in terms of the contract, Chair, to produce a note, if you want, for the committee and to come back to be scrutinised on anything to do with it. However, at this moment in time, I do not want to jeopardise any discussions that might be going on.

Nick Ramsay: We also wanted to touch on inward investment. Would any Members like to ask

questions on that?

David Rees: In your written response, you indicated that the UK Government was holding back some money from its allocation, and that you would speak with the UK Minister about that. Have you had any further discussions or progress on that area?

Mr Price: The UK Government is holding back £105 million, off the top of my head, out of the total, which was around £500 million. We have been lobbying hard, and the Minister has asked us to lobby harder for that. The up-to-date information is that it still has not made a decision, and we are still pushing on that. Obviously, we want as much of that as we can have, and every little bit helps.

Nick Ramsay: Ken Skates, would you like to ask the question about inward investment?

Kenneth Skates: The latest figures show that the number of jobs created or safeguarded by foreign direct investment projects in Wales fell from 7,362 in 2009-10 to 3,544 in 2010-11. In light of these figures, are you satisfied with the performance of the sector-based teams within your department in attracting inward investment?

Edwina Hart: No, I am not satisfied. I am very disappointed with the figures, and that is why James is doing a full review of how we deal with inward investment in the department. We are likely to bring in a team that will oversee everything on inward investment, because the point is that you have to have the appropriate people at the appropriate level to deal with inward investors. You have to have the appropriate level of advice when there is ministerial engagement about whom you can bring to the table to put pressure on inward investors. Dare I say, it is a murky world; you get an approach, they want to ask about premises, and you know all the time that there is someone across the border, or elsewhere in the world, trying to make a better offer and deal. The director general is reviewing this; do you want to outline briefly where we are going on it?

Mr Price: As the Minister just said, we are not content with where we are on this. Obviously, the performance of the economy worldwide has dipped, which has had an effect on us, but we are not content with where we are, and we want to be a lot better. The sector teams and the sector panels have a significant role to play in pointing us in the right direction for markets, and making Wales the type of place that inward investors want to come to. However, there is a gap that we need to close, and we will be closing it very quickly—an initial team will be up and running by the beginning of next week. The gap is around strategic co-ordination, intelligence, working right across the Welsh Government on both the political and the officials side, and then, most importantly, landing the projects and the contracts. Inward investment is also about major projects, so the business community will begin to see that as of next week, in a formal sense. We have taken steps on the major projects that we are looking at now.

Edwina Hart: We are also considering where we should be in the world; that is key. I am particularly concerned to ensure that we have a larger presence in London, because London is where money enters the country, where decisions are made and where people are. It is important that we look at the role and function of our department in the context of who goes up to talk in London, and who does what and where. That is obviously a material consideration for me. We also have offices and various things abroad that come under the First Minister's portfolio, but we feel strongly that we should see where the businesses and relationships are, what type of systems you have to put in place, who deals with that work, and, importantly, when you are identifying markets where perhaps you do not have offices, how you deal with that. I had an interesting discussion yesterday with the British Chambers of Commerce, which was telling me about its international links. It wanted to do some work with us so that, sometimes, when a Welsh Government representative goes somewhere, we can ask a chamber to assist us with opening the doors and making introductions. Chambers of commerce are very important in Europe. We must have more lateral thinking, and not just do things in the traditional ways. When we go on trade delegations, we should not take the usual suspects, but people who do business there already, who understand business and can get more business in. We are talking about a fundamental rethink of how we do some of these things.

Nick Ramsay: I met with the chair of a chamber of commerce as well; there is obviously a charm offensive going on there at the moment with Assembly Members. Eluned Parrott, I think that you have a supplementary question.

Eluned Parrott: Yes. As you are not satisfied with the performance of the sector teams in leveraging in inward investment, will you be establishing a cross-sector team of specialists or reinventing the Welsh Development Agency or International Business Wales?

Edwina Hart: We must not hark back to the past. There is too much harking back to the alleged glorious days of the WDA; in the same way, people like to hark back to the glorious days of the empire, which never really existed. So, I will say 'no'. We need to take an overarching look.

I have been dissatisfied with the fact that we do not have projects, even though there has been a downturn in the economy, I do not think that that it has gelled properly. James has suggested the need for a strategic overview and a team that can deal with it, but we still have to use experts from the sector to discuss some of the issues that arise, because they are the experts in that area. However, the director general will be taking the lead on this with the senior team; I believe that that will make a difference, because where you are in the food chain is important to some companies.

David Rees: Inward investment is geared up to be linked with other aspects, and research and development is one of those aspects. Can you tell us the position of the department with regard to research and development?

Edwina Hart: We are very keen to attract high-value research and development. Obviously, where we have good relationships with existing companies, if there is ever an opportunity to get research and development in, we will do it. We also have to look at the offers that we can make to companies that might be interested in coming to Wales in terms of research and development.

We have to have much closer relationships with higher education; that is very important for us. However, it is also very important that higher education recognises that institutions cannot compete in Wales. They have to be collective in terms of the product that Wales can offer. I have met the science advisory board, which is discussing quite good issues. There are many people from HE on that board, and they are starting to recognise the need for collaboration. We have very good research and development in the life sciences sector, led by Sir Christopher Evans. We are talking about where business should be—where it will be in five or 10 years' time; where the opportunities are; where research and development can come from; and if research and developed opportunities arise, how they can be exploited to provide job opportunities. Those discussions are going on. They have got it right in Scotland. I know that higher education is a very competitive environment with regard to students, but when the opportunities arise, they have to play as a team. I know that that is the view of the Minister for Education and Skills. We have to forget some of the rows that go on between Cardiff and Swansea and what is going on with medical schools; we have to remember that if we have a product and we want it to be developed here, we have to get that into Wales.

Keith Davies: Hoffwn ddilyn ymlaen o'r hyn a ddywedodd David am ymchwil. Mae Prifysgol Abertawe yn un o'r prifysgolion gorau yn y wlad—yn Lloegr a Chymru—ar gyfer peirianneg. Os ydych yn ceisio denu pobl i'r ardal, mae'n bwysig bod arbenigedd yma, fel sydd yn Abertawe. Mae hynny'n hollbwysig a dylem ddefnyddio hynny fel arf i werthu'r ardal.

Keith Davies: I would like to follow on from what David said about research. Swansea University is one of the best universities in the country—in England and Wales—for engineering. If you are trying to attract people into the area, it is important that there is expertise here, as is the case in Swansea. That is vital and we should use that as a weapon in our armoury to market the area.

Edwina Hart: I could not agree with you more. I saw state of the art engineering earlier this week when I visited Swansea. Engineering resources are very important to the medical sector, and that is a

very important area for nanotechnology. There is also superb work being undertaken in relation to print technologies. As a Government, we have shown enormous commitment over the years to Swansea in terms of the development of the Institute of Life Science 1 and Institute of Life Science 2, and we have to build on that.

To take this a stage further, we also have to think about what we need to do about incubator units and the policy agenda that is needed in that area. I am concerned that we have not got that right in order to encourage those who are on the edge of research and development and to help them to identify where they are going.

Nick Ramsay: I know that time is pressing, but would you be willing to answer a couple more questions or do you have to go?

Edwina Hart: I think that it would be discourteous to the rest of my visitors for the day if I were to stay now, but I am happy to come back for half an hour at the next meeting if that is convenient.

Nick Ramsay: That is fine, or we could write to you to ask some of the remaining questions.

Edwina Hart: I apologise if my answers have been too long.

Nick Ramsay: They were shorter than some, which is always welcome to a new Chair. Thank you for attending, Minister; it has been a really helpful session and you have brought us right up to date with very contemporary developments. I also thank James Price and Tracey Burke for attending. That brings this session to a close.

*Daeth y cyfarfod i ben am 12 p.m.
The meeting ended at 12 p.m.*